SAGA PLC
ANNUAL REPORT AND ACCOUNTS 2021

SAGA
Experience is everything

OUR PURPOSE

To deliver exceptional experiences every day, while being a driver of positive change in our markets and communities.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

ICONS APPEARING THROUGHOUT THE ANNUAL REPORT

s172

This icon denotes information relevant to section 172(1) on pages 47-48

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Read more

Highlights

FINANCIAL HIGHLIGHTS

Underlying Profit Before Tax[1]
£17.1m
2020: £109.9m

Loss before tax
£(61.2m)
2020: £(300.9m)

Available operating cash flow[1]
£3.4m
2020: £92.7m

Basic profit/(loss) per share[1]
(67.0p)
2020: (381.7p)[2]

Underlying Earnings Per Share[1]
13.2p
2020: 121.0p[2]

Debt ratio (adjusted net debt to adjusted Trading EBITDA)[1]
2.7x
2020: 2.4x

YEAR IN REVIEW

- Positive progress made against delivery of the strategy aimed at returning Saga to sustainable growth.
- Key focus for the year has been on serving our customers and supporting the wellbeing of our colleagues in a year of unprecedented challenge.
- Insurance business performed resiliently in a highly competitive market.
- Preparations complete in anticipation of the Travel business returning to service, supported by strong customer retention and high demand for travel in the future.

OPERATIONAL HIGHLIGHTS

Robust response to COVID-19

2,100
colleagues working from home with no business interruption

Completed Cruise transformation strategy with **delivery of Spirit of Adventure** in September 2020

High level of Cruise customer loyalty with
73%
bookings retained through the COVID-19 suspension period

Well positioned to resume Travel operations as the first cruise operator awarded the new **Lloyd's Register Shield+ COVID-19 safety accreditation**

Resilient performance in motor and home insurance

1%
2020: (3%)
policy growth

59%
2020: 57%
of new business came to us on a direct basis

80%
2020: 75%
customer retention

610k
2020: 320k
three-year fixed-price policies sold

1 Refer to the Alternative Performance Measure (APM) Glossary on page 212 for definition and explanation
2 2020 figures restated to reflect the effect of the share consolidation completed in October 2020

Our business at a glance

INSURANCE

Saga's Insurance business remains the largest part of the Group and comprises:

- Retail Broking, which provides tailored products, principally motor, home, private medical and travel insurance; and
- Underwriting, representing the Group's in-house underwriter, Acromas Insurance Company Limited (AICL), which sits on the panel of insurers and underwrites 70% of Saga's motor insurance policies.

Operating and Financial Review, pages 32-36

TRAVEL

The Travel business has been the heart of the Saga brand for many years. As a consequence of the COVID-19 pandemic, the Group suspended Travel operations in March 2020.

The two components of the Group's Travel business are:

- Cruise, providing boutique ocean cruises onboard its new luxury cruise ships, Spirit of Discovery and Spirit of Adventure; and
- Tour Operations, offering package holidays including escorted tours, special interest trips, hotel stays and river cruises.

Operating and Financial Review, pages 36-37

OTHER BUSINESSES

The Group's Other Businesses include:

- Saga Personal Finance, offering principally equity release and savings products;
- Saga Magazine; and
- Our in-house mailing and printing business.

Operating and Financial Review, page 37

Strong delivery against targets set

- Growth in Saga-branded motor and home policies, after several years in decline.
- Improvement in customer retention due to the positive impact of our three-year fixed-price product.
- Increase in the proportion of customers coming to us on a direct basis.
- Margins per policy in line with expectations.
- Launch of our new motor price-comparison website proposition, COVID-19 inclusive travel insurance and online self-serve portal for customers.

Retail Broking Underlying Profit Before Tax

£75.9m

2020: £90.2m

Underwriting Underlying Profit Before Tax

£58.7m

2020: £40.6m

Core Saga branded motor and home policy count

1,617k

2020: 1,600k

Underlying reported combined operating ratio (COR)[1]

70.8%

2020: 83.0%

Well placed to operate once government restrictions allow

- The Group suspended Travel operations in March 2020.
- Safe repatriation of all customers and crew ahead of the first lockdown.
- Implemented operational changes, ensuring the highest level of health and safety standards; including the requirement that all customers are fully vaccinated ahead of their departure.
- Reset our Tour Operations business to focus on offering a higher-quality, differentiated product portfolio that is consistent with the Saga brand.

Underlying (Loss)/Profit Before Tax

£(78.5m)

2020: £19.8m

Continued review of non-core businesses

- Completed sale of the Group's Healthcare operation.
- Launched a digital version of the Saga Magazine which has been well received.

Underlying Profit Before Tax

£2.8m

2020: £4.6m

1 Refer to page 35 of the Operating and Financial Review for how this measure is calculated and defined

Chairman's Statement

s172 Section 172 matters are addressed throughout this statement

"The strategy requires us all to work hard to understand the lives and needs of people in our market, and to deliver relevant products and services of high quality and excellent value, always striving to achieve the best standards of customer service."

SIR ROGER DE HAAN
Non-Executive Chairman

2020/21 was extraordinary for Saga. Like most other companies, we have had to deal with the unprecedented threats posed by the COVID-19 pandemic, including the lockdowns and ensuing uncertainties. We also took the opportunity to address some long-standing, fundamental issues within our organisation. Euan Sutherland, Saga's new Group Chief Executive Officer (CEO) and his senior team, most of whom have only joined the Company in the last two years, have responded to all challenges extremely effectively.

I joined the Company as its eleventh employee in 1966. When Saga was floated for the first time in 1978 and I was Managing Director, our principal business was operating holidays for older people. It was in 1984, when my father who had founded the Company retired, that I became Chairman and CEO and we began to focus on developing our Insurance and Financial Services businesses. This diversification has served Saga well through the challenges of the past financial year.

On 5 October 2020, I became Non-Executive Chairman after the Company's successful capital raise which generated £150m (approximately £140m net of costs). I personally invested £100m for just over 26% of the share capital. I did this, not only because I realised that it would substantially improve the Company's position but because I thought I was making a sound investment, and felt that my long experience with Saga could benefit the Company today.

I was attracted by Euan Sutherland's plans for the business and particularly by his determination to refocus the Company to concentrate on serving its customers better. During the last financial year, Saga sold a number of non-core businesses which no longer fit with the new strategy, as well as our old cruise ship, Saga Sapphire.

We renegotiated more favourable repayment terms for the facilities which funded the purchase of our two new cruise ships ordered in 2015 and 2017 and delivered in June 2019 and September 2020. Our balance sheet strengthened during the year and, at our year end, our net bank debt, excluding the two cruise ship facilities, was £115m lower than in the prior year, enabling us to agree flexibility within the covenants attached to our term loan and revolving credit facility (RCF). Colleague and marketing costs were £37m lower than the previous year and a decision was made not to draw on any government funding.

During the year, we increased the number of our Insurance customers (excluding for travel insurance) and, despite combined losses of £78m from our Travel business that was not able to generate revenues for 10 months of the financial year, we earned an underlying profit of £17m. Given the global challenges, this was a highly satisfactory result.

In January 2020, Euan Sutherland took over the executive leadership of a company which, not long after it had been floated in 2014, had begun to see a significant downward trend in the number of its Travel customers and Insurance policyholders, as well as of its income and underlying profits. In February last year, Euan introduced a plan for Saga to become more efficient and to reduce costs. However, by the end of February 2020, the senior management team realised the seriousness of the threat of the COVID-19 pandemic and began to develop a new plan which included office-based colleagues being able to work from home. Within a few hours of the Prime Minister's announcement of the first lockdown on 23 March 2020, we contacted 95% of Saga's office-based colleagues. Within a week we distributed over 1,500 laptops with access to the Company's computer systems, ensuring that Saga's customers faced no interruption as we supported the transition of over 2,000 people moving from office to home working.

Although none of our customers have been able to travel since the first lockdown, we needed substantial numbers of colleagues to assist customers who had already booked holidays and cruises, and to be able to provide a good service to those who wished to book new holidays. We also had to continue to work with our suppliers. All this was without knowing when our Travel operations could start again. We have implemented a raft of measures to ensure that our holidays will be COVID-19 secure and have recently announced that we will only take customers on holiday who have been fully vaccinated. Our Travel businesses are therefore well-prepared to start their programmes in 2021 when travel is allowed again.

Saga's Insurance Broking arm saw a return to growth in the number of customers for its main lines of business, motor and home insurance. This was achieved by greatly improving customer retention. It also generated a greater proportion of direct sales, relying less on price-comparison websites. Saga's Underwriting company, AICL, experienced continued favourable development on large bodily injury claims, alongside reduced claims frequency in line with the rest of the market.

"Our Travel businesses are therefore well-prepared to start their programmes in 2021 when travel is allowed again."

Saga's magazine continued its printed circulation with over 200,000 subscribers, and recently successfully launched the digital version of the magazine.

During the year, despite the massive distraction caused by the pandemic, Euan Sutherland successfully launched Saga's new strategic plan, and this is now being embedded in the organisation. The strategy requires us all to work hard to understand the lives and needs of people in our market, and to deliver relevant products and services of high quality and excellent value, always striving to achieve the best standards of customer service. The plan sets these objectives in the context of our digital age and requires the Company to continue to invest in its technology. It restructures the business with a leaner operating model that will lead to a more efficient and collaborative way of working. Management layers have been reduced from 17 to 5.

To ensure excellent virtual communication within the organisation, technology has been used very effectively and considerable emphasis has been placed on providing support for the wellbeing of all those working from home. Despite the uncertainty created by the pandemic and the major changes the organisation has been through, our surveys show that our team morale remains strong and is better now than at the beginning of the financial year.

During the last financial year, we sought ways to meet our Environmental, Social and Governance (ESG) responsibilities even more effectively and we will continue to develop our reporting to reflect the progress we are making.

I would like to thank everyone at Saga, including our Board, for working so hard and embracing so enthusiastically the changes we have had and have chosen to adopt. I would also like to congratulate Euan Sutherland and his senior management team. Given our circumstances, the financial results were very encouraging and we are beginning to lay the foundations for the Company to prosper in the future. I look forward to celebrating our 70th anniversary this year.

SIR ROGER DE HAAN
Non-Executive Chairman
6 April 2021

Group Chief Executive Officer's Statement

s172 Section 172 matters are addressed throughout this statement

"I would like to acknowledge the strength, agility, resilience, and determination I have witnessed from our colleagues in what has been a particularly challenging year."

EUAN SUTHERLAND
Group Chief Executive Officer

I could never have foreseen the challenges that Saga would face in my first full year as Group CEO. With that being said, I am very proud of the way we responded, and I am confident that Saga is in a stronger position, with a clearer direction now, than when I joined in January 2020. Despite the issues that the year presented, we made good progress against our strategy, all the while placing the safety of our colleagues and customers at the forefront of our thinking.

As for many other businesses, the COVID-19 pandemic has had a significant impact on Saga, both financially and operationally. We have shown tremendous resilience in navigating the impact of the pandemic and every single one of our colleagues has played their part.

As such, I am pleased to report that despite the challenging backdrop, the Group generated an Underlying Profit Before Tax of £17.1m, reflecting resilient trading in the Insurance business as it makes progress against the targets set in April 2019, and the suspension of the Travel business from March 2020. Overall, the Group reported a loss before tax of £61.2m, due to an impairment of Travel goodwill in the first half of the year.

In Insurance, motor and home policies returned to growth, with sales volumes 1.1% higher than in 2019/20, following several years in decline. Our three-year fixed-price product continues to improve customer loyalty with motor and home retention at 80.5%, 5ppts higher than the prior year, with over a third of customers choosing the three-year product. Acquiring new business on a direct basis continued to be a priority and in 2020/21, 59% of customers came to us through this route, representing a 2ppt improvement on the prior year. Motor and home margins per policy were £74, in line with the expectations set at the beginning of the year.

Despite the Travel business being suspended, customer demand remained strong; with £154m of total Cruise bookings across 2021/22 and 2022/23, in comparison with £128m at the same point last year, representing a 20% improvement. This excludes 2020/21 bookings that have been cancelled where the customer has indicated that they want to rebook but have yet to do so on a specific cruise. Customer retention across both businesses remains high with Cruise at 73% and Tours at 43%.

Focus continued on managing our levels of debt and maintaining sufficient liquidity through the period of Travel disruption. Following the actions taken to provide further flexibility, the Group had available cash of £75.4m at the year end, excluding the £100m RCF which remained undrawn.

With the actions taken, I am certain we are on the right path to ensuring Saga gets back to doing what it does best, delivering exceptional experiences for our customers.

STRATEGIC UPDATE

Saga launched its strategic turnaround plan, *Transforming Saga – Experience is Everything*, in September 2020. The new strategy is firmly rooted in our heritage and aims to create a refreshed, contemporary and confident brand with a data and digital-led approach to improving our customers' experiences.

At our core, we remain the same, a unique British business focused on providing exceptional, differentiated products and services to our distinct customer group. We are aligning our people and products to focus on delivering exceptional experiences for our customers every day, whilst being a driver of positive change in our markets and communities. This will strengthen our relationship with our customers, and it will address many of the challenges the business has faced in the last few years.

> **"We remain confident that the disciplined execution of our turnaround strategy will unlock the potential that exists within Saga, creating significant long-term value for our investors."**

The strategy is designed to drive growth in revenues, profit and cash over the long term, while improving the financial strength of the business by reducing debt and delivering sustainable returns for our investors. It is focused on delivery under each of the following five pillars.

1. People and culture step change

We recognise our colleagues underpin our success, and so they, and the culture in which they operate, represent our first priority. Promoting an environment of openness, transparency, and trust, where colleagues can feel that they are heard and be themselves is of great importance to me. To foster this culture, we launched our new internal communications platform, Workplace, which encourages colleagues to share experiences, communicate, collaborate, and also have fun. We expanded our continuous listening strategy to include several new channels of communication, including a series of focus groups and inclusion forums, providing colleagues with the opportunity to feel as though they belong, encouraging them to speak up and express their views.

I am pleased with the way that all colleagues have interacted with the changes and, to date, we have received overwhelmingly positive feedback. Despite the difficult year that we had, the result of our most recent colleague survey was an improved engagement score of 7.3 (out of 10), and a record 92% participation rate. This compares with a score of 7.0 in September 2020, with the highest scores seen in categories including management support and peer relationships. We recognise that there is still work to do, and that it is not something we can change overnight. As such, we will continue to monitor engagement, building the appropriate action plans and work with colleagues to make the changes that matter to them.

Group Chief Executive Officer's Statement continued

We have launched a set of core values that underpin our purpose and represent who we are and the way in which we work. These values are precision pace, empathy, curiosity and collaboration, all of which are key qualities needed to ensure we deliver the best experiences for each other and our customers. Colleagues have welcomed these new values, applying them to situations they encounter every day in life at Saga.

The unique challenges of 2020 impacted us all and our colleagues were no different. As with many people, the adjustment to new ways of working, separation from loved ones and, for many, home schooling young children, have been difficult to manage. The mental wellbeing of our colleagues has been a key focus, with enhanced support provided via additional on-call Mental Health First Aiders (MHFAs), the introduction of a dedicated Wellbeing Manager and the use of national campaigns and awareness days to highlight the support available. We believe mental health should be understood, nurtured and celebrated, and to ensure our colleagues have access to the right care at the right time, we invested in the Unmind platform. This app is aimed at empowering colleagues to improve their mental wellbeing through a variety of self-help tools and techniques.

Despite the fantastic progress, our people and culture step change will continue to be a priority for the coming years, as the changes made will take time to embed. Our immediate focus for 2021/22 will centre around living the new values and leadership behaviours, further building capability in key roles, reassessing our framework for colleague reward and continuing to create exceptional experiences for our colleagues.

2. Data, digital and brand transformation

As a leadership team, we have also been focusing on assessing the investments made over the last few years so that we can build on and further optimise them, repurposing technology wherever possible in order to reduce complexity. Given the nature and size of the ambition, our data, digital and brand transformation represents a multi-year strategy.

Since the launch of our strategy, a key focus has been the ease with which customers are able to interact with us in the digital landscape. We launched a series of improvements to our mobile app, including the addition of web chat functionality, alongside our recently launched Saga Magazine app, which has been well received, achieving an Apple App Store rating of 4.7 out of 5.0.

Our priorities for the short to medium term include the relaunch of our brand essence, Experience is Everything, planned for later in 2021. This will form part of a multi-year campaign designed to enhance brand awareness and optimise marketing activity, whilst representing a contemporary brand.

Work has started on the development of a single Group-wide customer digital data platform which builds on and optimises the investment made in recent years. This will continue to be a key focus for 2021/22. Once complete, it will enable us to reduce complexity across our systems and provide a clearer view of each customer across all our businesses.

3. Optimising our businesses

Insurance

During the COVID-19 pandemic, we have all needed a little extra support, and our customers have been no different. We proactively contacted customers to encourage them to let us know if their circumstances had changed; whether that be a reduction in mileage or the requirement to add another driver to their policy. For customers facing financial hardship, we offered support through payment holidays and fee waivers, where appropriate. We continue to proactively review our pricing, applying premium reductions to reflect reduced driving activity throughout the pandemic.

Aside from a lower volume of claims, reflecting a reduction in miles driven during lockdown periods, the Underwriting business observed continued favourable experience in relation to large claims for bodily injury. This resulted in reserve releases of £38m for the year.

Saga continuously looks at ways to evolve our product offering with the needs of our customers in mind. Innovation continued within Insurance with the launch of our new motor price-comparison website product, offering customers greater flexibility when determining the product that is right for them. Given the increasing number of consumers utilising digital platforms, we also launched our self-serve portal, allowing customers to make common policy amendments online. Additionally, in response to the current uncertain times, we were one of the first insurers to offer COVID-19 inclusive travel insurance, ensuring that our customers have peace of mind whilst travelling.

The quality of the products we sell and the exceptional service we offer continue to be recognised formally by our customers. Most recently, Saga was awarded 'Best Home Insurance Provider' as well as 'Best Big Insurance Company' at the 2020 Insurance Choice Awards.

As we look to 2021/22, we continue to actively review and develop our product offering in order to meet the desires of our customers and the requirements of the regulatory landscape, whilst completing the foundations required to set the business on the track of longer-term growth.

Travel

Saga's Travel business suspended operations in March 2020. Through these extraordinary times, we prioritised the safety and wellbeing of our customers and crew. This was demonstrated through the repatriation of all guests and crew and the flexibility we offered in relation to cancelled departures, with the option for a cash refund, voucher towards a future booking, or the opportunity to rebook a specific destination.

Following the arrival of Spirit of Adventure in September 2020, Saga's ocean cruise fleet comprises two new, technologically advanced cruise ships. One of the key benefits of this is that it will allow us to offer our guests the highest level of health and safety standards in the industry at a time when that is of paramount importance. Given the further considerations arising from the COVID-19 pandemic, Saga has worked to develop the very best safety protocols allowing us to operate in the COVID-19 world once we are able. As we restart cruises, we are keeping all our current health and safety measures in place to ensure our cruises are as safe as possible. This includes our vaccination policy and initially operating a reduced guest capacity. Keeping to a restricted number of guests feels like the right thing to do as we restart, but we will look to take more guests and move back to full capacity over time. Our enhanced safety procedures include:

– increasing our crew to guest ratio, to enhance our onboard cleaning regimes;
– a private chauffeur car per household up to a range of 250 miles, for departures within the initial restart period;
– additional enhancements to our state-of-the-art air conditioning which already provides 100% fresh air in all cabins and public areas; and
– improved and expanded medical facilities with a new dedicated isolation area and a doubled medical team.

Following the implementation of these and other measures, Saga was awarded the first Lloyd's Register Shield+ accreditation, the highest level of health assurance available.

During the COVID-19 suspension period, we took the opportunity to reset the Tours business. Tour Operations will return to the DNA that contributed to the success of Saga Holidays for so many years, offering a higher-quality, differentiated product portfolio; emphasising peace of mind, unique and aspirational holidays tailored specifically for our customers. Leveraging the insights gained from our Cruise transformation programme, we are extending our Tours product proposition to include a second new river cruise ship. Launching in 2022, Spirit of the Danube will join its sister ship, Spirit of the Rhine, to allow customers to enjoy our luxury cruise experience whilst voyaging on the riverways of Europe.

We have maintained an agile approach throughout the year and are ready to resume operations in 2021, although any changes to government travel guidance may impact those plans.

4. Driving simplicity and efficiency

We continue to adopt a cost-conscious approach, ensuring that where possible we maximise efficiency by reducing cost and removing complexity, simplifying our activities across the Group.

Following our review of the organisational structure, looking at both the services we needed to provide and the resources we had to do so, we had no option but to make the difficult decision to reduce our number of colleagues. Treating all colleagues with the utmost care and respect during this process was paramount in our approach to enhancing redundancy terms, outplacement offers and maintaining transparent two-way conversations. As a result of this process, the number of colleagues was reduced by 36% (including non-core disposals, permanent reductions and temporary travel measures).

Through disciplined cost management during the suspension period, the Travel businesses were also able to achieve significant savings in both marketing and administration costs and delivered cash burn costs in the second half of the year at the lower end of £6-8m per month guidance.

Saga remains on track to achieve run rate cost savings of £20m over time and will continue to assess possible efficiencies in the business to ensure that it is operating at the optimum level for the future.

5. Reducing our debt

One of Saga's key objectives has always been to proactively take decisive action to strengthen the balance sheet, reduce debt and maintain financial resilience. This has been more important than ever given the uncertainty of the COVID-19 pandemic.

Our focus in this area during 2020/21 was on reducing covenanted short-term debt, with a net debt to EBITDA leverage ratio (excluding the Cruise business) of 2.7x at 31 January 2021, marginally higher than the prior year, despite significantly lower EBITDA.

Following the actions taken throughout the year to enhance our financial flexibility, including the capital raise which generated approximately £140m of proceeds and agreement of further extensions in relation to both the corporate and ship facilities, we remain well placed to support the delivery of our strategy and the planned restart of the Travel business.

Acknowledging that the actions taken would not have been possible without our shareholders or financing partners, I would like to take this opportunity to thank them for their continued support through a difficult year.

The Group continues to focus on the preservation of cash and management of debt levels, with the objective of reducing total debt leverage to under 3.5x EBITDA, providing Saga with a strong foundation for future growth.

FCA MARKET STUDY

The final recommendations of the Financial Conduct Authority (FCA) market study on general insurance pricing practices are expected in the second quarter of 2021 with implementation due to be complete by the end of 2021. The FCA is proposing that, when a customer renews their motor or home insurance, the price offered should be no greater than if the customer were new to the insurance company. Although we expect some short-term financial impact from the change, as pricing adjusts across both new business and renewals, we approach the implementation of the expected recommendations with confidence and, following our recent pricing changes and planned enhancements to our product offering, believe that we are well placed to operate successfully in a price equalisation market.

THE FUTURE

The current financial year will be a hugely important period of transition, against the continued backdrop of the COVID-19 pandemic.

Within Travel, ahead of the full roll out of the vaccine programme, we are poised to restart both operations in 2021, as soon as government restrictions allow.

We will continue to prioritise the preservation of cash and manage levels of debt; however, given the continued uncertainty arising from COVID-19, we are not in a position to provide earnings guidance for the 2021/22 financial year. We remain confident that the disciplined execution of our turnaround strategy will unlock the potential that exists within Saga, creating significant long-term value for our investors.

Finally, I would like to acknowledge the strength, agility, resilience, and determination I have witnessed from our colleagues in what has been a particularly challenging year, and I would like to thank each and every one for their contribution.

EUAN SUTHERLAND
Group Chief Executive Officer
6 April 2021

Market overview

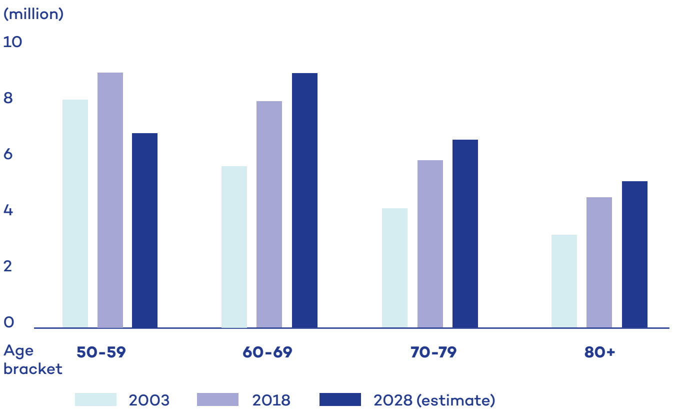
Saga operates in a dynamic environment across multiple sectors to meet the needs of its target demographic.

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

THE SAGA CUSTOMER

Whilst Saga's target market is people aged over 50, our core customers are often aged over 70. This segment of the over 50s market is large, affluent and is expected to grow. For 2020, the number of people aged over 70 was estimated at 9.2 million people[1], representing 14% of the United Kingdom (UK) population with total disposable wealth of £1.8 trillion (23% of the UK's total). As the population of the UK ages, the number of people over 70 is expected to grow from 9.2 million in 2020 to more than 10.9 million by 2030, with the proportion of the population aged over 70 increasing from 14% to 18% over the same period.

Growth of UK population over 50 by age[1]



Saga's investment in strengthening customer insight and ability to stay abreast of the changing sentiments and behavioural traits of our core target market have continued to support its strong presence with people aged over 70; 78% of Saga's Travel customers and 56% of Insurance customers are aged 70 and over.

Vulnerable customers

s172 Saga aims to create exceptional experiences for all customers. We recognise that we will interact with customers who require additional support or are in a vulnerable situation every day, and are committed to making their experience with Saga exceptional. We take a continuous improvement approach to identifying and supporting vulnerability across the Group, with specialist teams and dedicated resources working to ensure all customers receive a consistent experience.

Competition for customers

The Group faces significant competition for business within the sectors in which it operates. Competition for customers continues to increase, in particular in the more commoditised parts of the insurance and travel markets, where customers can buy simple and cheap products easily online. Within this context, it is increasingly important that Saga continues to offer its customers differentiated products and services that truly meet the needs of its demographic.

Within Insurance, Saga has the data capability to accurately price risk for our segment of the market whilst offering compelling product propositions such as the three-year fixed-price product and COVID-19 inclusive travel insurance. In Travel, the nature of our Cruise offering with state of the art mid-sized boutique ships is designed with the experience of people over 50 in mind. These are just some of the compelling reasons for customers to come to, and stay with Saga.

REGULATORY AND LEGISLATIVE DEVELOPMENTS

Regulatory context

The Insurance business is regulated primarily by the FCA and the Gibraltar Financial Services Commission (GFSC), operating under the Solvency II Directive, with the Travel businesses regulated by the Civil Aviation Authority (CAA). The Travel businesses are members of the Association of British Travel Agents (ABTA), the International Air Transport Association (IATA) and the Federation of Tour Operators (FTO). These are well-recognised trade bodies with codes of conduct which members are required to adhere to. All parts of Saga operate procedures to comply with other key regulations and legislation including but not limited to the Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and health and safety legislation.

FCA market study

In September 2020, the FCA published the general insurance pricing practices final report which set out proposed remedies to address the difference between new business and renewals pricing for loyal customers within the motor and home insurance markets. The FCA are due to issue a Policy Statement, which will confirm the final remedies by the end of May 2021. Firms will have until the end of September 2021 to implement the systems, controls and product governance rules, and until the end of 2021 to implement the pricing, auto-renewal and reporting requirements. Saga believes that, in aggregate, the changes proposed for the market will be good for consumers and will benefit strong brands with a clear focus on delivering for customers, and will be positive for its place in the market. Work is well progressed to ensure processes and products align to the proposed remedies and we will further refine the changes once the final rules are published.

Cash restrictions for Travel businesses

Following discussions with the CAA, the main regulator for the Tour Operations business, in October 2020 the Group established a trust arrangement for new and existing bookings. As a result, all customer cash relating to Tour Operations is held in a separate trust and is only available to pay suppliers and for other corporate uses once the customer has returned from holiday.

1 Office for National Statistics – 2018-based principal projections

Purpose and business model, pages 12-13
Strategic priorities, pages 14-15
Environmental, Social and Governance, pages 18-27
Principal risks and uncertainties, pages 28-29

MACROECONOMIC CONDITIONS

COVID-19

At the prior year end, Saga mobilised its crisis management team to plan for and manage the impact of the global spread of COVID-19. Over the year, the situation has evolved rapidly into a global pandemic with far-reaching societal and market consequences. In line with the escalating threat, we developed and implemented operational and financial resilience plans to ensure the safety of our customers and colleagues, and to enable the business to trade through these uncertain times.

s172 Within one week of lockdown, Saga had over 2,000 colleagues working effectively from home, with no reduction in customer satisfaction levels. During this time, whilst many other firms were reliant on government financial support, Saga has remained resilient without the need for this. Saga has also taken this opportunity to re-evaluate our ways of working to become more home-based permanently. We are therefore reassessing our property portfolio with a view of simplifying it going forward and enhancing the offices which are retained.

The Travel business has been severely impacted by the effects of the COVID-19 pandemic since its suspension in March 2020. Since then, the Group has been working closely with the UK Government and industry bodies to plan for the safe resumption of Travel which is expected in 2021, subject to the easing of government restrictions.

s172 For all Saga Travel customers, the Group has introduced the requirement that guests are fully vaccinated at the time of travel. This is in addition to Saga's previously agreed enhanced safety procedures. In Tour Operations, these include the implementation of strengthened due diligence across the supplier base; stringent documentation of enhanced training procedures; and preparation of clear guest communications detailing destination-specific COVID-19 requirements ahead of their departure. In Cruise, these include an initial reduction in guest capacity; enhanced medical areas and air conditioning to prevent the spread of infection; multi-layer COVID-19 testing ahead of departure; increased crew to guest ratios; enhanced cleaning regimes; and a quarantine and testing procedure for crew.

These measures further complement the nature of Saga's spacious, boutique ships which offer fresh air in all cabins, control of airflow in public spaces, and ionisation and ultra-violet filter capability, enabling the safest experience for our guests. Following implementation of these health and safety standards, the highest in the industry, Saga was awarded the first Lloyd's Register Shield+ accreditation, the highest level of health assurance available.

The long-term impacts of the COVID-19 pandemic remain unclear and the Group will continue to adapt operational resilience plans and the financial stress tests as the situation develops.

Brexit

Under the terms of the European Union (EU) (Withdrawal Agreement) Act 2020, the UK withdrew from membership of the EU on 31 January 2020 and entered into a transition period which expired on 31 December 2020. A trade deal was agreed between the UK and the EU, effective 1 January 2021. Saga is not currently anticipating any material adverse impacts arising from the trade deal, however the main risks being monitored include:

- Loss of access to the Tour Operating Membership Scheme (TOMS) which would require tour operators to register in each EU member state for VAT purposes.
- Potential for higher motor claims costs due to an increase in the cost of parts imported from the EU and the heightened risk of extended repair durations and delays.
- Dependencies on third parties who themselves may be impacted by Brexit.
- Potential for increased costs of private medical insurance claims for medication or prostheses sourced from the EU, and of travel insurance claims due to removal of the European Health Insurance Card (EHIC).
- Tour Operations employment of UK nationals in the EU.
- EU nationals working for Saga in the UK, although the impact of this is minimal.

For all of these risks, Saga has sought to understand the nature of the risk and taken the appropriate action to minimise the exposure.

The Group's underwriting business, AICL, is a Gibraltar registered company operating through a branch in the UK. AICL provided regulated insurance services into the UK under its Solvency II branch passport up until the end of the Brexit transition period that expired on 31 December 2020. Gibraltar and the UK have established a new Gibraltar Authorisation Regime (GAR) allowing Gibraltar-based financial services firms continued market access to the UK and continuing to align standards and supervisory practices with those of the UK. This regime forms part of the UK Financial Services Bill which was introduced to Parliament on the 21 October 2020 but is still going through the Parliamentary approval process. Ahead of the introduction of the new permanent GAR regime, the UK Government introduced the Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2019 and the Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019 to ensure that market access rights between Gibraltar and the UK are protected both beyond the end of the transition period and ahead of the commencement of the permanent market access regime as part of the Financial Services Bill.

Purpose and business model

OUR PURPOSE

Saga exists to deliver exceptional experiences for our customers every day, whilst being a driver of positive change in our markets and communities.

CREATING VALUE USING OUR DISTINCTIVE STRENGTHS

Saga continues to invest in the core assets which set us apart and drive our long-term value creation. Our strengths are central to the functioning of the Saga Model, execution of our strategy and ultimately the delivery of value to our key stakeholders.

Strategic priorities, pages 14-15
Key performance indicators (KPIs), pages 16-17
Environmental, Social and Governance, pages 18-27
Principal risks and uncertainties (PRUs), pages 28-29

Our colleagues
Our colleagues are core to our brand. We continue to invest in building a high-performance and highly-supportive culture. We encourage our people to do the best work of their lives, creating exceptional experiences for our customers.

Brand strength
In a highly competitive environment, Saga's brand remains a significant differentiator and driver of value. We recognise that the strength of our brand supports our direct marketing model, drives customer purchases and improves retention.

Our customers
Customers remain at the heart of our business, and our focus on them provides insight into their behavioural traits and sentiments, allowing us to develop and deliver the differentiated products that they desire with the exceptional service that they deserve.

Supplier partnerships
Our supplier relationships are fundamental to our business model. The specialist skills, knowledge and capital that our partners provide help us deliver the best outcomes for our customers.

Proprietary data and technology
We continue to invest in renewing and refreshing our systems capabilities and in strengthening our ability to capture insights at every point of contact with both our existing and potential customers. This enables us to tailor our offerings to suit their specific needs.

Financial resilience
Insurance operations remain highly cash generative as much of our profit after tax is converted into cash. Notwithstanding the Travel business being suspended since March 2020, the Group overall generated positive operating cash flow for the year. This continues to provide the flexibility to balance investment in the brand and core businesses with debt reduction. Throughout these unprecedented times, with the support of financing partners, Saga has continued to demonstrate its financial resilience and ability to react to developments in an agile manner.

UNDERPINNED BY OUR COLLEAGUES, CULTURE AND VALUES
Our purpose is to create Exceptional Experiences Every Day. Our values represent who we are and how we work, brought to life every day by our colleagues. We believe that every interaction, in whatever form that takes, should reflect these values.

Precision pace
Always owning and making things happen
We agree clear goals and plans, we move quickly and boldly, and we act and take ownership.

DELIVERED THROUGH THE SAGA MODEL

A strong brand
The Saga brand is both highly trusted and well recognised within its target demographic.

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

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

Outstanding service
Our customers know what good service looks like, expect the best, and recognise it when they get it. We monitor feedback and the quality of customer service provided by our in-house and third-party teams to ensure we always deliver exceptional experiences.

CREATING VALUE FOR OUR STAKEHOLDERS

Saga is committed to maximising value for our key stakeholders.

Customers
Our customers are at the heart of everything we do. We recognise that our customers do not define themselves by age, but by attitude, aspiration and an appetite for adventure. We use this knowledge to design bespoke products and services aimed at creating exceptional experiences and developing long-term relationships with our customers.

Colleagues
Our success relies on having highly engaged colleagues who are committed to delivering exceptional experiences. We invest in strengthening the capabilities of our people, building a diverse and inclusive environment where our colleagues can feel they belong, supporting their wellbeing and promoting reward and recognition.

Community
Saga is committed to being a driver of positive change in our communities through charitable giving, employee volunteer programmes and minimising the impact of our operations on the environment. We are proud to represent and advocate for our customers on a range of issues that affect people over 50 in the UK.

Partners and suppliers
Our partners and suppliers support our ability to deliver the products and services our customers desire. Saga aims to select partners and suppliers that either have specialist skills, knowledge, capital or whose causes are close to our customers' hearts. Our partners and suppliers benefit from our brand, customer knowledge and access to an attractive demographic.

Shareholders
Saga aims to enhance long-term value for shareholders by optimising our core businesses, returning to sustainable growth and accelerating deleveraging.

s172 In order to protect the Group's financial position in light of the COVID-19 pandemic, the Board announced in April 2020 that it had suspended dividend payments to shareholders. The Board does not expect to pay dividends until 2023 at the earliest, given the restrictions under current financing arrangements.

Empathy
Always aware of others
We always understand and acknowledge how someone else is feeling and their experience, and we walk in their shoes.

Curiosity
Always asking why?
We are open minded, always seeking new insights and learning about our customers, markets, competitors and each other, and we welcome and provide challenge.

Collaboration
Always one team, the Saga team
We are one team, we get on the bus and work together, we are inclusive and value difference.

Strategic priorities

Continued disciplined execution against new strategy to unlock Saga's potential.

In September 2020, Saga announced its turnaround strategy, *Transforming Saga – Experience is Everything*, intended to build on Saga's heritage while responding to the challenges faced by the business today.

Key

- £ Measures directly linked to our Annual Bonus Plan (see pages 82-84)
- Underlying Profit Before Tax
- Dividend per share (pence)
- Available operating cash flow
- Underlying Earnings Per Share
- Colleague engagement
- Leverage ratio
- Customer NPS
- A Reference to the relevant PRU on pages 28-29

Key performance indicators, pages 16-17
Environmental, Social and Governance, pages 18-27
Principal risks and uncertainties, pages 28-29
Directors' Remuneration Report, pages 77-110

1 PEOPLE AND CULTURE STEP CHANGE s172

Objective

Reset and relaunch Saga's new purpose, values and leadership behaviours to engage colleagues in the true Saga spirit and create a culture to deliver and maintain Saga's transformation.

Performance indicators £

- Successfully launched and embedded new purpose, values and leadership behaviours amongst colleagues.
- Simplified operating model, reducing management levels from 17 to 5.
- Rapid response to COVID-19 with over 2,000 colleagues working from home.
- Enhanced colleague communication with the launch of Workplace, alongside multiple forums allowing colleagues to interact with senior management on a more personal level.
- Extensive mental wellbeing support for colleagues through our #Sagamindsmatter initiative.
- 92% participation in most recent colleague engagement survey, scoring 7.3 out of 10, +0.3 higher than in September 2020.
- Defined ambition to create a culture where colleagues can be their exceptional self.
- Created transparency, using data to understand our gaps, explored and listened to colleagues through a series of focus groups and are now building awareness.

KPI

PRU D F H

2 DATA, DIGITAL AND BRAND TRANSFORMATION s172

Objective

Transform the digital experience for our customers, focusing on a faster, less complex and familiar customer journey. Optimising previous investments, develop data solutions to create a unified view of the customer across our businesses.

Enhance brand awareness and optimise marketing activity through the launch of our new modernised Saga brand.

Performance indicators £

- Launched a digital version of the Saga Magazine, achieving an Apple App Store rating of 4.7 out of 5.0.
- Launched a series of improvements to the Saga customer app, including web chat functionality.
- Launched our digital self-serve portal, enabling customers to make common policy amendments online.
- Commenced the process of migrating customer data from many legacy platforms to a new, modern data architecture.
- Increased the volume and frequency of research to monitor customer needs, attitudes and insights during the COVID-19 pandemic.
- Implementation of Radar Live which provides increased data capacity and faster, more efficient pricing capability.
- Increased customer retention across motor and home by 5ppts to 80%.
- Record customer net promoter score (NPS) of 44.

KPI

PRU B E J

UNDERPINNED BY OUR STRONG COMMITMENT TO OUR SUSTAINABILITY STRATEGY

3 OPTIMISING OUR BUSINESSES

s172

Objective

Re-establish Saga through quality, exemplary service and by building differentiated propositions that deliver real value for money for our customers.

Strengthen the foundations of our core businesses by simplifying processes and addressing customer concerns, while keeping costs down.

Performance indicators

£

Insurance

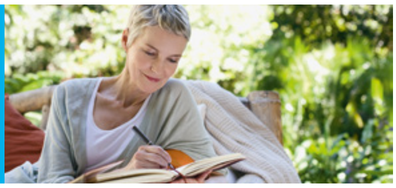
- Continued differentiation with 610,000 three-year fixed-price policies sold and implementation of enhanced travel insurance to include COVID-19 cover.
- 59% of new business acquired directly, 2ppts ahead of prior year. Growth in motor and home policies of 1.1%, despite the competitive environment.
- Motor and home gross margins of £74 per policy, in line with guidance.
- Launch of our new motor price-comparison website proposition, providing customers with greater flexibility.
- Migration of our home product to the Guidewire platform.

Travel

- Delivery of Spirit of Adventure in September 2020, completing our Cruise transformation programme.
- Strong Cruise bookings of £154m for 2021/22 and 2022/23 combined.
- First cruise operator awarded Lloyd's Register Shield+ COVID-19 safety accreditation.
- Reset Tour Operations, focusing on a higher-quality, differentiated offering.

KPI

PRU A B C F G H I J



4 DRIVING SIMPLICITY AND EFFICIENCY

s172

Objective

Maximise efficiency by continuing to reduce costs and complexity across the Group.

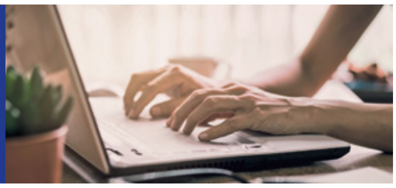
Performance indicators

£

- On track to achieve £20m of run rate cost savings over time.
- Disciplined cost control during the period of Travel suspension with burn costs at the lower end of the £6-8m per month guidance.
- Resized and reshaped the organisation, with a 36% reduction in headcount (including non-core disposals).

KPI

PRU C I



5 REDUCING OUR DEBT

s172

Objective

Continue to reduce debt, taking action to strengthen the balance sheet and maintain financial resilience.

Performance indicators

£

- Successfully raised approximately £140m proceeds from the capital raise, allowing repayment of the RCF and part of the term loan.
- Completed disposals of Healthcare, Destinology and Bennetts, generating £31m of proceeds.
- Leverage ratio (excl. Cruise) of 2.7x, well within the covenant of 4.75x.
- Worked closely with lenders in order to manage the existing bank covenants, allowing flexibility through the ongoing disruption arising from COVID-19.
- Further cruise debt deferral and covenant waiver agreed until 31 March 2022 (in addition to existing deferral covering the period to 31 March 2021).

KPI

PRU A

STRATEGIC PILLARS FOR SUSTAINABILITY

ENVIRONMENTAL	SOCIAL	COMMUNITIES	GOVERNANCE
Safeguarding the environment	Colleagues and culture	Investing in our communities	Responsible business practices

Key performance indicators

During the financial year, the following KPIs were used to assess the financial and operational performance of the business against its strategy.

£ Measures directly linked to our Annual Bonus Plan (see pages 82-84)

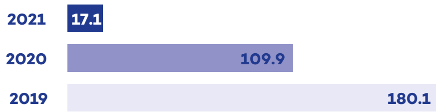
Reference to strategic priority from pages 14 -15

UNDERLYING PROFIT BEFORE TAX[1]

2 3 4

£17.1m

2020: £109.9m



Definition

Represents profit before tax excluding a number of items which are not expected to recur. Refer to page 212 for full definition and explanation.

Purpose

Underlying Profit Before Tax is the Group's primary KPI. This measure is a meaningful representation of the Group's underlying trading performance, as it excludes non-cash technical accounting adjustments and other financial impacts that are not expected to recur.

Performance

Reduction of 84% in comparison to 2020, largely as a result of the suspension of the Group's Travel operations in March 2020. Refer to the Operating and Financial Review on page 31 for full details.

DIVIDEND PER SHARE (PENCE)

5

-p

2020: 19.5p[2]

Definition

Represents the dividend declared per ordinary share in the period.

Purpose

This measure highlights an element of shareholders' return.

Performance

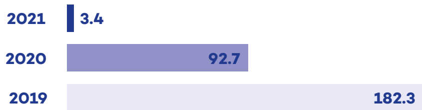
In order to protect the Group's financial position in light of the COVID-19 pandemic, the Board announced on 2 April 2020 that it had suspended dividend payments. The Board does not expect to pay dividends until 2023 at the earliest, given the restrictions under current financing arrangements.

AVAILABLE OPERATING CASH FLOW[1]

£ 3 5

£3.4m

2020: £92.7m



Definition

Represents net cash flow from operating activities which is not subject to regulatory restriction, after capital expenditure but before tax, interest, restructuring costs, proceeds from the disposal of businesses and other non-trading items. Refer to page 212 for full definition and explanation.

Purpose

This measure represents the pre-tax operating cash generation of the Group which is not subject to regulatory restriction.

Performance

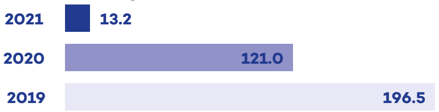
Reduction in available cash flow largely due to the cash support provided to the Travel businesses throughout the period of suspension. Refer to the Operating and Financial Review on pages 38-40 for full details.

1 Refer to the Alternative Performance Measure (APM) Glossary on page 212 for definition and explanation
2 2019 and 2020 figures restated to reflect the effect of the share consolidation completed in October 2020

UNDERLYING EARNINGS PER SHARE[1]

13.2p

2020: 121.0p[2]



Definition
Represents the basic Earnings Per Share (EPS) excluding the post-tax effect of a number of one-off items which are not expected to recur. Refer to page 212 for full definition and explanation.

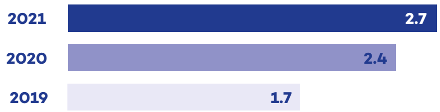
Purpose
Underlying EPS is linked to Underlying Profit Before Tax, the Group's primary KPI, and represents what management considers to be the underlying shareholder value generated in the period.

Performance
Directly correlating to Underlying Profit Before Tax, Underlying EPS has reduced following suspension of the Group's Travel operations. Refer to the Operating and Financial Review on pages 31-32 for full details.

LEVERAGE RATIO

2.7x

2020: 2.4x



Definition
Leverage ratio represents adjusted net debt to Adjusted Trading EBITDA, both excluding the Cruise business.

Purpose
This measure provides an indication of the Group's financial flexibility and represents one of the covenants associated with the term loan and RCF.

Performance
Ratio of 2.7x well within the banking covenant of 4.75x. Refer to the Operating and Financial Review on page 43 for full details.

COLLEAGUE ENGAGEMENT

7.3

Definition
Measured by responses to colleague surveys hosted by an independent third-party and conducted quarterly.

Purpose
This metric provides an indication of how committed and enthusiastic colleagues are towards both Saga and their work.

Performance
Refer to Environmental, Social and Governance on pages 18-27.

During 2020/21, Saga appointed a new third-party survey provider. As such, 2020/21 scoring is not comparable with historic data.

CUSTOMER NPS

44

2020: 38

Definition
Measured by customer survey responses weighted by business unit to be representative of the Group. Following the suspension of Travel operations in March 2020, the NPS for that business was frozen at Q1 scores.

Purpose
Represents the willingness of customers to recommend products or services to others.

Performance
NPS increased to the highest recorded level. Customer perceptions of value for money were enhanced by our three-year fixed-price product and our savings proposition. Improvements made to the claims process have also positively contributed, with customers feeling supported during the uncertainty of the COVID-19 pandemic. Customers also acknowledged how easy it is to interact with Saga.

Environmental, Social and Governance

During the last financial year, we sought ways to meet our ESG responsibilities even more effectively and we will continue to develop our reporting to reflect the progress we are making.

The last 12 months have given us time to reflect on our place in society. Our new purpose, Exceptional Experiences Every Day, while being a driver for positive change in our markets and communities, tells us how we can use our knowledge and expertise to improve outcomes for society. It has started us on a journey; where we want to be seen, again, as the voice of people over 50, championing all that's great about being part of our communities.

Delivering a step-change in our culture is intentionally the first priority of Saga's strategy as we know that we must get this right for our colleagues, in order to deliver the exceptional experiences our customers expect. We have come a long way through such a uniquely challenging year where the wellbeing of our colleagues has been of utmost importance (see page 21 for further details on colleague wellbeing).

When we started the implementation of our restructure in February 2020, treating our colleagues with respect and care, was front of mind in our approach to reducing headcount. We designed redundancy terms which were enhanced and generous for all. Each colleague was provided with an outplacement offer to support their transition from Saga to new opportunities. Our two-way conversations with colleagues were open, transparent and ensured that colleagues heard from us first and with empathy. Many colleagues have since joined our alumni group and most of all speak highly of how we made them feel through a most challenging time.

s172 In March, we responded to the first lockdown and moved at pace to a working from home model, protecting our colleagues and their loved ones. This enabled us to continue to provide first-class service to our customers without disruption. Working from home has, however, been a challenge for some colleagues, either because they have limited space, are home schooling young children, or they simply miss the daily interaction that working in an office brings. We ran weekly questionnaires to gauge how colleagues were feeling and through their feedback, we were made acutely aware of the challenges faced and were able to respond to them quickly.

We have also invested in a dedicated Wellbeing Manager and focused support team, to bring the colleague wellbeing activity together and train our managers on the support available. Ahead of the launch of our diversity, inclusion and belonging (DI&B) strategy, we have created and filled the role of DI&B Manager. We know that having a diverse workforce is hugely beneficial to our business as not only does it improve colleague engagement, but also brings a wide range of skill sets and cultural insights which help us to better serve our customers and communities.

i **Engaging with stakeholders, pages 26-27**

s172 In March 2020, Saga launched a major customer initiative to help reduce loneliness and support our customers through the COVID-19 lockdown. The #notgoingoutclub is packed with exclusive entertainment, podcasts, lifestyle tips, quizzes and special offers, providing our customers with inspired ideas to keep them entertained.

COLLEAGUE ENGAGEMENT

Workplace

We are committed to bringing colleagues together to create Exceptional Experiences Every Day, and in May 2020 we launched a new internal communications platform to support this, Workplace. This has given Saga and our colleagues:

- a single, mobile-first platform that is simple to use and accessible to everyone;
- a familiar and intuitive platform that most colleagues already know how to use;
- a voice, through open, immediate engagement, feedback and comments;
- a channel to build our culture, share our strategy, build empathy, promote wellbeing, encourage curiosity and innovation, and have fun; and
- an invaluable way of building collaboration, staying connected during lockdowns and enforced home working, giving a great springboard for our future vision of working at Saga.

With 97% of colleagues activated on the platform, and 96% of colleagues interacting with Workplace at least once a month, it has been a great tool to keep our colleagues connected and engaged, which has been particularly important during the COVID-19 pandemic. Our high activation and engagement rates were recognised by Workplace in November 2020 when we received the award for 'Best Newcomer'.

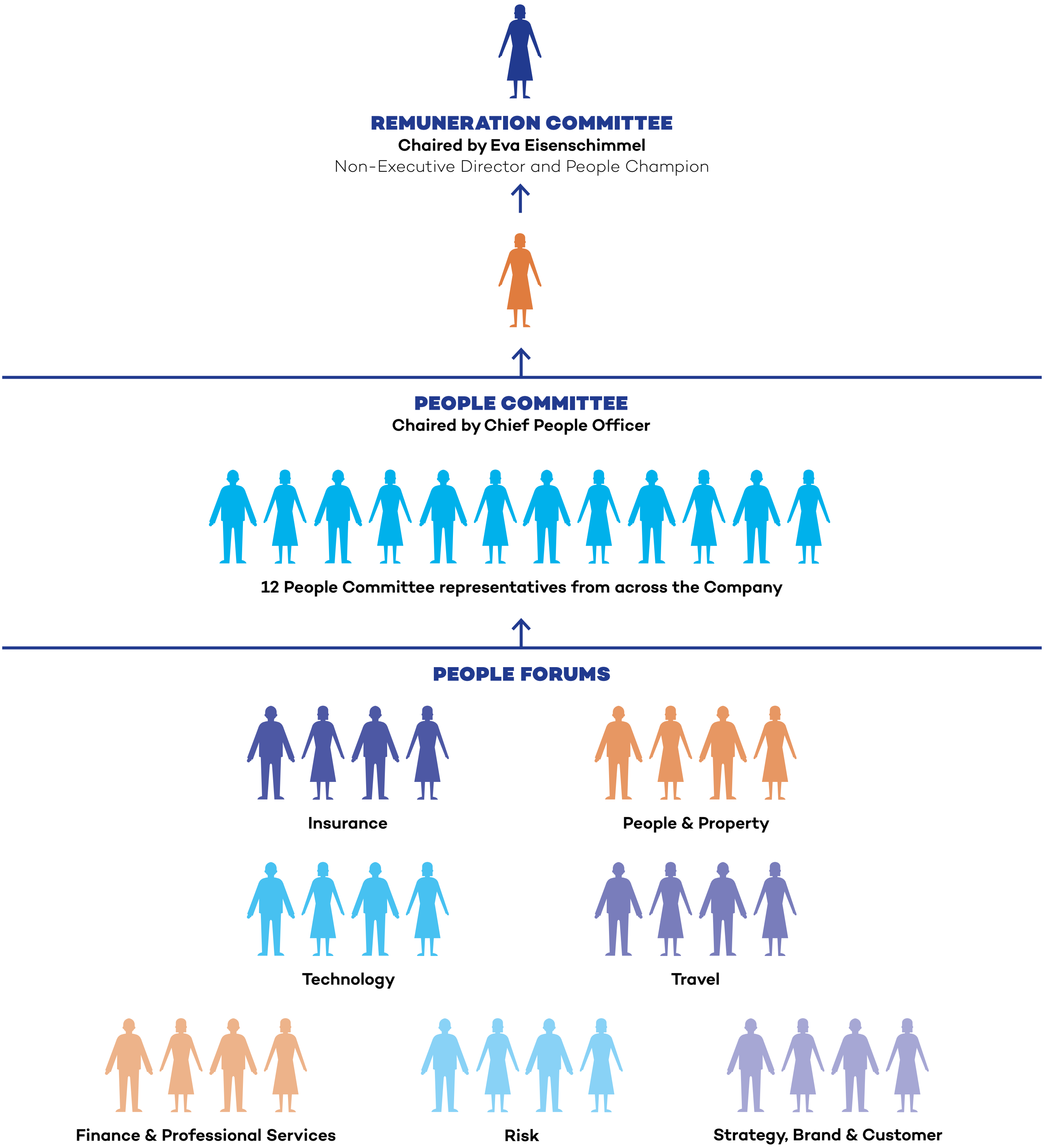
Leadership communications

Throughout 2020, Saga's Leadership Team (SLT) met with our Group CEO, Euan Sutherland, on a fortnightly basis, focusing on strategy, purpose, business priorities and colleague-related initiatives, with Saga's Management Team (SMT) meeting several times over the course of the year.

People Committee and Forums

At Saga, we are committed to creating ongoing conversations with our colleagues. Colleagues can have their say through multiple channels, which all support our move towards a continuous listening approach. These include:

- People Committee meetings;
- localised People Forums;
- Tell Euan About (TEA) sessions;



- TEA inbox;
- colleague surveys; and
- Workplace.

The People Committee, which was set up in 2019 with the aim of gathering the views and opinions of all colleagues and providing feedback to the Board, has continued to be a success. Representatives have helped to create a culture of openness and drive continuous improvement by engaging with colleagues at all levels in their business units and functions. They enable views and ideas on key topics to be highlighted and then represent these at the People Committee by actively taking part in discussions and debates.

In October 2020, we also introduced People Forums for all departments within the business to broaden the impact of the People Committee and ensure that colleagues in all areas of our business had a voice. They are chaired by the relevant member of the Executive Leadership Team (ELT) and meet monthly, feeding into the People Committee. Positive feedback has been received from the People Forums, with meaningful conversations taking place and clear actions arising.

Following the retirement of Gareth Williams, the Non-Executive Director nominated as 'People Champion' was Eva Eisenschimmel. Eva attends the People Committee regularly and provides feedback to the Board. The terms of reference of the People

Environmental, Social and Governance continued

Committee were last reviewed and approved by the Remuneration Committee on 22 January 2021.

Our People Committee continues to be a critical voice in representing colleagues and their views to both the ELT and Board, as well as supporting the roll out of key initiatives by being a point of call to colleagues. Some of the key topics and actions of the People Committee are summarised in the table below:

Topics arising from People Committee meetings	Action taken
Wellbeing and mental health	– Appointment of on-call MHFAs and Saga's first Wellbeing Manager. – Promoted the use of the Unmind app through Workplace, showcasing the tools and techniques available to aid mental wellbeing.
Remuneration and recognition	– Review of long service reward scheme. – Launch of 'colleague shout outs' page on Workplace, allowing colleagues to acknowledge and praise their peers who have gone above and beyond. – Chair of the Remuneration Committee and Chief People Officer (CPO) lead a session with the People Committee on executive remuneration elements, the role of the Remuneration Committee and how decisions on executive remuneration are made. – Discussed the outcome of the shareholder consultation on our Remuneration Policy and the implementation of the Restricted Share Plan (RSP). – Aligned all colleagues to a universal financial scorecard for the purpose of 2020/21 annual bonus outcomes.
Strategy	– Introduction of weekly video sessions with our Group CEO addressing colleague questions on our strategy, priorities and values.
Engagement and communication during lockdown	– Dedicated Operations Team teaching colleagues how to use Workplace. – Expansion of continuous listening strategy, adding different forums for colleagues to express their views. – Promotion of staying in touch with each other through virtual events.
Results of Saga spirit pulse surveys	– Working group sessions with colleagues to build appropriate action plans and make the changes that matter most to them. – Action plans revisited quarterly during functional team meetings.
Working@Saga (a collaborative initiative to design, refit and repurpose our offices to support new ways of working)	– Regular consultation with colleagues to ensure they are supported whilst working from home and are actively involved in the design of our future working plans.

Saga spirit survey

In 2020, it was more important than ever to get real-time, insight-driven information about the way colleagues were feeling. We therefore made the decision to partner with a new provider, Peakon, for our colleague surveys. Peakon not only gathers feedback from every colleague in our organisation, anonymously and in real time, but also provides insights that drive decisions and actions. Importantly, the results are owned in each business unit and enabling function, so that leaders can work together with their teams to develop and update Board decisions and action plans. The People Committee tracks the action plans to see what has been delivered, what is outstanding and the expected timeframe for delivery. The action taken is fed back to colleagues via their People Committee or People Forum representative.

We ran our first survey using Peakon in September 2020 and achieved our highest ever response rate of 92%. Our overall colleague engagement score in February 2021 was 7.3 (out of 10) and our overall score for health and wellbeing was also 7.3. This compares to a score of 7.0 in our previous survey conducted in September 2020. The key actions taken in 2020 centred around the following:

- **Growth:** Explaining the leadership levels to make sure that every colleague understands our structure, their role, and the opportunities we can create together; establishing a clear framework to help each colleague build and manage their career at Saga.
- **Reward:** Launching a new approach to colleague recognition, which reflects our new purpose and values; making contact centre remuneration simpler and more transparent for our front line colleagues.
- **Strategy:** Continuing to communicate the strategy, ensuring that colleagues have complete clarity on our plans, progress and what this means for them; embedding our new Saga values.
- **Colleague wellbeing:** Increasing our number of MHFAs; introducing a mental wellbeing colleague support framework and launching a vulnerable colleagues' triage and support team.

Colleague listening groups

In addition to the People Committee and People Forums, our Group CEO, Euan Sutherland, runs regular TEA sessions. These sessions enable colleagues to have an open channel of communication with the Group CEO alongside a member of the ELT (on a rotational basis) and facilitate discussion around how we can all move the business towards excellence. At the end of 2020, our Group CEO hosted specific TEA sessions with colleagues within the SMT to discuss our strategy, purpose and business priorities.

s172 COLLEAGUE WELLBEING

Colleague wellbeing is a priority, particularly given the difficult year we have had. In order to support our colleagues, we have trained an additional 16 colleagues to become MHFAs, giving us a total of 25 fully-trained MHFAs able to support their peers. We are committed to training an additional 32 colleagues to become MHFAs in quarter one of 2021 and have also utilised national campaigns and awareness days to help our colleagues talk about wellbeing and highlight the support and benefits we have in place.

We have worked with our people managers across Saga to ensure they are all equipped to support our more vulnerable colleagues at times when they may be struggling. We have also partnered with a wellness app, Unmind, to provide help and tools to support colleagues with their mental wellbeing.

Wellbeing will continue to be a growing area of focus for Saga, and a key workstream of our people strategy.

Diversity, inclusion and belonging

We aim to create a culture which gives everyone the opportunity to be their exceptional self, by building a diverse and inclusive environment where our colleagues can feel they belong. To support our growing inclusion agenda, in 2020 we appointed our first DI&B Manager to help drive this forward and establish a clear strategic and tactical approach.

This year, we concentrated on understanding our diversity data and identifying key areas in our colleague lifecycle where we need to focus our attention. Our colleagues continue to be open and honest with us on this important topic through a series of Inclusion Forums. The forums, chaired by members of the ELT, covered inclusion and belonging at Saga on the basis of gender, disability, race and ethnicity, sexual orientation and age. The insights are helping shape our approach to talent, training, performance, recruitment, reward, leadership and workspace, to ensure it is inclusive for everyone.

Equal opportunities

In support of our Equal Opportunities Policy, Saga is committed to ensuring our attraction, recruitment, promotion and training practices all include barrier-free, fair, objective and inclusive processes. All decisions relating to employment and our colleague lifecycle are free from bias and based solely upon work criteria and individual merit.

Providing equal opportunities for all is integral to our approach to DI&B. Saga values diversity amongst its colleagues and appreciates the breadth of talents and abilities this brings to our Company. With a focus on continuous learning, Saga actively provides an equal opportunity for all colleagues to have access to training and career development. We are also a committed member of the UK Government's Disability Confident scheme and remain supportive of the employment and advancement of disabled persons in the UK.

Gender pay gap

We support the commitment to address the gender pay gap, and like many organisations we are working hard to reduce ours, acknowledging that this is a long-term agenda. This year, we have taken practical steps to remove unconscious bias from our recruitment approach and have continued to ensure our leaders understand the need to improve gender diversity at all levels of the organisation as part of our ongoing diversity initiatives. We are also pleased to continue our partnership with the 30% Club cross-company female leadership mentoring programme.

Culture

At Saga, we are inspired to deliver Exceptional Experiences Every Day. Our colleagues feel welcome and can always be themselves as they are part of a supportive and empathetic team. Colleagues know how, and have the tools to speak up and be heard.

We enable our colleagues to do the best work of their lives, focusing on the things that really matter. Saga colleagues take ownership and make things happen, knowing they will be fairly rewarded for their contribution.

We are always asking why, are curious about new ideas and use our insight for the benefit of our customers who trust us to do the right thing. This is made possible by always working as one team across Saga to deliver results.

It is this culture that allows us to attract talent and build the capabilities we need to continuously innovate and evolve, being a driver of positive change for colleagues, customers and the communities we serve.

	Male		Female		
	Actual	%	Actual	%	Total
Board[1]	4	57%	3	43%	7
Senior managers[2]	31	70%	13	30%	44
Other colleagues[3]	1,051	43%	1,404	57%	2,455
All	1,086	43%	1,420	57%	2,506

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

Environmental, Social and Governance continued

HOW THE BOARD MONITORS CULTURE AND HOW THIS LINKS TO STRATEGY

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

	Cultural priorities				
Cultural identifier	Promoting integrity and openness	Valuing diversity	Being responsive to the views of stakeholders	Culture aligned to purpose and values	Culture aligned to strategy
Colleague Saga spirit survey data	✓	✓	✓	✓	✓
People Committee and People Forum feedback	✓	✓	✓	✓	✓
Colleague listening groups	✓	✓	✓	✓	✓
Sign-up and participation on Workplace	✓	✓	✓	✓	✓
'Speak Up' Survey and reports	✓	✓	✓	✓	✓
Progress on diversity and inclusion reports	✓	✓	✓	✓	✓
Gender pay gap progress	✓	✓	✓	✓	✓
Health and safety performance	✓		✓	✓	✓
Internal Audit reports and findings	✓		✓	✓	✓
Stretching environmental targets	✓		✓	✓	✓

s172 COMMUNITY

The impact of COVID-19 meant colleagues across the business wanted to use their time to have a positive impact within their communities, in a safe and practical way.

In response to this, we launched the Saga Community Ambassadors programme in April 2020, matching over 80 colleagues to specific community projects. Saga colleagues have carried out numerous voluntary roles including wellbeing calls, delivery of food and medical supplies and beach cleans. Some used their skills to update charity websites, which was crucial during a period of constant change and uncertainty. More than 300 hours of volunteer time were given, a great example of how Saga colleagues are helping to drive positive change within our communities. More recently, and in response to the COVID-19 vaccination roll out, colleagues have been encouraged to volunteer as marshals at local vaccination centres.

From February 2021, we made one of our sites available to the NHS for use as a vaccination centre for North Kent. Alongside this, Saga has introduced a policy that all our customers are fully vaccinated against COVID-19 before they travel with us, putting customer safety first.

During the year, meetings were held with key members of the Folkestone community, hosted by Saga's Group CEO, Euan Sutherland. These have enabled us to understand the most pressing needs facing the community and allowed us to discuss ways Saga could help. As one of the largest employers in Folkestone, it is extremely important to us that we have a strong and trusted relationship with the immediate community. These meetings have given us the opportunity to have an open dialogue concerning our future plans for our office sites as we move to a predominantly working from home model.

Charitable giving

Saga is committed to being a positive driver of change in our community. Our focus in the year has been on supporting our charity partners, as well as encouraging our colleagues to participate in events that will not only support these causes, but also help to bring us together as one team. Following postponement of the 2020 London Marathon, Saga took part in the nationwide 2.6 Challenge, encouraging colleagues to get active, organising activities centred around 2.6 or 26 to support their favourite charities.

Whilst Saga promotes its preferred charities, we are also curious to know about and support our colleagues who are fundraising for charities which are important to them through our matched funding scheme. Each month colleagues tell us about their fundraising activities and apply for matched funding.

The Saga Workplace Lottery continues to be well supported with an average of 600 colleagues playing each week and helping to raise money for good causes. These include:

- The Silver Line, to set up its helpline from home; and
- Kent-based charities, to provide funding for their community outreach programmes and to help them adapt their work throughout the pandemic.

Saga is extremely proud to be a signatory of the Armed Forces Covenant, a recognition scheme that rewards the efforts of organisations which provide support to this community. At Saga, we do this in several ways:

- Seeking to support the employment of veterans, young and old.
- Through our Reservist Policy which provides support to colleagues who choose to be members of the Reserve Forces.
- Offering flexibility in granting leave for service spouses and partners.

This year, to mark Armed Forces Day, we donated to four Armed Forces charities:

- The Royal British Legion;
- The Royal Navy and Royal Marines Charity;
- The Gurkha Welfare Trust; and
- The Soldiers', Sailors', Airmen's Families Association.

Responsible investments

Our approach to investments continues to ensure robust ESG factors are considered when making investments. Saga's subsidiary boards consider investment decisions and the plc Board considers and approves all material investments.

Modern Slavery & Human Rights

Saga conducts business in an ethical and transparent way. Policies to support recognised human rights principles include those on non-discrimination, health and safety and environmental issues. Our Modern Slavery Statement can be found on our website (www.corporate.saga.co.uk/modern-slavery-statement).

Environmental, Social and Governance continued

s172 SAFEGUARDING THE ENVIRONMENT

In 2019, we set a 30% reduction target for our Scope 1 and 2 emissions by 2030. This sets out our ambition for hitting well below the 2ºC temperature rise global target by 2050. Due to the pandemic and subsequent pause of our Travel business, our emissions have decreased significantly. However, we are also making great strides in the efficiency of our buildings and ships and through colleague engagement to reduce our emissions footprint, and support the achievement of our science-based target.

Understanding our Scope 3 emissions presents us with an opportunity to work with our supply chain to reduce emissions further. Emissions generated by colleagues working from home fit into Scope 3 and become more significant as we move to a predominantly working from home model.

Estate management and fleet vehicles

Company car drivers continue to be encouraged to select more environmentally friendly vehicle options. Currently one third of our company car fleet are either electric or hybrid vehicles. We monitor the market regularly as the range of new electric vehicles continues to evolve. These could offer an opportunity for us, over time, to replace our Saga transport fleet with all-electric vehicles.

As we have moved to a working from home model and plan to use our headquarters as a collaborative hub, we will be undertaking some extensive refurbishments. As part of these refurbishments, we will be considering the environmental benefits and opportunities available to us and how these can be incorporated into the new design.

Waste management

Onboard our new cruise fleet, we have advanced waste treatment systems which increase recycling, reduce waste offload, and minimise our impact on the environment. Our ships therefore adopted Saga's Single-Use Plastic Policy and have banned all non-essential single-use plastic.

In collaboration with our waste disposal provider, we are reducing our office waste and increasing the amount of waste that is being recycled. We continue our 'nil to landfill' ethos at our Saga branded office sites.

Single-use plastic continues to be an area of focus for us and from March 2021, all Saga Magazine mailings are delivered in a paper wrap, saving the equivalent of 9.6 tonnes of plastic per year. The paper we use is Forest Stewardship Council (FSC) certified and comes from well-managed forests and/or recycled sources.

Energy and Carbon Statement

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK Government's policy on Streamlined Energy and Carbon Reporting.

Emissions summary

During the reporting period 1 February 2020 to 31 January 2021, our measured Scope 1 and 2 emissions (location-based) totalled 37,841 tCO_2e and reported Scope 3 emissions totalled 1,333 tCO_2e. This comprised the following:

GREENHOUSE GAS EMISSIONS IN TONNES OF CARBON DIOXIDE (TCO_2) OR CARBON DIOXIDE EQUIVALENT (TCO_2E)

SCOPE 1
2020/21 emissions
36,187 tCO_2e
2019/20: 100,066 tCO_2e

SCOPE 2 (LOCATION-BASED)
2020/21 emissions
1,654 tCO_2e
2019/20: 2,705 tCO_2e

SCOPE 2 (MARKET-BASED)[1]
2020/21 emissions
8 tCO_2
2019/20: 58 tCO_2

TCO_2E PER £M TRADING EBITDA[2]
2020/21 emissions
481
2019/20: 566

SCOPE 3
2020/21 emissions
1,333 tCO_2
2019/20: 1,852 tCO_2

TOTAL SCOPE 1, 2 & 3 (LOCATION-BASED)
2020/21 emissions
39,173 tCO_2e
2019/20: 104,622 tCO_2e

1 Emissions from the consumption of electricity outside the UK and emissions from purchased electricity are calculated using the market-based approach, using supplier-specific emission factors and are reported in tCO_2 rather than tCO_2e due to the availability of emission factors
2 2019/20 emissions have been verified to ISO 14604-3 standard by our sustainability partner, Carbon Intelligence. Our 2020/21 emissions will be verified in the coming quarter

Overall, our Scope 1 and 2 emissions have decreased by 63% compared with the previous year which is largely due to the impact that the COVID-19 pandemic had on our Travel business. The pandemic also had a significant impact on our vehicle fleet emissions in light of the government travel restrictions.

Over the past two years we have continued to work towards maximising the efficiency of energy in our buildings. These savings, amounting to approximately 354 tCO_2e, have been achieved through several building management systems control interventions related to plant schedules, and optimising the heating and cooling plant on our key assets.

We have a colleague engagement programme which delivers communications and training to colleagues in order to encourage them to reduce energy, water use and waste and to minimise travel. We used external campaigns such as World Environment Day and Recycling Week to maximise the impact of these communications, providing tips and sharing best practice around our buildings, and now at home.

Saga purchases 96% of its electricity from a 100% renewable supply from Haven Power. As in previous years, the dual reporting of our emissions in this way demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources.

This year we have expanded Scope 3 to include working from home emissions with other reported Scope 3 categories including business travel and fuel-and-energy-related activities. Our measured Scope 3 emissions totalled 1,333 tCO_2e.

Energy summary

During the year, our total fuel and electricity consumption totalled 152,664,244 kWh. The split between fuel and electricity consumption is displayed below.

Energy usage	kWh
Electricity	7,092,329
Fuels[1]	145,571,915
Total energy	152,664,244

1 Fuels are comprised of natural gas, diesel, petrol, marine fuel oil, marine gas oil and refrigerants

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes emissions from Saga plc. We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year are:

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

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies (dual reporting):

– (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and
– (ii) the market-based method, which uses the actual emissions factors of the energy procured.

As in previous years, Scope 3 business travel emissions from rail and air have been identified, but not included in our disclosure due to a lack of accurate data. Emissions from energy paid for within service charges have also been excluded due to both lack of data and immateriality.

Assumptions and estimations

In some instances, where data is missing, values have been estimated using either an extrapolation of available data from the reporting period or data from 2019/20 as a proxy.

Carbon Disclosure Project

Saga plc made the decision in 2015 to respond to the Carbon Disclosure Project (CDP) climate change questionnaire to better understand and manage our climate-related impacts, risks and opportunities. In 2020 Saga plc scored an A – which is classified as the leadership category.

Environmental, Social and Governance continued

ENGAGING WITH STAKEHOLDERS

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

Customers s172

Accountability
Board, Risk Committee and ELT

What we know matters to them through our engagement

- Great value for money from our products and services, all delivered with excellent customer service.
- Products and services that are tailored specifically to our customers.
- Ease of interactions through all channels.
- Management of expectations through every step of the journey.

Board role and activities

- Statutory duties under the Companies Act 2006 – customers at the heart of strategic and operational discussions.
- ELT considers customer insight and data, and reports to the plc Board via the Group CEO.
- Board considers NPS scores as part of a customer dashboard presented at each meeting.
- Customer facing colleagues invited to Board meetings to provide details of customer experiences.

Alignment with strategy, purpose and culture

- Driving positive change in the markets in which we operate, for the benefit of customers and other stakeholders.

Colleagues s172

Accountability
Board, Remuneration Committee, Nomination Committee, People Committee and CPO

What we know matters to them through our engagement

- Regular, clear and open communication channels.
- Open culture where colleagues can have their voice heard and know action will be taken wherever possible.

Board role and activities

- People, culture and leadership are a key strategic priority and are actively monitored by the Board, via regular updates from the CPO and through the Saga spirit survey.
- People Committee meetings are held quarterly and chaired by our CPO.
- Eva Eisenschimmel is our appointed 'People Champion' and attends People Committee meetings periodically.
- The People Committee terms of reference are approved by the Remuneration Committee.
- The Remuneration Committee considers reward and pay for Executives and the wider workforce.

Alignment with strategy, purpose and culture

- Creating exceptional workplaces where colleagues feel they truly belong, living the purpose and values everyday which enables colleagues to do the best work of their lives.

Communities s172

Accountability
Board and CPO

What we know matters to them through our engagement

- Open communication with the Group CEO, CPO and wider Saga team, ensuring that members of the community are aware of our priorities, as well as how they may be impacted.
- Opportunity to share priorities and events where Saga may be able to provide support.
- Ability to access the skills and knowledge of Saga colleagues through the Saga Community Ambassadors programme.

Board role and activities

- Quarterly community meetings hosted by the Group CEO, CPO and key members of the wider Saga team.
- The Board considers the community in decision making and discusses the actions being taken at the quarterly meetings.
- Commitment to an efficient process, evolved through ongoing learnings and two-way dialogue.

Alignment with strategy, purpose and culture

- Maximising the opportunities for Saga to collaborate on community projects and be a driver for positive change in the communities in which we operate.

Partners and suppliers

s172

Accountability
Board and Risk Committee

What we know matters to them through our engagement
- Regular communication and changes in contractual and operational matters to adapt to the COVID-19 pandemic.
- Developing new ways of working to best utilise technology and support remote working and video conferencing capability.
- Active management of resource and capacity planning to provide maximum flexibility in customer supply chains.

Board role and activities
- Partnering with charities that are close to our customers' hearts.
- Supplier risk management is undertaken at subsidiary level, and overseen by the Executive Leadership Risk Committee, which reports into the Saga plc Risk Committee.
- Key partnerships are monitored at all levels and subject to annual due diligence to ensure compliance with current regulatory and statutory requirements e.g. human rights and modern slavery requirements.

Alignment with strategy, purpose and culture
- Embedding a standardised procurement approach and operation will ensure the new Saga values and purpose are at the centre of all activity.

Shareholders

s172

Accountability
Board, Remuneration Committee, Nomination Committee, Risk Committee, Audit Committee and Investor Relations (IR)

What we know matters to them through our engagement
- Active engagement with the Group CEO, Group Chief Financial Officer (CFO) and IR Team, to ensure that shareholders have a clear and detailed understanding of the Group's strategy and financial performance, as well as what it means for them.

Board role and activities
- The Board maintains open and regular dialogue with shareholders.
- IR report considered at each Board meeting.
- The Board and ELT meet shareholders at the Annual General Meeting (AGM).
- Chairman, Group CEO and CFO meet with our shareholders, assisted by our Head of IR. In addition, the Chair of the Remuneration Committee meets with shareholders throughout the year and provides feedback to the Board.
- Investor days, road shows, briefings and adhoc meetings (on request) are held where calendar and regulatory requirements allow.
- Shareholder consultation on key issues.

Alignment with strategy, purpose and culture
- Committed to providing strong strategic rationale and cultural alignment around remuneration and reward.

Regulators

s172

Accountability
Board, Risk Committee, Audit Committee and Chief Risk Officer

What we know matters to them through our engagement
- Protection of our customers and the markets Saga operates in, increasing the trust of the public and encouraging market competition.
- Proactive and transparent communication.

Board role and activities
- Relationship with regulators maintained at subsidiary level, and monitored by their Audit, Risk and Compliance Committees.
- Material areas are overseen by the Saga plc Risk Committee and escalated to the Board if necessary.

Alignment with strategy, purpose and culture
- Being responsive to regulatory changes whilst improving risk maturity and culture, and ensuring our customers receive Exceptional Experiences Every Day.

Principal risks and uncertainties

BACKGROUND

The PRUs shown below are the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table also includes the mitigating actions being taken to manage these risks. The risk exposure outlook denotes the anticipated future direction of each risk after mitigation, which is influenced by known key external or internal factors. Saga takes a 'bottom-up' and 'top-down' approach to developing and reviewing its PRUs, which occurs at least twice a year with oversight from the ELT. Each PRU has been aligned to the most relevant strategic priorities.

Market overview, pages 10-11
Purpose and business model, pages 12-13
Strategic priorities, pages 14-15
Environmental, Social and Governance, pages 18-27
Audit, risk and internal control, pages 66-69

PRU category	Strategic priorities	Risk and mitigation	Risk exposure outlook
A B **COVID-19 pandemic** s172	3 5	**Risk** Continuation of COVID-19 or variant thereof creates ongoing and material disruption to business plans and ability to deliver strategy, leading to a breach of banking covenants. **Mitigation** All colleagues enabled to work from home. COVID-19 strategies developed to support safe and sustainable Travel restart. Ongoing review and management of financial resilience, including capital raise, renegotiation of banking covenants and forward-looking stress and scenario testing to anticipate any further challenges.	Stable
B **Cybercrime** s172	2 3	**Risk** Cyber security breach resulting in system lockdown, ransom demands and/or compromise of confidential and/or personal data. **Mitigation** Continued investment in industry leading tools and technologies to mitigate cyber attacks, industry benchmarking and external penetration tests. Continued programme of colleague awareness to identify and prevent cyber threats.	Worsening
C B **Delivery and execution**	3 4	**Risk** Key business change initiatives fail to be delivered effectively, or at all, due to one, or a combination of the following: - Resource capability or capacity. - Unexpected business as usual risk issues. - New regulation. - Material defects in the delivery. **Mitigation** Robust project governance covering how significant changes are prioritised and delivered, with close oversight from the ELT and Board and 2nd and 3rd line assurance conducted for the change initiatives carrying the greatest risk.	Stable
D B **Culture and capability** s172	1	**Risk** Saga's culture and resource capability do not support the strategic initiatives and ensure fair customer outcomes. **Mitigation** Launched purpose, business model and values. Increased focus on talent management, succession planning and embedding a new reward framework that aligns to effective risk management and delivering fair customer outcomes.	Improving
E B **Saga brand and relevance** s172	2	**Risk** The Saga brand and its products do not appeal sufficiently to our target customer group resulting in loss of appeal and market share. **Mitigation** Prioritisation of products and services that most appeal to our target market. Identification and resolution of customer pain points. Focus on creating and maintaining exceptional customer experiences by investing in brand redesign.	Stable

Key		
1 People and culture step change	3 Optimising our businesses	5 Reducing our debt
2 Data, digital and brand transformation	4 Driving simplicity and efficiency	B Threat to business model

PRU category	Strategic priorities	Risk and mitigation	Risk exposure outlook
F B **Regulatory landscape**	1 3	**Risk** Increasing regulation across Saga increases the risk of non-compliance. **Mitigation** Change programme prioritisation is aligned to regulatory requirements. Continued focus on effective risk management aligned to the Saga values and strategy. Horizon scanning reports produced to identify upcoming regulatory changes and necessary action.	Stable
G **Operational resilience**	3	**Risk** Failure to prevent, adapt, respond to, recover and learn from material operational disruptions that threaten the ability of Saga to deliver its strategy. **Mitigation** Change governance ensures changes are delivered consistently within risk appetite.	Stable
H **Climate change** s172	1 3	**Risk** Insufficient preparedness for the impacts on the Insurance and Travel business of climate-related change. **Mitigation** New cruise ships built in line with latest regulations and can operate to near zero sulphur oxide and nitrogen oxide exhaust emissions. Insurance business engaged in modelling the longer-term impacts of climate-related change to its claims model and product design.	Worsening (externally driven)
I B **Third-party suppliers** s172	3 4	**Risk** Reputational impact and financial losses arising from failure to manage third parties and partners effectively. **Mitigation** Third-party risk management to ensure an appropriate risk-based approach for selecting third-party partners and overseeing their operational and financial resilience.	Stable
J **Fraud and financial crime**	2 3	**Risk** Increased risk of internal or external fraud and financial crime driven by remote working and macroeconomic conditions. **Mitigation** Ongoing monitoring of claims fraud in place, with colleague awareness communications. The key risks identified have internal controls in place with risk management scrutiny of these. Saga's 'Speak Up' process enhanced, with regular data monitoring in place.	Stable

Operating and Financial Review

The Group has reported an Underlying Profit Before Tax (PBT) of £17.1m, a decrease of 84.4% in comparison with the prior year. This 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, and with positive claims experience in relation to both current and prior years; and
- the suspension of the Travel business in March 2020 due to the government advice against travel, the impact of which is in line with the stress modelling for the 2020/21 year.

The Group has reported an overall loss before tax of £61.2m (2020: loss before tax of £300.9m) due to an impairment of Travel goodwill in the first half of the year. The significant impact of COVID-19 on travel companies led to an increase in risk and cost of debt levels and, therefore, market-participant views of discount rates as at 31 July 2020, particularly in the cruise industry. Whilst 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 the current position and uncertainty over the pace of the recovery, the Group took the decision to impair in full the goodwill assets allocated to the Tour Operations and Cruise businesses totalling £59.8m as at 31 July 2020. Market risk and cost of debt levels have since reduced, reflecting a more positive outlook and stronger recovery prospects in the travel industry than was the case at the half year. Goodwill impairments, however, are irreversible under International Financial Reporting Standards (IFRS).

In September 2020, the Group raised approximately £140m of net proceeds from the issuance of additional equity shares, with Roger De Haan as a cornerstone investor. The Group used these proceeds to repay the full £40m drawn on the revolving credit facility (RCF) at that date and reduce the term loan to £70m. In addition, the Group agreed with its lending banks to extend the maturity of the remaining term loan to May 2023, along with a series of covenant changes as reported at the time in the interim statement.

Due to the combination of the equity capital raise and other actions taken by management to improve cash flow and costs, the Group ends the year with a strong financial position and ample liquidity. As at 31 January 2021, the Group had £75.4m of available cash resources in addition to the full £100m available and undrawn on the RCF that is available through to May 2023.

The uncertainty that COVID-19 has created continues into 2021, and whilst the Group is confident of a resumption of its Travel business later in the year, management has taken further precautionary measures to provide financial flexibility in the event that the suspension of the Travel business continues into 2022. These measures include further amendments to the covenant tests attached to the term loan and RCF as at 31 January 2022, combined with the extension of a repayment holiday on the Group's ship debt facilities to 31 March 2022. Given the priority of reducing debt levels, no final dividend is proposed for the year.

OPERATING PERFORMANCE

Group income statement

£m	12m to Jan 2021	Change	12m to Jan 2020
Revenue[1]	**337.6**	***(57.7%)***	**797.3**
Underlying Profit Before Tax[2]			
Total Retail Broking (earned)	75.9	*(15.9%)*	90.2
Underwriting	58.7	*44.6%*	40.6
Total Insurance	134.6	*2.9%*	130.8
Travel	(78.5)	*(496.5%)*	19.8
Other Businesses and Central Costs	(22.4)	*17.0%*	(27.0)
Net finance costs[3]	(16.6)	*(21.2%)*	(13.7)
Total Underlying Profit Before Tax	**17.1**	***(84.4%)***	**109.9**
Net fair value gains/(losses) on derivatives	1.7		(1.1)
Profit on disposal/(impairment) of assets	2.0		(16.9)
Thomas Cook insolvency	–		(3.9)
Restructuring costs	(30.8)		(5.9)
Net profit on disposal of businesses	8.6		–
Impairment of goodwill	(59.8)		(383.0)
Loss before tax	**(61.2)**	***79.7%***	**(300.9)**
Tax expense	(6.6)	*44.5%*	(11.9)
Loss after tax	**(67.8)**	***78.3%***	**(312.8)**
Basic Earnings Per Share:			
Underlying Earnings Per Share[2, 4]	13.2p	*(89.1%)*	121.0p
Loss per share[4]	(67.0p)	*82.4%*	(381.7p)

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 Saga Personal Finance, Saga Publishing and MetroMail, a mailing and printing business.

Revenue

Revenue decreased by 57.7% to £337.6m (2020: £797.3m) due to the suspension of the Travel business from March 2020, combined with lower Retail Broking revenues largely as a result of a reduction in sales of travel insurance policies combined with the sale of the Bennetts business in August 2020.

Underlying Profit Before Tax[2]

Underlying Profit Before Tax decreased by 84.4% to £17.1m (2020: £109.9m).

This was primarily due to a £98.3m 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 year were £16.6m (2020: £13.7m), an increase of 21.2%, which was largely due to the additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in April 2019, April 2020 and September 2020. This excludes finance costs relating to the Travel business that are included within the Travel division of £13.6m (2020: £6.9m).

1 Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £142.8m (2020: £145.7m)
2 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation
3 Net finance costs exclude net fair value gains/(losses) on derivatives and IAS 19R pension interest costs
4 The figure for the prior year has been restated to reflect the effect of the share consolidation that was completed in October 2020

Operating and Financial Review continued

Loss before tax

Loss before tax for the year of £61.2m includes a £59.8m impairment to Travel goodwill and £30.8m of restructuring costs, offset by an £8.6m profit on the disposal of non-core businesses, £2.0m of net gains on the disposal of assets and a £1.7m fair value gain on derivatives de-designated in the period due to the suspension of Travel operations.

s172 The restructuring costs include £21.3m of expenses associated with a Group-wide restructuring programme to improve the operating efficiency of both the trading businesses 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 £9.5m of costs relate to the impairment and operating losses of non-core businesses, principally the Destinology travel business.

The £8.6m net 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; Bennetts Motorcycling Services Limited, the Group's bike insurance broking business; and Destinology, one of the Group's tour operating businesses.

The £2.0m net gain on the disposal of assets reflects a £3.8m profit on the sale of the Saga Sapphire ocean cruise ship and a £3.2m gain on the curtailment of a property lease, partially offset by a £5.0m impairment to the carrying value of owned properties that have been classified as held for sale. The corresponding £16.9m loss in the prior year primarily relates to a £6.3m impairment of Saga Sapphire at the point when it was classified as held for sale, combined with a £7.0m impairment of assets relating to the divested Destinology business and a £3.3m impairment of machinery in the Group's printing business.

Tax expense

The Group's tax expense for the year was £6.6m (2020: £11.9m) representing an abnormally high tax effective rate of 471.4% (2020: 14.5%) 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. Excluding the losses on Cruise, the tax effective rate for the year was 17.6%.

Earnings Per Share

The Group's Underlying Earnings Per Share[5] were 13.2p (2020: 121.0p). The Group's reported Earnings Per Share were a loss of 67.0p (2020: loss of 381.7p). The figures for the prior year have been restated to reflect the effect of the share consolidation that was completed in October 2020.

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 motor and home 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. AICL offers its underwriting capacity on the home panel through a coinsurance deal with a third party, and so the Group takes no underwriting risk for that product. Even if underwritten by a third party, the product is presented as a Saga product and the Group will manage the customer relationship.

5 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation

£m	12m to Jan 2021 Motor Broking	Home Broking	Other Broking	Total	*Change*	12m to Jan 2020 Motor Broking	Home Broking	Other Broking	Total
Gross written premiums (GWP):									
Broked	131.3	151.9	90.2	373.4	*(4.8%)*	124.8	154.1	113.2	392.1
Underwritten	204.6	–	3.5	208.1	*(8.6%)*	224.0	–	3.6	227.6
GWP	335.9	151.9	93.7	581.5	*(6.2%)*	348.8	154.1	116.8	619.7
Broker revenue	37.6	28.7	36.2	102.5	*(16.7%)*	43.6	32.4	47.1	123.1
Instalment revenue	8.1	3.0	–	11.1	*0.0%*	8.1	3.0	–	11.1
Add-on revenue	14.5	10.7	–	25.2	*(10.0%)*	17.9	10.0	0.1	28.0
Other revenue	31.3	17.8	4.4	53.5	*(28.3%)*	36.8	17.1	20.7	74.6
Written revenue	**91.5**	**60.2**	**40.6**	**192.3**	***(18.8%)***	**106.4**	**62.5**	**67.9**	**236.8**
Written gross profit	**88.8**	**60.2**	**36.5**	**185.5**	***(16.1%)***	**103.6**	**62.5**	**55.0**	**221.1**
Marketing expenses	(17.3)	(6.0)	(2.7)	(26.0)	*30.3%*	(21.6)	(8.2)	(7.5)	(37.3)
Other operating expenses	(40.1)	(26.3)	(19.3)	(85.7)	*7.6%*	(53.1)	(21.2)	(18.4)	(92.7)
Written Underlying PBT[6]	**31.4**	**27.9**	**14.5**	**73.8**	***(19.0%)***	**28.9**	**33.1**	**29.1**	**91.1**
Written to earned adjustment	2.1	–	–	2.1	333.3%	(0.9)	–	–	(0.9)
Earned Underlying PBT	**33.5**	**27.9**	**14.5**	**75.9**	***(15.9%)***	**28.0**	**33.1**	**29.1**	**90.2**
Thousands									
Core policies sold:									
Saga-branded	924	693	112	1,729	*(5.6%)*	918	682	232	1,832
Non-Saga branded	144	–	–	144	*(38.7%)*	235	–	–	235
	1,068	693	112	1,873	*(9.4%)*	1,153	682	232	2,067
Third-party panel share[7]	30.4%				*5.8ppt*	24.6%			

Retail Broking profit before tax on a written basis (which excludes the impact of the written to earned adjustment) reduced to £73.8m from £91.1m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £75.9m from £90.2m.

The reduction in profit before tax on a written basis was mainly due to a £24.3m 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.

Written gross profit after marketing costs £m	Change excluding COVID-19	Estimated element of change directly attributable to COVID-19	Total change
Written gross profit after marketing costs in 2020			**183.8**
Saga-branded motor	(0.5)	(1.2)	(1.7)
Home	(0.1)	–	(0.1)
Bennetts	(7.9)	(0.9)	(8.8)
Travel	–	(7.2)	(7.2)
Other	(3.1)	(3.4)	(6.5)
Written gross profit after marketing costs in 2021	**(11.6)**	**(12.7)**	**159.5**

While Retail Broking performance has been resilient in light of COVID-19 challenges, there has been some impact on the full-year results, mainly due to a significant reduction in sales of travel insurance and lower credit hire and repair volumes. In aggregate, the Group estimates that factors directly related to COVID-19 reduced profits by £12.7m. Excluding the impact of COVID-19, the balance of the change in written gross profits is largely due to the disposal of Bennetts.

6 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation
7 Third-party underwriter's share of the motor panel for Saga-branded policies

Operating and Financial Review continued

For Saga-branded motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits improved by £4.4m, while there was a £5.0m reduction in renewal profits. The impact of COVID-19 is estimated at around £1.2m, reflecting a reduction in claim referral fee income.

The increase in new business profits is due to lower costs of acquisition in comparison with the prior year. 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 4% increase in the total number of motor and home renewals policies.

The overall gross margin per policy for Saga-branded motor and home combined, and calculated as written gross profit less marketing expenses divided by the number of policies, was £73.8 in the year (£74.5 excluding COVID-19 impacts), compared with £75.6 in the prior year.

Although Retail Broking earnings have reduced in the year the Insurance business has shown good progress despite the challenges presented by COVID-19:

- After several years of a decline in policy count, Saga-branded motor and home policies increased by 1.1% in the year.
- The higher policy count is due to improved customer retention of 80.5% across motor and home, which was 5.4ppt higher than the prior year. This includes the beneficial impact of the three-year fixed-price policy introduced in April 2019 on customer loyalty.
- 610k three-year fixed-price policies were sold in the year; 38% of total motor and home policies incepting, with 63% 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 motor and home are stated after allowing for deferral of part of the revenues from three-year fixed-price policies, recognising inflation risk inherent in this product. As at 31 January 2021, £9.9m of income had been deferred in relation to three-year fixed-price policies, £5.0m of which related to income written in the year to 31 January 2021.

Motor Broking
Gross written premiums decreased by 3.7% due to the sale of the Bennetts business in the year. Excluding Bennetts, gross written premiums increased by 1.2% due to a 0.7% increase in the number of core policies and an increase in average gross written premiums reflecting a higher contribution from the renewal book and the three-year fixed-price product. Gross written premiums from business underwritten by AICL decreased by 8.7% to £204.6m (2020: £224.0m) in line with a 5.8ppt increase in third-party panel share to 30.4% (2020: 24.6%). This was due to price cuts implemented by AICL in February 2019, with third-party panel members then becoming relatively more competitive since August 2019 and therefore winning more share in 2020. Other revenue declined by £5.5m due primarily to the sale of Bennetts.

Written gross profit minus marketing expenses was £71.5m (2020: £82.0m), contributing £66.9/policy (2020: £71.1/policy). Excluding Bennetts, motor written gross profit minus marketing expenses was £65.0m (2020: £66.7m), contributing £70.3/policy (2020: £72.6/policy).

The reduction in written gross profits excluding Bennetts is mainly due to pricing actions for long-tenured customers that were implemented in July 2019 and the impact of COVID-19 on other income. This was partially offset by lower costs of acquisition and a 0.5ppt increase in the proportion 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 completed on 7 August 2020, so the 2020/21 results only include six months' worth of trading compared with 12 months in the prior year.

The positive written to earned impact in the current year of £2.1m 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 £0.9m 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 1.4% due to a 4.5% decrease in average renewal premiums more than offsetting a 1.6% increase in core policies.

Written gross profit minus marketing expenses was £54.2m (2020: £54.3m), and on a per policy basis this was £78.2/policy (2020: £79.6/policy).

Within gross profits the impact of pricing actions for long-tenured customers was offset by lower costs of acquisition and a 6.6% increase in the number of renewal policies, predominately due to high three-year fixed-price retention rates. 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 4ppt increase in the proportion of renewal policies written relative to total policies.

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

Gross written premiums declined 19.8% as a result of lower sales of travel insurance, which declined from 171k in the prior year to 54k. This was due to the impact of COVID-19 related travel restrictions. Gross profits after marketing costs relating to the travel product declined by £7.2m, or 69%, as a result.

Sales for the PMI product were broadly stable, however gross profit after marketing costs was £2.9m lower. The Group is not recognising any upside from a reduction in claims costs in the year that has occurred as a result of a significant decline in elective procedures 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 any such benefits to customers.

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

Insurance Underwriting

		12m to Jan 2021				12m to Jan 2020		
£m		Reported	Quota Share	Underlying	*Change*	Reported	Quota Share	Underlying
Net earned premium		54.7	(128.7)	183.4	*(6.5%)*	63.1	(133.1)	196.2
Other revenue		19.7	20.7	(1.0)	*(42.9%)*	6.0	6.7	(0.7)
Revenue	**a**	**74.4**	**(108.0)**	**182.4**	***(6.7%)***	**69.1**	**(126.4)**	**195.5**
Claims costs	**b**	(42.2)	96.1	(138.3)	*22.1%*	(57.3)	120.2	(177.5)
Reserve releases	**c**	30.6	(7.0)	37.6	*(6.0%)*	29.6	(10.4)	40.0
Other cost of sales	**d**	(4.9)	12.9	(17.8)	*(0.6%)*	(2.4)	15.3	(17.7)
	e	(16.5)	102.0	(118.5)	*23.6%*	(30.1)	125.1	(155.2)
Gross profit		**57.9**	**(6.0)**	**63.9**	***58.6%***	**39.0**	**(1.3)**	**40.3**
Operating expenses	**f**	(2.9)	7.7	(10.6)	*(51.4%)*	(2.4)	4.6	(7.0)
Investment return		3.7	(4.6)	8.3	*(11.7%)*	4.0	(5.4)	9.4
Quota share net cost		–	2.9	(2.9)	*(38.1%)*	–	2.1	(2.1)
Underlying Profit Before Tax[8]		**58.7**	**–**	**58.7**	***44.6%***	**40.6**	**–**	**40.6**
Reported loss ratio	**(b+c)/a**	15.6%		55.2%	*(15.1ppt)*	40.1%		70.3%
Expense ratio	**(d+f)/a**	10.5%		15.6%	*3.0ppt*	6.9%		12.6%
Reported COR	**(e+f)/a**	26.1%		70.8%	*(12.2ppt)*	47.0%		83.0%
Current year COR	**(e+f-c)/a**	67.2%		91.4%	*(12.0ppt)*	89.9%		103.4%
Number of earned policies				764k	*(6.5%)*			817k

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

Excluding the impact of the quota share reinsurance arrangement, net earned premiums decreased by 6.5% to £183.4m (2020: £196.2m) in line with the decline in the number of earned policies underwritten by AICL.

Also excluding the impact of the quota share arrangement, the Underwriting business saw a decrease in the current year combined operating ratio (COR) to 91.4% (2020: 103.4%). This was due to lower claims frequencies in the year as a result of customers driving fewer miles during COVID-19 lockdowns. The Group has taken an appropriately cautious approach to reserving for the 2020/21 accident year and is holding an additional component of reserve margin for the increased uncertainty over claims development.

Reserve releases of £37.6m (2020: £40.0m) have resulted in a reported COR of 70.8% (2020: 83.0%), excluding the impact of the quota share arrangement. 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. Reserve releases are analysed as follows:

	12m to Jan 2021				12m to Jan 2020		
£m	Reported	Quota share	Underlying	Change	Reported	Quota share	Underlying
Motor insurance	28.1	(8.6)	36.7		29.5	(9.3)	38.8
Home insurance	(0.4)	–	(0.4)		(1.1)	(1.1)	–
Other insurance	2.9	1.6	1.3		1.2	–	1.2
	30.6	(7.0)	37.6	*(6.0%)*	29.6	(10.4)	40.0

8 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation

Operating and Financial Review continued

Reserve releases primarily reflect continued favourable experience on large bodily injury claims relating to prior accident years mainly due to a reduction in severity, with favourable settlements on claims paid and reductions in case reserves for claims outstanding.

Excluding the impact of the quota share arrangement, the investment return decreased by £1.1m to £8.3m (2020: £9.4m) due to a reduced investment portfolio and lower reinvestment yields.

Travel

	12m to Jan 2021				12m to Jan 2020		
£m	Tour Operations	Cruising	Total Travel	*Change*	Tour Operations	Cruising	Total Travel
Revenue	**32.7**	**18.9**	**51.6**	***(88.9%)***	**346.1**	**118.0**	**464.1**
Gross profit	**(2.6)**	**(13.9)**	**(16.5)**	***(116.6%)***	**61.2**	**37.9**	**99.1**
Marketing expenses	(7.8)	(7.1)	(14.9)	*53.3%*	(18.3)	(13.6)	(31.9)
Other operating expenses	(26.4)	(7.3)	(33.7)	*17.6%*	(33.6)	(7.3)	(40.9)
Investment return	–	0.2	0.2	*(50.0%)*	0.3	0.1	0.4
Finance costs	(0.1)	(13.5)	(13.6)	*97.1%*	(0.4)	(6.5)	(6.9)
Underlying (Loss)/Profit Before Tax[9]	**(36.9)**	**(41.6)**	**(78.5)**	***(496.5%)***	**9.2**	**10.6**	**19.8**
Average revenue per passenger (£)	2,515	3,150	2,716	*12.9%*	2,150	3,688	2,405
Holidays passengers ('000)							
Stays	8		8	*(87.9%)*	66		66
Escorted tours	5		5	*(91.9%)*	62		62
River cruise	–		–	*(100.0%)*	25		25
Third-party ocean cruise	–		–	*(100.0%)*	8		8
	13		13	*(91.9%)*	161		161
Cruise passengers ('000)		6	6	*(81.3%)*		32	32
Cruise passenger days ('000)		61	61	*(85.1%)*		409	409
Load factor		83%	83%	*(1.2%)*		84%	84%
Per diems (£)		241	241	*(6.9%)*		259	259

The Group's Travel businesses were suspended in mid-March 2020 as a result of COVID-19, which has led to a decline in revenues in comparison to budget expectations of around 90% for the financial year for both Tour Operations and Cruise.

The Group has focused on ensuring customers whose holidays have been cancelled are rebooked on future trips or offered a cash refund. The Group has experienced high levels of customer loyalty, particularly in Cruise, with 73% of Cruise advance receipts transferred to a future booking. Similarly, 43% of Tour Operations advance receipts were also transferred to a future booking.

Other operating expenses and marketing costs have declined by £24.2m as a result of actions taken after the decision to suspend operations.

s172 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, including the requirement that all guests must be fully vaccinated against COVID-19 at least 14 days before departure.

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 year, the drop through rate was 20% and 46% respectively.

The Cruise business took delivery of its second new ship, Spirit of Adventure, on 29 September 2020. The sale of Saga Sapphire was completed on 12 June 2020 on terms broadly in line with previous expectations.

Forward Travel sales

Tour Operations bookings for 2021/22 are below the same point last year by 52% and 51% for revenue and passengers respectively. This is due to our decision to suspend operations as a result of the government's COVID-19 travel restrictions. Customer demand for 2021/22 is primarily focused on the second half and Saga has maintained a disciplined approach to marketing activity during this period as we expect customer confidence to return when restrictions start to be lifted. Bookings for 2022/23 departures are ahead of the same point last year by 64% and 52% for revenue and passengers respectively, which demonstrates the strong level of pent-up demand for Saga's holidays. Around 63% of revenue booked for 2021/22 is from customers choosing to rebook holidays cancelled in 2020.

9 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation

Similarly, Cruise bookings for 2021/22 are lower than the same point last year by 20% and 23% for revenue and passenger days respectively due to our decision to suspend operations for Spirit of Discovery until at least June 2021 and for Spirit of Adventure until at least July 2021. However, demand is very strong for 2022/23 departures, with revenue and passenger days ahead of the prior year by 160% and 142% respectively. Around 45% of revenue booked for 2021/22 is from customers choosing to rebook cruises cancelled in 2020. These figures exclude bookings cancelled in 2020/21 where the customer has indicated that they want to rebook but have yet to rebook onto a specific cruise.

Trading to week ended 28 March 2021

	2021/22 departures			2022/23 departures		
	2020/21	*Change*	2019/20	2020/21	*Change*	2019/20
Saga Holidays and Titan combined revenue (£m)	85.3	*(52.5%)*	179.4	37.4	*64.0%*	22.8
Saga Holidays and Titan combined passengers ('000)	38.6	*(51.3%)*	79.3	11.7	*51.9%*	7.7
Cruise revenue (£m)	79.3	*(20.4%)*	99.6	74.9	*160.1%*	28.8
Cruise passenger days ('000)	272.9	*(23.5%)*	356.6	269.8	*141.5%*	111.7

Other Businesses and Central Costs

	12m to Jan 2021				12m to Jan 2020		
£m	Other Businesses	Central Costs	Total	*Change*	Other Businesses	Central Costs	Total
Revenue							
Personal Finance	6.0	–	6.0	*(18.9%)*	7.4	–	7.4
Healthcare	0.9	–	0.9	*(85.2%)*	6.1	–	6.1
Media	9.1	–	9.1	*(31.6%)*	13.3	–	13.3
Other	–	2.0	2.0	*(9.1%)*	–	2.2	2.2
Total revenue	**16.0**	**2.0**	**18.0**	***(37.9%)***	**26.8**	**2.2**	**29.0**
Cost of sales	(10.4)	(1.1)	(11.5)		(16.5)	(1.7)	(18.2)
Consolidation adjustment	–	2.8	2.8		–	3.1	3.1
Gross profit	**5.6**	**3.7**	**9.3**	***(33.1%)***	**10.3**	**3.6**	**13.9**
Operating expenses	(2.8)	(26.3)	(29.1)	*28.9%*	(5.7)	(35.2)	(40.9)
Investment income	–	–	–		–	0.1	0.1
IAS 19R pension charge	–	(2.6)	(2.6)		–	(0.1)	(0.1)
Net finance costs	–	(16.6)	(16.6)	*(21.2%)*	–	(13.7)	(13.7)
Underlying Profit/(Loss) Before Tax[10]	**2.8**	**(41.8)**	**(39.0)**	***4.2%***	**4.6**	**(45.3)**	**(40.7)**

s172 The Group's other businesses include Saga Personal Finance, the Saga Publishing business and a mailing and printing business. After several years of operating a trial in Healthcare, the Group has completed the closure of this business. The non-Saga branded healthcare businesses of Country Cousins and Patricia White's were sold in March 2020, and the Saga-branded businesses have since been transferred to a third party with an outstanding Care Quality Commission rating.

Underlying Profit Before Tax decreased by £1.8m due to the closure of the Healthcare business coupled with a non-recurring supplier contribution of £1.0m for the equity release product in the prior year.

Central operating expenses decreased to £26.3m (2020: £35.2m) due to a £5.2m net increase in recharges to the operating divisions following a change in methodology, coupled with cost savings driven by the Group's restructuring programme that were retained centrally.

Net finance costs in the year were £16.6m (2020: £13.7m), an increase of 21.2% largely due to the additional debt issue costs incurred in connection with amendments to the Group's debt covenants in April 2019, April 2020 and September 2020.

10 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation

Operating and Financial Review continued

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.

Excluding cash transfers to and from the Travel business, Group cash flows demonstrated considerable resilience in the year, with available operating cash flow of £92.3m compared with £95.0m in the prior year. Key movements were as follows:

- Trading EBITDA for unrestricted businesses reduced by £10.1m, in part due to the impact of COVID-19 on sales of travel insurance.
- There was an expected reduction in dividends from AICL of £15.5m.
- Working capital improved from an outflow of £9.5m to an inflow of £7.0m. The outflow in the prior year was mainly due to a £15m one-off payment in February 2019.
- Capital expenditure reduced by £6.4m due to the Group's focus on conserving cash in the short term.

Trading in the Group's Travel businesses was suspended in March 2020. 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 at the start of the financial year. During the year, the Group provided an additional £64.1m of cash to the Tour Operations business to cover trading cash flows, £46.0m of which was provided in the first half of the year when the business experienced higher cash outflows for customer refunds and overheads. The Group has since taken action to reduce the cash burn for the business by removing costs whilst operations are suspended, which, coupled with lower refund levels, has resulted in much lower cash outflows in the second half of the year. The combination of cash within the ring-fenced fund at 1 February 2020 and this additional injection of liquidity has enabled the Tour Operations business to refund £48.2m of advance receipts (£39.5m of which was in the first half of the year), and pay £43.2m of other trading costs and capital expenditure (£31.1m of which was in the first half of the year). The Group also disposed of Destinology in October 2020, which incurred a £2.5m net cash outflow in the second half of the year.

In the second half of the year, following discussions with the Civil Aviation Authority (CAA), the main regulator for the Tour Operations business, the Group created a trust arrangement for new and existing bookings within the current ring-fenced setup. On this basis, 100% of customer cash is held in a separate trust and will only be passed back to the business once the customer has either returned from holiday or has cancelled their booking and been refunded. The Travel business had £22.4m of cash held in trust as at 31 January 2021, and the Group had to inject a one-off payment of £16.2m into the Tour Operations business to fund the initial set-up of this arrangement (included in the £61.7m cash injection stated above). The move into trust has enabled the Group to remove £32.8m of bonding facilities that it held previously to satisfy CAA requirements. In addition to the £61.7m cash injected, the Group also funded £6.2m of restructuring costs for Tour Operations shown below available operating cash flow.

During the year, the Cruise business reported a net cash outflow of £36.6m, of which £30.7m related to the first half and £5.9m related to the second half. The Group paid £25.7m of trading costs, refunded £8.1m of advance customer receipts, paid restructuring costs of £3.2m and interest costs of £8.6m. In addition, the Group had a positive cash inflow from net capital expenditure of £9.0m relating to the sale of Saga Sapphire and the recovery of owners' supply payments on completion of Spirit of Adventure under ship financing arrangements entered into when the new vessel was commissioned. The higher cash outflow in the first half is due to a reduction in working capital levels, with £14.2m of customer refunds in the first six months compared to an increase in advance receipts of £6.1m in the second half. In addition, net capital expenditure contributed a positive £1.4m in the first half and £7.6m in the second half.

The cash outflows for the Travel business since the onset of the COVID-19 crisis are well within modelled assumptions and stress test scenarios.

In the prior year, the Group released £22.7m of cash relating to the Cruise business from the Travel restricted ring-fenced fund as the two operations were financially and operationally separated following discussions with the CAA. As a result of the cash injections to the Travel business in the last 12 months, available operating cash flow reduced from £92.7m in the prior year to £3.4m in the current year.

£m	12m to Jan 2021	Change	12m to Jan 2020
Retail Broking Trading EBITDA	81.6	*(17%)*	98.4
Other Businesses and Central Costs Trading EBITDA	(10.0)	*40%*	(16.7)
Trading EBITDA from unrestricted businesses[11, 12]	**71.6**	***(12%)***	**81.7**
Dividends paid by Underwriting business	24.5	*(39%)*	40.0
Working capital and non-cash items[13]	7.0	*174%*	(9.5)
Capital expenditure funded with available cash	(10.8)	*37%*	(17.2)
Available operating cash flow before cash injections to Travel operations	**92.3**	***(3%)***	**95.0**
Cash injection into Tour Operations business	(64.1)	*(156%)*	(25.0)
Cruise available operating cash flow	(24.8)	*(209%)*	22.7
Available operating cash flow[11]	**3.4**	***(96%)***	**92.7**
Restructuring costs paid	(23.0)	*(1,253%)*	(1.7)
Interest and financing costs	(27.3)	*(38%)*	(19.8)
Business disposals	30.1	*100%*	–
Tax receipts/(payments)	2.8	*127%*	(10.4)
Other payments	(10.2)	*(264%)*	(2.8)
Dividends to shareholders	–	*n/a*	(25.8)
Change in cash flow from operations	(24.2)	*175%*	32.2
Net proceeds from capital raise	138.7	*100%*	–
Change in bank debt	(80.0)	*(100%)*	(40.0)
Cash at 1 February	40.9	*(16%)*	48.7
Available cash at 31 January	**75.4**	***84%***	**40.9**

The Group is in discussion with the FCA regarding the magnitude of the Threshold Condition 2.4 balance that the Retail Broking business holds as restricted cash and the potential need to hold an additional amount on a temporary basis as a result of COVID-19. Any additional temporary liquidity provision is not expected to be significant in a Group context and allowance has been made for this in going concern and viability assessments on a prudent basis.

Other cash flow movements

Non-operating cash flow movements in the current year 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 a full year of financing costs relating to the Spirit of Discovery debt facility and the financing costs relating to the new Spirit of Adventure debt facility that was drawn down at the end of September 2020, combined with an increase in the interest rate that was agreed as part of covenant renegotiations.

Business disposals relate to the cash received from the sale of the Healthcare, Destinology and Bennetts businesses, net of related sale costs and expenses.

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 and Bennetts businesses to the fund, which totalled £4.8m (2020: £2.8m) and is included within other payments.

s172 In October 2020 the Group raised £138.7m net proceeds from the issuance of new equity shares and used part of this to repay £80m of bank debt. The balance of the proceeds, together with the available cash brought forward from the prior year, provided sufficient liquidity to fund the cash injections to the Travel businesses and increase the cash reserves that the Group takes forward into the new financial year.

11 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation
12 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
13 Adjusted to exclude IAS 19R pension current service costs

Operating and Financial Review continued

Reconciliation between operating and reported metrics

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

£m	12m to Jan 2021	12m to Jan 2020
Net cash flow from operating activities (reported)	(78.4)	91.9
Exclude cash impact of:		
Trading of restricted divisions	73.8	(46.5)
Non-trading costs	21.6	4.5
Interest paid	24.1	19.9
Tax paid	10.7	25.1
	130.2	3.0
Cash (paid to)/released from restricted divisions	(26.8)	15.0
Include capital expenditure funded from available cash	(10.8)	(17.2)
Include capital expenditure disposal proceeds	6.9	–
Include net impact of Spirit of Adventure purchase cash flows	(5.2)	–
Less cash in businesses disposed of	(12.5)	–
Available operating cash flow[14]	**3.4**	**92.7**

Trading EBITDA reconciles to Underlying Profit Before Tax as follows:

£m	12m to Jan 2021	*Change*	12m to Jan 2020
Retail Broking Trading EBITDA	81.6		98.4
Underwriting Trading EBITDA	59.2		41.7
Tour Operations Trading EBITDA	(32.6)		24.8
Cruise Trading EBITDA	(19.5)		33.5
Other Businesses and Central Costs Trading EBITDA	(10.0)		(16.7)
Trading EBITDA[14]	**78.7**	***(56.7%)***	**181.7**
Depreciation & amortisation (excluding acquired intangibles)	(28.8)		(48.0)
Amortisation of acquired intangibles	–		(3.0)
Pension charge IAS 19R	(2.6)		(0.1)
Net finance costs	(30.2)		(20.7)
Underlying Profit Before Tax[14]	**17.1**	***(84.4%)***	**109.9**

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

£m	12m to Jan 2021	Change	12m to Jan 2020
Trading EBITDA[14]	**78.7**	***(56.7%)***	**181.7**
Less Trading EBITDA of disposed companies not disclosed below UPBT	(1.6)		–
Impact of IFRS 16	(3.0)		(13.5)
Spirit of Discovery and Spirit of Adventure Trading EBITDA[15]	18.7		(16.1)
Adjusted Trading EBITDA[14]	**92.8**	***(39.0%)***	**152.1**

14 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation
15 EBITDA includes central Cruise overheads

BALANCE SHEET

Goodwill

The Group has assessed the carrying value of goodwill for impairment at 31 July 2020 and 31 January 2021. The impairment test compares the recoverable amount of each cash generating unit (CGU) with the carrying value of the net assets including goodwill for each 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 2025/26, 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 as at the time of each test.

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.

In the first half of the year and as reported in the interim statement in September 2020, for the Cruise and Tour Operations businesses, the underlying forecast cash flows were updated for the impact of COVID-19 as assessed at that point in time, with the expectation then that ocean cruises would recommence in November 2020 and Tour Operations trading would remain suspended until April 2021. In addition to this, a further downside scenario was considered that reflected 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 asset betas and cost of debt levels, particularly in Cruise in the first half of 2020, led to a marked increase in the market-participant view of discount rates used in the calculation of recoverable amount. Consequently, the Group determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs were below their respective carrying values and took the decision to impair in full the £59.8m goodwill allocated to Tour Operations and Cruise in the Group's interim results. Whilst the outlook for the travel industry has improved since then, characterised by an improvement in industry betas and cost of debt levels, goodwill impairments are irreversible, so the impairment charge remains in the full-year results.

Carrying value of ocean cruise ships

As at 31 January 2021, the carrying value of the Group's ocean cruise ships totalled £635.0m, which increased by £331.1m in the year following the purchase of Spirit of Adventure in September 2020. Due to the suspension of Cruise for most of the year, the Group carried out an impairment review of both of its vessels. The results of the review showed that there was headroom in both the central and stress test scenarios for Spirit of Discovery, and so it was concluded that no impairment was required. Given its higher carrying value, the central scenario for Spirit of Adventure implied a small impairment, which increased in the stress test scenario. Management considered a range of alternative data points and other factors, and taking all of these into account, considered that there was no need to impair the vessel. Please refer to note 17 on pages 171-173 for further details of the review that was undertaken.

Operating and Financial Review continued

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 £17.8m to £359.1m (2020: £376.9m) due to payment of £24.5m of dividends from AICL in the year. As at 31 January 2021, 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.

£m			Risk rating			
At 31 January 2021	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
Underwriting investment portfolio:						
Deposits with financial institutions	–	24.2	–	–	–	24.2
Debt securities	23.1	73.9	71.5	93.4	–	261.9
Money market funds	66.8	–	–	–	–	66.8
Loan funds	–	–	–	–	6.2	6.2
Total invested funds	89.9	98.1	71.5	93.4	6.2	359.1
Hedging derivative assets	–	–	0.2	0.5	–	0.7
Total financial assets	**89.9**	**98.1**	**71.7**	**93.9**	**6.2**	**359.8**

£m			Risk rating			
At 31 January 2020	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
Underwriting investment portfolio:						
Deposits with financial institutions	–	30.4	–	18.6	–	49.0
Debt securities	15.3	117.5	54.1	87.3	–	274.2
Money market funds	45.9	–	–	–	–	45.9
Loan funds	–	–	–	1.6	6.2	7.8
Total invested funds	61.2	147.9	54.1	107.5	6.2	376.9
Hedging derivative assets	–	–	0.7	0.5	–	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 January 2021 and 31 January 2020 is as follows:

	At 31 January 2021			At 31 January 2020		
£m	**Gross**	**Reinsurance assets[16]**	**Net**	**Gross**	**Reinsurance assets[16]**	**Net**
Reported claims	228.6	(57.8)	170.8	250.5	(48.2)	202.3
Incurred but not reported[17]	92.6	(7.4)	85.2	79.9	(7.0)	72.9
Claims handling provision	8.3	–	8.3	7.9	–	7.9
Total claims outstanding	329.5	(65.2)	264.3	338.3	(55.2)	283.1
Unearned premiums	96.8	(6.4)	90.4	105.3	(6.9)	98.4
Total	**426.3**	**(71.6)**	**354.7**	**443.6**	**(62.1)**	**381.5**

The Group's total insurance contract liabilities net of reinsurance assets have decreased by £26.8m in the year to 31 January 2021 from the previous year end due to a £31.5m reduction in reported net claims reserves coupled with a £8.0m reduction in unearned premiums. This was partially offset by a £12.3m increase in net incurred but not reported claims reserve due to increased uncertainty over claims reporting patterns resulting from the impact of COVID-19 necessitating a higher booked margin.

Financing

The Group's net debt has increased by £166.3m to £760.2m since the previous year end due to the additional £280.8m borrowed to fund the purchase of Spirit of Adventure, partially offset by repayment of £80m in bank debt and short-term facilities, and an increase in available cash. As at 31 January 2021, the £100m RCF remained undrawn and available to the Group.

16 Excludes funds-withheld quota share arrangement (please refer to note 28 for further detail)
17 Includes amounts for reported claims that are expected to become periodical payment orders

Excluding the impact of debt and earnings relating to the new ocean cruise ships, the Group's leverage ratio was 2.7x as at 31 January 2021 (2020: 2.4x), well within the 4.75x covenant applicable to the Group's term loan and RCF.

s172 No repayments were made on the ship loans during the year, with the Group agreeing two debt holidays with its lenders as part of a package of proposals to support the wider cruise industry. The first debt holiday agreed in June 2020 allowed repayments to be deferred to March 2021, and the second debt holiday agreed in March 2021 extended this further to March 2022. The Group expects to resume ship loan debt repayments after March 2022.

£m	Maturity date[18]	31 January 2021	31 January 2020
Corporate bond	May 2024	250.0	250.0
Term loan	May 2023	70.0	140.0
Revolving credit facility	May 2023	–	10.0
Spirit of Discovery ship loan	June 2031	234.8	234.8
Spirit of Adventure ship loan	September 2032	280.8	–
Less available cash[19]		(75.4)	(40.9)
Net debt		**760.2**	**593.9**

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

£m	31 January 2021	31 January 2020
Net debt	760.2	593.9
Ship loans	(515.6)	(234.8)
Cruise available cash	2.3	2.6
Adjusted net debt[20]	**246.9**	**361.7**

Pensions

The Group's defined benefit pension scheme deficit as measured on an IAS 19R basis reduced by £1.2m to £4.3m as at 31 January 2021 (2020: £5.5m deficit).

£m	31 January 2021	31 January 2020
Fair value of scheme assets	411.2	372.3
Present value of defined benefit obligation	(415.5)	(377.8)
Defined benefit scheme liability	**(4.3)**	**(5.5)**

Whilst the present value of defined benefit obligations increased by £37.7m to £415.5m, due to a 25bps reduction in the discount rate used to value these liabilities that is based on high-quality bond yields, the fair value of scheme assets increased by £38.9m to £411.2m. The increase in asset values has been largely driven by the fall in interest rates in the year, which in turn has led to a marked increase in the value of liability hedging assets within the portfolio.

The pension trustees have largely completed the triennial valuation of the scheme as at 31 January 2020. Following discussions with the Company, the trustees are proposing a new deficit recovery plan totalling £39.0m over the next seven years, with the first payment of £4.2m paid in February 2021 and subsequent payments of £5.8m due each February thereafter until February 2027. Discussions with the trustees are ongoing but are expected to be concluded in the next two months.

Net assets

Since 31 January 2020, total assets have increased by £117.9m and total liabilities have increased by £25.4m, resulting in an overall increase in net assets of £92.5m.

The increase in total assets is primarily as a result of the purchase of Spirit of Adventure, which, after allowing for offsetting depreciation and a reclassification of land and buildings to assets held for sale, led to an increase in the carrying value of property, plant and equipment of £235.2m. This was partially offset by a £59.8m impairment of Travel goodwill and the derecognition of £33.8m of assets held for sale relating to the divestment of the Bennetts and Healthcare businesses during the year, plus a further £15.0m of assets derecognised in respect of the Destinology business.

18 Maturity date represents the date that the principal must be repaid, other than the ship loans, which are repaid in instalments over the next 12 years
19 Refer to note 25 of the financial statements for information as to how this reconciles to a statutory measure of cash
20 Refer to the Alternative Performance Measures (APM) Glossary on page 212 for definition and explanation

Operating and Financial Review continued

The increase in total liabilities reflects a £136.3m increase in financial liabilities, which was due to an increase in gross debt from the draw-down of the facility to purchase Spirit of Adventure, partially offset against the repayment of bank debt following the equity raise in October 2020. This was offset by a £71.0m reduction in contract liabilities due to the level of refunds made in the Travel business following the suspension of trading since March 2020, coupled with a £17.3m reduction in insurance contract liabilities, a £10.8m decrease in trade and other payables, also driven in part by the suspension of trading in Travel, and the derecognition of £8.5m of liabilities held for sale relating to disposed businesses.

Impact of COVID-19 and going concern

The Group's largest business is its Insurance operations, which have been resilient over the last 12 months and have remained profitable. In addition, the Group has been able to maintain full operational capability throughout the year despite the impact of COVID-19, with almost all colleagues working from home.

However, the Group's Travel business has been subject to significant disruption. 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 to suspend Cruise and Tour Operations in March 2020. Both businesses have been suspended since then and will not resume trading until later this year.

Over the 12 months during which the Travel business has been suspended, the Group has taken a number of mitigating actions to strengthen its financial position, including:

- The removal of more than £50m of overhead and marketing costs in comparison to the original budget for the year, both as part of the Group's restructuring and simplification programme and in response to the suspension of Travel operations.
- The successful disposal of the Bennetts, Healthcare and Destinology businesses, which raised net cash proceeds of £31m.
- Raising approximately £139m of net proceeds from the issuance of new equity shares in September 2020, £104m of which was used to reduce debt outstanding under corporate lending facilities.
- Establishment of trust accounting for the Tour Operations business, enabling a reduction in bonding by £33m.
- Agreement to repayment holidays for the ship debt facilities from April 2020 until March 2022, and with a waiver of related ship debt covenants for the same period.
- Amendments to the covenants attached to the term loan and RCF to provide increased levels of financial flexibility, and a 12-month extension to the maturity of the term loan until May 2023.

These actions, together with the cash generated by the Insurance business, enabled the Group to reduce net debt (excluding debt relating to Cruise operations) by £115m during the year despite the provision of £104m in cash support to Travel operations.

As at 31 January 2021, the Group had significant headroom to all covenants on bank facilities. At that date, the Group was in compliance with all requirements of its banking facilities, specifically: the leverage ratio (excluding the impact of debt and earnings relating to the new ocean cruise ships) was 2.7x (2020: 2.4x), compared to a 4.75x maximum covenant; interest cover was 3.3x (2020: 9.0x), well above the minimum covenant of 1.25x; and the Cruise intercompany debt was £16.2m (2020: £1.1m), significantly below the limit in bank facilities at that date of £45m (since increased to £55m).

Although the Travel business remains suspended, customer loyalty has been exceptionally positive, especially for Cruise. Given the large number of customers who have rebooked for 2021/22 travel departures and because of a level of pent-up demand, demand generation is not considered to be a near-term material challenge for the Travel business.

The Group's base case assumption is for Tour Operations to resume in July 2021 for river cruising and in September 2021 for stays and tours, and ocean cruises recommencing in June 2021 for Spirit of Discovery and in July 2021 for the inaugural cruise of Spirit of Adventure. It is also assumed that the mid-term outlook for Cruise returns to pre COVID-19 levels.

The Group believes that the base case assumption is reasonable for the following reasons:

- All customers should have been vaccinated twice by the end of May, which will be combined with a series of other safety measures implemented by the business, including a quarantine and testing procedure for crew.
- There is UK Government support to resume domestic and international tourism from June and they have confirmed that cruises will be allowed to restart to the same timetable.
- The Group believes that ocean cruise – if managed properly – is a safer proposition than some other forms of international travel. This is particularly the case for Saga given the nature of the cruise proposition and the additional steps being taken, including mandatory vaccines before travel and our third-party accreditation for COVID-19 health and safety protocols.
- A number of European countries have already indicated they will be welcoming Saga customers and look forward to UK cruise ships entering their ports in the summer of 2021. The Group's ships are particularly sought after for their modest size (at less than 1,000 passengers) and the vaccine-only policy for customers.
- If scheduled port stops are not possible because of growing levels of COVID-19 in those countries, the flexibility of Cruise allows for itineraries to be modified accordingly.

Although management are confident of a summer return, there is high degree of uncertainty in the outlook, with a number of factors that could lead to a delay in the lifting of the ban on international travel. Given this situation, which is constantly evolving, the Group has considered a range of alternative outcomes.

The main downside scenario considered assumes no Tour Operations departures until March 2022, with Cruise resuming from November 2021 for Spirit of Discovery and from December 2021 for Spirit of Adventure. In this scenario, the Group has also assumed a slower recovery in load factors (remaining at 80% until July 2022) and incremental costs in operating the business. In assessing wider downside risks the Group has also considered other trading stress tests in relation to the Insurance business.

Although this scenario would be challenging, the Group expects to remain resilient and would not expect to need to take further actions to improve financial flexibility. Specifically:

- The Group has plenty of liquidity, with £75m of available cash at 31 January 2021, and a £100m RCF that is currently undrawn.
- The Group has agreed a working capital facility with Roger De Haan that enables the Cruise business to draw down £10m in cash support if required, on the same terms as for the RCF.
- The Insurance business continues to perform well and with predictable cash generation.
- Tour Operations customer receipts are fully ring fenced and are not included in available cash.
- There are no debt maturities until after April 2022, with capital repayments not due on the two cruise ships until June 2022 for £15m on the Spirit of Discovery facility and until September 2022 for £16m on the Spirit of Adventure facility, and there are no repayments due on bank facilities until their maturity in May 2023.
- The Group therefore expects to be able to operate within the debt covenants and other requirements of its banking facilities, which have been amended to accommodate the Group's downside scenario modelling and are summarised below.

		30 April 2021*	31 July 2021	31 October 2021*	31 January 2022	30 April 2022*	31 July 2022
Leverage (net debt to EBITDA ratio)	Maximum	4.75	4.75	4.50	4.25	4.00	3.00
Interest cover (EBITDA to net cash interest ratio)	Minimum	1.25	1.25	1.25	1.50	3.50	3.50
Cruise intercompany debt cap	Maximum	£55m	£55m	£55m	£55m	£55m	£55m

** Quarterly covenants for leverage and interest cover are only tested if leverage is above 4.0x times at the previous covenant test date.*

Although the Group believes that the downside scenario above represents an appropriate reasonable worse-case (RWC), there are a number of significant factors related to COVID-19 that are outside of the control of the Group, including the status and impact of the pandemic worldwide; potential emergence of new variants of the virus; the availability of vaccines, together with the speed at which they are deployed and their efficacy; and the restrictions imposed worldwide in respect of the freedom of movement and travel. The Group is therefore not able to provide certainty that there could not be more severe downside scenarios than the RWC.

While the Group expects the outcome of a scenario more severe than the RWC to be unlikely, further downside sensitivities have been considered in light of the COVID-19 pandemic, including the impact of not being able to resume both Cruise and Tour Operations until March 2022. In considering this outcome, the Group has allowed for likely ongoing lower motor claims frequency than assumed in its base case plans, which in part offsets the adverse impact of continued delays to a resumption of Travel. In this scenario, the Group projects that it would have limited headroom to the interest cover covenant and would be near the limit of Cruise funding, but it would still remain in compliance with the requirements of its banking facilities for at least the next 12 months. The Group would however consider taking further actions to increase flexibility and reduce downside risks associated with the remote possibility of any further delay to the restart of Travel beyond March 2022. Such actions would include seeking additional amendments to bank facilities and consideration of alternative sources of funding.

Given the above factors, the Directors have a reasonable expectation that the Group will continue to trade through the continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months, and so have prepared the financial statements on a going concern basis accordingly.

DIVIDENDS

Given the uncertain implications of COVID-19, the Board of Directors does not recommend the payment of a final dividend for the 2020/21 financial year, nor would this currently be permissible during the period of the ship debt repayment holiday.

FINANCIAL PRIORITIES FOR 2021/22

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 delivering its Insurance strategy, has taken delivery of the second new ocean cruise ship and has repositioned the Tour Operations business ready for trading to recommence later in 2021. Given the continued uncertainty arising from COVID-19, the Group is not able to provide any earnings guidance for the 2021/22 financial year.

Viability Statement

s172 Section 172 matters are addressed throughout this statement

The Directors have considered the viability of the Group over the five-year period to January 2026. The COVID-19 pandemic continues to create an unprecedented challenge for businesses in making judgements regarding trading prospects, and in particular within the travel sector. The Directors and Executive Leadership Team remain focused on protecting the Group, and continue to take actions as necessary to navigate the challenges that the pandemic continues to present. The going concern disclosure on pages 44-45 provides detail on how the Directors have considered the uncertain timing of its Travel businesses recommencing trading.

On the assumption that the travel industry can begin to recover during 2021, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. The Directors recognise that uncertainty increases over time and therefore future outcomes cannot be guaranteed. The Directors have determined the five-year period to January 2026 to be an appropriate period over which to assess the Group's viability, as this period:

a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business;
b) includes the maturity of senior banking facilities in 2023 and the unsecured bond in 2024; and
c) includes fuller consideration of the impact of the COVID-19 pandemic.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible scenarios and the effect of any mitigating actions. The Directors have considered each of the Group's principal risks and uncertainties (PRUs) detailed on pages 28-29 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have also taken into account the availability of the Group's senior banking facilities, which are considered to be sufficient to meet the Group's needs.

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

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

1. The impact of COVID-19 on the Travel business – as described within the going concern disclosure on pages 44-45.
2. General insurance regulation – uncertainty over further regulatory developments.
3. A failure to deliver on the Insurance strategy – Insurance has continued to perform in line with expectations and continues to demonstrate good progress. Nonetheless, the business continues to navigate a period of significant change.

In scenarios beyond those considered in relation to going concern, such as a delay to the resumption of departures in the Travel business into the second quarter of 2022 or later, the Group would likely need to take further mitigating actions to ensure its continued compliance with debt facility agreements, and to be able to meet ongoing debt repayments as they fall due. While such scenarios are considered unlikely and remote, such mitigating actions would likely include further renegotiation with the Group's lenders to relax debt covenants further or consideration of alternative funding options.

As set out in the Audit Committee Report on pages 70-73, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Key disclosure statements

SECTION 172(1) STATEMENT

Duty to promote the success of the Company

The Directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 (s172(1)) when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also having regard to the s172(1) matters referred to below.

The table below indicates where the relevant information is in this annual report that demonstrates how we act in accordance with the requirements of s172(1).

s172 This icon denotes information relevant to s172(1) throughout the annual report

s172(1) matter	Further information incorporated into this statement by reference	
Likely consequences of any decision in the long term	Chairman's Statement Pages 4-5	Governance in action Page 52
	Group CEO's Statement Pages 6-9	Governance statements Pages 53-55
	Market overview Pages 10-11	Board leadership and Company purpose Pages 56-57
	Purpose and business model Pages 12-13	Division of responsibilities Pages 58-60
	Strategic priorities Pages 14-15	Composition, succession and evaluation Page 61
	Environmental, Social and Governance Pages 18-27	Nomination Committee Report Pages 64-65
	Principal risks and uncertainties Pages 28-29	Audit, risk and internal control Pages 66-69
	Operating and Financial Review Pages 30-45	Audit Committee Report Pages 70-73
	Viability Statement Page 46	Risk Committee Report Pages 74-76
	Chairman's introduction to governance Pages 50-51	Directors' Remuneration Report Pages 77-110
The interests of the Company's employees	Chairman's Statement Pages 4-5	Operating and Financial Review Pages 30-45
	Group CEO's Statement Pages 6-9	Governance in action Page 52
	Market overview Pages 10-11	Board leadership and Company purpose Pages 56-57
	Strategic priorities Pages 14-15	Nomination Committee Report Pages 64-65
	Environmental, Social and Governance Pages 18-27	Audit Committee Report Pages 70-73
	Principal risks and uncertainties Pages 28-29	Directors' Remuneration Report Pages 77-110
The need to foster the Company's business relationships with suppliers, customers and others	Chairman's Statement Pages 4-5	Principal risks and uncertainties Pages 28-29
	Group CEO's Statement Pages 6-9	Operating and Financial Review Pages 30-45
	Market overview Pages 10-11	Chairman's introduction to governance Pages 50-51
	Strategic priorities Pages 14-15	Governance in action Page 52
	Environmental, Social and Governance Pages 18-27	Board leadership and Company purpose Pages 56-57

Key disclosure statements continued

SECTION 172 (1) STATEMENT CONTINUED

s172(1) matter	Further information incorporated into this statement by reference	
Impact of the Company's operations on the community and environment	Chairman's Statement Pages 4-5 Group CEO's Statement Pages 6-9 Market overview Pages 10-11 Environmental, Social and Governance Pages 18-27	Principal risks and uncertainties Pages 28-29 Operating and Financial Review Pages 30-45
The Company's reputation for high standards of business conduct	Chairman's Statement Pages 4-5 Group CEO's Statement Pages 6-9 Market overview Pages 10-11 Purpose and business model Pages 12-13 Strategic priorities Pages 14-15 Environmental, Social and Governance Pages 18-27 Principal risks and uncertainties Pages 28-29 Operating and Financial Review Pages 30-45 Viability Statement Page 46	Governance in action Page 52 Board leadership and Company purpose Pages 56-57 Division of responsibilities Pages 58-60 Nomination Committee Report Pages 64-65 Audit, risk and internal control Pages 66-69 Audit Committee Report Pages 70-73 Risk Committee Report Pages 74-76 Directors' Remuneration Report Pages 77-110
The need to act fairly as between members of the Company	Chairman's Statement Pages 4-5 Environmental, Social and Governance Pages 18-27 Chairman's introduction to governance Pages 50-51	Board leadership and Company purpose Pages 56-57 Directors' Remuneration Report Pages 77-110 Directors' Report Pages 111-115

NON-FINANCIAL INFORMATION STATEMENT

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

NFI matter	Standards which govern our approach	
Environmental	Safeguarding the environment Pages 24-25	
Company's employees	Colleague engagement Pages 18-20 Diversity Page 21 Culture Page 21 How the Board monitors culture & how this links to strategy Page 22	Engaging with stakeholders Pages 26-27 Fairness, diversity and wider workforce Pages 21, 61, 65, 80, 90-93 and 109 Succession planning and talent development Page 65
Social	Market overview Pages 10-11 Community Page 23	Engaging with stakeholders Pages 26-27
Respect for human rights	Modern slavery & human rights Page 23	
Anti-corruption and anti-bribery	Financial crime and 'Speak Up' reporting Page 72	
Business model	Purpose and business model Pages 12-13	
Principal risks and uncertainties	Principal risks and uncertainties Pages 28-29	
Non-financial KPIs	Key performance indicators Page 17 Environmental, Social and Governance Pages 18-27 Composition, succession and evaluation Page 61 Annual Report on Remuneration Pages 83-84	

Relevant policies, codes and standards are available on our website (www.corporate.saga.co.uk/about-us/governance).

This Strategic Report is presented to inform members of the company and help them assess how the Directors have performed their duty under section 172. It has been approved by the Board and signed on its behalf by

EUAN SUTHERLAND
Group Chief Executive Officer
6 April 2021

Corporate Governance Statement

Chairman's introduction to governance

s172 Section 172 matters are addressed throughout this statement

"2020/21 has been an extraordinary and unprecedented year for Saga and the Board has been kept very busy."

SIR ROGER DE HAAN
Non-Executive Chairman

DEAR SHAREHOLDER,

On 5 October 2020, I became Non-Executive Chairman of Saga plc after the Company's successful capital raising exercise that generated £150m (approximately £140m net of costs). I invested £100m for just over 26% of the share capital.

Senior Independent Director

In anticipation of my appointment and the likelihood that I would have a significant shareholding in the Company and might not be considered independent, the Board broadened Orna NiChionna's role as Senior Independent Director.

Changes to Board composition

The Board now has seven Directors and all but one have been appointed in the last two years. During the year, Patrick O'Sullivan retired after serving two and a half years as Chairman and Ray King and Gareth Williams retired as Non-Executive Directors after serving six years and six and a half years respectively. Cheryl Agius stepped down as an Executive Director in January 2021 after serving for one year.

The Company complies with the UK Corporate Governance Code 2018 ('Code') requirement that at least half of its Board members, excluding the Chairman, are Independent Non-Executive Directors.

Sub-committees of the Board

The following changes to the composition of the sub-committees of the Board were made during the year. They were all recommended by the Nomination Committee.

- Eva Eisenschimmel became Chair of the Remuneration Committee in February 2020.
- Gareth Hoskin became Chair of the Audit Committee in June 2020 and a member of the Nomination Committee in September 2020.
- Julie Hopes became a member of the Nomination Committee in September 2020, Chair of the Risk Committee and a member of the Audit Committee in December 2020.
- I became a member of the Nomination Committee in October 2020.

Subsidiary company Boards

Saga's trading subsidiary companies have their own Boards whose members perform the normal governance duties of company directors. The board of Saga Services Limited (SSL), Saga's Insurance Broking business, has six Directors, of whom four are non-executive. Julie Hopes, a Non-Executive Director of the Saga plc Board, chairs the SSL Board. Acromas Insurance Company Limited (AICL), Saga's Underwriting business, has seven Directors. Three are non-executive and Gareth Hoskin, a Non-Executive Director of Saga plc, chairs the AICL Board.

This governance structure works well and it is extremely helpful that Saga's two regulated subsidiaries, which account for a significant proportion of the Group's trading, are chaired by two of our main Board Non-Executive Directors.

Board focus and decisions

As I said in my Chairman's Statement on pages 4 to 5, 2020/21 has been an extraordinary and unprecedented year for Saga and the Board has been kept very busy. It began the year focusing on Euan Sutherland's, as the new Group Chief Executive Officer's (CEO), ideas for delivering early improvements to the Company's operation and then on the effect of, and the plan to deal with, the pandemic. This involved moving the Company's operations from being office to home based without disrupting the quality of service afforded to our customers. The Board also had to consider the many ramifications of the suspension of all our Travel operations. It agreed to the sale of a number of non-core companies within the Group. It agreed to the capital raising exercise and was involved in considering the working capital report, working capital memorandum and the detailed review of historical budgeting accuracy and the current trading update prepared by our external auditor. During the year the Board had to consider the Financial Conduct Authority (FCA) report on general insurance pricing practices and dedicated considerable time to discussing the Company's new strategy.

Risk management

The Audit and Risk Committees played an important part in reviewing the systems, processes and controls to ensure that the principal risks and the risk tolerance thresholds were monitored.

People and remuneration

Saga has a People Committee which is regularly attended by Eva Eisenschimmel. She provides an important link in communicating to the Board the views of our colleagues. Eva is also Chair of the Remuneration Committee and discussed with our major shareholders the Company's proposed Remuneration Policy and how it supported our strategy. The Policy was approved at our Annual General Meeting (AGM) in June 2020.

Environmental, Social and Governance (ESG)

Our ESG task force has met every two weeks since it was established in the last financial year. A number of its recommendations have already been agreed by the Board and have been implemented. It is reviewing a wide range of extremely important issues including diversity, our carbon footprint and how we can make a positive impact, particularly in the communities where we are based.

Board and committee evaluation

During the year we completed an evaluation of the Board and its Committees. It concluded that the Board had navigated through difficult circumstances presented by COVID-19 and was working well with management in developing a well-formed strategy supported by a clear Company purpose and set of meaningful values. Looking forward, the Board's focus will be on dedicating time to ensuring excellent customer service and ensuring the foundations are in place to begin to deliver sustainable growth.

2021 Annual General Meeting

We will set out the arrangements for our AGM, which will be on 14 June 2021, after we have assessed government advice nearer the time.

Finally, I would like to thank Patrick O'Sullivan, Ray King, Gareth Williams and Cheryl Agius who all stepped down from the Board this year for their dedication and wise counsel.

SIR ROGER DE HAAN
Non-Executive Chairman
6 April 2021

Corporate Governance Statement

Governance in action

s172 HOW GOVERNANCE LINKS TO OUR STRATEGIC PRIORITIES

People and culture step change

The Board considered and debated the following key areas:

- The strategy announced in September 2020 and the purpose, to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities. The conclusion was that the strategy and purpose represented who we are and the way in which we work.
- The proposed values (precision pace, empathy, curiosity, and collaboration) and discussed how these key qualities would ensure we deliver the best experiences for each other and our customers.
- The new operating model for the business, which resulted in restructuring and fewer layers, with specific focus on how we treated all colleagues with respect and care, whether they were leaving or staying with the business.
- The valuable insight into views of the wider workforce provided by the work of the People Committee, to strengthen colleagues' voices in the Board room.
- An award of Free Shares to eligible colleagues under the Share Incentive Plan (SIP) (this was approved for the sixth year running).
- Updates from the workshops held to encourage open dialogue regarding topics relating to diversity, inclusion and belonging (DI&B).

Group CEO's Statement, pages 7-8
Purpose and business model, pages 12-13
Strategic priorities, page 14
Environmental, Social and Governance, pages 18-27

Data, digital and brand transformation

Board discussion included the following:

- How the new platforms in our Insurance business were expected to enhance operational and cost efficiencies. This included the Guidewire implementation for our motor and home products and the new Radar Live system which provides increased data capacity and faster and more efficient pricing capability.
- The development of a single Group-wide customer digital data platform which builds on and optimises the investment made in recent years. Once complete, we will be able to reduce complexity across our systems and we will have a clearer view of our customers across all our businesses. This will enhance the service we are able to offer.

Group CEO's Statement, page 8
Strategic priorities, page 14

Optimising our businesses

The Board had to carefully consider the impact of COVID-19 and make brave decisions as to how to respond, given the pause in the Travel business. Attention was given to all stakeholders' requirements, particularly the effect on customers and colleagues. Key areas of discussion included:

Insurance

- How the Insurance business could continue to perform resiliently, with a focus on our three-year fixed-price product.
- The plan to acquire new business on a direct basis.
- The support available to our customers during the COVID-19 pandemic by actively reaching out, for example, by offering a reduction in mileage or the addition of another driver to their policy, payment holidays and fee waivers, where appropriate.

Travel

- How to take the opportunity, during the COVID-19 suspension period, to reinvigorate the Tours business and return to the DNA that contributed to the success of Saga Holidays for so many years, offering a higher-quality, differentiated product portfolio with aspirational holidays tailored specifically for our customers.
- The plan to extend our Tours product proposition to include a second new river cruise ship.

Group CEO's Statement, pages 6-9
Strategic priorities, page 15

Driving simplicity and efficiency

The Board focused on what action was needed to achieve the following:

- Continue to adopt a cost-conscious approach, ensuring that costs were reduced where possible across the Group.
- Have disciplined cost management during the Travel suspension period, with savings in both marketing and administration costs.
- Remain on track to achieve further run rate cost savings of £20m over time and stay committed to the ongoing assessment of our cost base to ensure that the business is operating at the optimum level for the future.

Group CEO's Statement, page 9
Strategic priorities, page 15
Operating and Financial Review, pages 30-45

Reducing our debt

The Board approved significant projects and transactions, which included:

- The successful capital raise, resulting in approximately £140m of net proceeds from the issue of new shares, allowing repayment of the revolving credit facility (RCF) and approximately half of the term loan.
- Disposals of three non-core businesses; Bennetts, Healthcare and Destinology, generating combined net cash proceeds of £31m.
- Revision of the covenants attached to the term loan and RCF, allowing flexibility through the ongoing disruption arising from COVID-19.
- Agreement of a payment deferral and covenant waiver until 31 March 2022 in respect of the two ship debt facilities.

Group CEO's Statement, page 9
Strategic priorities, page 15
Operating and Financial Review, pages 30-45

Governance statements

s172 KEY STATEMENTS

Compliance Statement	The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the UK Corporate Governance Code 2018 (the 'Code'). A full version of the Code can be found on the Financial Reporting Council's (FRC) website (www.frc.org.uk). The Company applied the Principles and complied with the relevant Provisions of the Code throughout the year (with two exceptions) as set out on pages 54-55. An explanation of our non-compliance with Provisions 3 and 9 is also provided on those pages.
Viability Statement	The Viability Statement can be found in the Strategic Report on page 46.
Going concern	The going concern basis of preparation can be found in note 2.1 of the financial statements on pages 136 to 138.
Fair, balanced and understandable	In accordance with the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers that the annual report and accounts, taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Assessment of risk	Through the risk management process detailed on page 67, the Board can confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity and reputation.
Statement of review	The risk management process detailed on pages 66-69 was in place for the year under review and up to the date of approval of this report. The Audit Committee, working closely with the Risk Committee and on behalf of the Board, carried out a review of the effectiveness of the systems of internal control and risk management covering all material controls, including financial, operational and compliance controls and the Group risk management framework. The conclusion was that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continue to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.
Section 172(1)	The section 172(1) statement can be found in the Strategic Report on pages 47-48.

Corporate Governance Statement

Governance statements continued

APPLICATION OF CODE PRINCIPLES

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

1. Board leadership and Company purpose

A. Effective Board

The Board met formally 14 times during the year. The schedule of matters reserved for the Board (detailed on page 56) was reviewed on 4 September 2020. The governance structure in place sets out delegated authorities clearly. The Board considered progress against long-term strategy at each Board meeting. More information on Company key performance indicators (KPIs), strategic priorities, principal risks and uncertainties (PRUs), and stakeholder engagement is provided in the Strategic Report.

Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57

B. Purpose, values, strategy and culture

s172 The Company's purpose, values and strategy are defined in the Strategic Report. Culture played an important part in delivery of strategy and operation of the business model. During the year, the Company's purpose was redefined to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities, and new values were developed.

Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Directors' Remuneration Report, pages 77-110

C. Resources and controls system

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

Environmental, Social and Governance, pages 18-27
Principal risks and uncertainties, pages 28-29
Key disclosure statements, pages 47-49
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73

D. Stakeholder engagement

s172 The Board remains committed to understanding the views of the Company's key stakeholders and considering their interests in Board discussion and decision making.

The importance of ongoing dialogue with shareholders was recognised. The Remuneration Committee Chair consulted with key shareholders regarding the new Remuneration Policy, which was approved by shareholders at the Company's AGM held on 22 June 2020.

The Company did not comply with Provision 3 of the Code. As the Non-Executive Chairman is a significant shareholder in the business, it was determined that it would be more appropriate for the Senior Independent Director to engage with major shareholders in order to understand their views on governance and performance against the strategy.

In addition, the Group CEO and Group Chief Financial Officer (CFO) met with shareholders and provided an update to the Board. Advisers attended Board meetings to provide feedback and analyst reports were circulated.

Strategic Report, pages 1-49
Environmental, Social and Governance, pages 18-27
Key disclosure statements, pages 47-49

E. Workforce policies and ability to raise concerns

s172 Key policies were reviewed and submitted to the Board as part of an annual review for discussion and approval. These were reviewed in the context of regulatory changes as well as best practice and to reflect the Company's values and training, tailored to the audience. The Company's robust Whistleblowing and Open Door Policy and process was repositioned as the 'Speak Up' Policy. Board members considered a 'Speak Up' report and the Audit Committee Chair served as 'Speak Up Champion'. The People Committee and People Forums provided an effective mechanism for colleagues to speak freely.

Environmental, Social and Governance, pages 18-27
Key disclosure statements, pages 47-49
Board leadership and Company purpose, pages 56-57
Audit, risk and internal control, pages 66-69
Directors' Remuneration Report, pages 77-110

2. Division of responsibilities

F. Role of the Chairman

s172 The Chairman set the agenda for meetings, managed the meeting timetable (in conjunction with the Group Company Secretary) and facilitated open and constructive dialogue during the meetings, with particular focus on strategic issues. This year saw the appointment of a new Non-Executive Chairman who was not considered independent on appointment (as per Provision 9, taking the circumstances set out in Provision 10 into account), due to his shareholding in the Company. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, the terms of the Relationship Agreement between him and the Company and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. Shareholders supported this appointment, when they voted in favour of the capital raise at a general meeting held on 2 October 2020.

Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Nomination Committee Report, pages 64-65

G. Board and its responsibilities

s172 The division of responsibilities between the Non-Executive Chairman and the Group CEO, and the role of the Senior Independent Director were clearly defined. The Non-Executive Chairman was responsible for the leadership and effectiveness of the Board. The Group CEO was responsible for leading the day to day management of the Group within the strategy set by the Board. A document clarifying these divisions and responsibilities was reviewed and approved by the Board on 4 September 2020. This document is reviewed annually by the Board. Matters reserved for the Board and the Board and Executive Committees' terms of reference were also reviewed. The Board Committees' terms of reference can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance).

Division of responsibilities, pages 58-60
Board of Directors, pages 62-63

H. Non-Executive Directors

The Non-Executive Directors provided objective, rigorous and constructive challenge to management and met regularly without the Executive Directors. The Senior Independent

Director acted as a sounding board for the Chairman, led an appraisal of the Non-Executive Chairman's performance, and attended meetings with major shareholders, some of which were requested leading up to the capital raise.

Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60

I. Information and support
The Chairman, in conjunction with the Group Company Secretary, ensured that all Board members received accurate and timely information, had the resources needed and were kept informed on all governance and regulatory matters. This included communication of the policies and procedures needed in order to function effectively and efficiently. A regulatory report detailing the impact of all emerging and future changes was tabled at each Board meeting.

Environmental, Social and Governance, pages 18-27
Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Risk Committee Report, pages 74-76
Directors' Remuneration Report, pages 77-110

3. Composition, succession and evaluation
J. Appointment process
The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit and with due regard for the benefits of diversity, in all forms.

Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

K. Board composition
s172 The Nomination Committee was responsible for reviewing the composition of the Board, considering succession planning and evaluating the skills, knowledge and experience required of Board candidates. 2020/21 saw a number of changes to the Board and Committee composition, which went smoothly as a result of prior succession planning. The Company requires all Directors to stand for annual re-election by shareholders at the Company's AGM.

Division of responsibilities, page 60
Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

L. Board evaluation
The Board conducted an annual evaluation of its own performance and that of its Committees. The Chairman and Non-Executive Chairman met with individual Directors during the year and discussed their contribution.

Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

4. Audit, risk and internal control
M. Independence and effectiveness of internal and external audit functions
The Board delegated a number of responsibilities to the Audit Committee, which was responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by, and the effectiveness of, the internal and external auditors.

Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73

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

Strategic Report, pages 1-49
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Financial statements, pages 131-211

O. Risk management and internal controls
The Board set the Group's risk appetites and Risk Policy. The effectiveness of the Group's risk management and internal control systems was reviewed during the year. The Risk Committee was responsible for monitoring the Group's overall risk appetite, tolerance, strategy and risk assessment processes, effectiveness of the Group's risk management and the Group's capability to identify and manage new and emerging risks and deal with any material breaches of risk limits.

Principal risks and uncertainties, pages 28-29
Viability Statement, page 46
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Risk Committee Report, pages 74-76
Notes to the consolidated financial statements, pages 136-203

5. Remuneration
P. Remuneration policies and practices
The Remuneration Committee was responsible for setting levels of remuneration that supported strategy and promoted the Company's long-term sustainable success. Remuneration was structured to link it to both corporate and individual performance, so that the interests of management were aligned with those of shareholders and the Company's key stakeholders. Annual bonus was underpinned by personal objectives which were aligned with the Company's purpose and values and clearly linked to the delivery of the Company's strategy.

Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57
Directors' Remuneration Report, pages 77-110

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

Directors' Remuneration Report, pages 77-110

R. Independent judgement
The Remuneration Committee exercised independent judgement and discretion when considering remuneration outcomes, taking account of Company and individual performance, and wider circumstances. The Committee had the ability to override formulaic remuneration if necessary.

Directors' Remuneration Report, pages 77-110

Corporate Governance Statement

Board leadership and Company purpose

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

OUR BOARD

s172 There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 4 September 2020. Matters reserved for the Board include the following:

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

s172 A fundamental part of this role is to consider the balance of interests between our stakeholders including shareholders, our customers, our colleagues and the communities in which we operate. See pages 26 and 27 for details of the Board's role in stakeholder engagement which supports Directors' duties under Section 172(1) of the Companies Act 2006.

All Directors, members of the Executive Leadership Team (ELT) and persons discharging managerial responsibilities receive training on an ongoing basis.

CAPITAL RAISE AND SHARE CONSOLIDATION

s172 Governance played a vital role as the Company took steps to improve financial resilience, strengthen its balance sheet and complete a £150m capital raise in September 2020, with cornerstone investment from Roger De Haan. A share consolidation took place following the capital raise.

This transaction saw Roger return as Non-Executive Chairman. It was important to ensure there were clear, defined responsibilities for this role, and those of the Senior Independent Director and Group CEO. Committee composition was also reviewed.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2021 at 11.00am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. We are considering how this meeting will be held this year, in light of the impact of the COVID-19 pandemic and will set out full details in the Notice of AGM.

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

HOW OUR PURPOSE AND VALUES UNDERPIN OUR GOVERNANCE:

Precision pace

- Governance and policies, protocols and processes are structured so that Saga can move quickly, remain focused on the right things and retain high standards.

Curiosity

- By applying curiosity to our processes and governance structures, there is scope to continuously improve and ensure that they remain aligned with the Company's purpose and always support delivery of the strategy.

Empathy

- Empathy influences how we make decisions, and how we set up our processes and procedures. Consideration is given as to how people might feel throughout and as a consequence of the end result.

Collaboration

- By working together as one team, governance is consistent across the Group.

BOARD ACTIVITIES DURING THE YEAR

Meetings are structured to enable the Board to support the ELT on the delivery of strategy within a transparent and robust governance framework as illustrated on pages 58-59.

Areas of Board focus during the year:

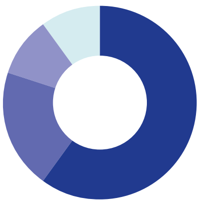
Strategy s172	During the year, the Board agreed a new strategy, which was announced in September 2020. *Transforming Saga – Experience is Everything* builds on the strength of the Saga brand and its heritage, and returns our customers to the heart of the business. The Board discussed the strategy in the context of the external environment and considered the impact of COVID-19. Regular updates were provided by management on strategic and commercial priorities, including the plans to prepare for a resumption in the Travel business, to remain resilient in Insurance and to develop a data, digital and brand strategy that would ensure that Saga emerges stronger out of the crisis. Strategic Report, pages 1-49
Purpose, values and culture s172	The Board considered and discussed the revised purpose put forward by the ELT, to create Exceptional Experiences Every Day and the proposed values of precision pace, empathy, curiosity and collaboration. The conclusion was that these would support delivery of the strategy to ensure that colleagues were encouraged to live the purpose and values and do the best work they can. Details of how governance links to our strategic priorities and our core values are provided in the tables on pages 52 and 56. The People Committee and Forums facilitated ongoing dialogue and transparency with our colleagues, and provided useful insight and feedback. Purpose and business model, pages 12-13 Environmental, Social and Governance, pages 18-27
Stakeholder engagement s172	The Board considered the views of and impact of decisions on our stakeholders. Active dialogue was maintained with our shareholders throughout the year, responding to enquiries via our Investor Relations (IR) Team, and holding meetings with investors and financial analysts to discuss business performance and strategy. The Chair of the Remuneration Committee held meetings with key shareholders to discuss the proposed Remuneration Policy, which was approved by shareholders on 22 June 2020. Environmental, Social and Governance, pages 18-27
Governance s172	An exercise to simplify the Group's governance structure took place, designed to clarify the role and purpose and improve the efficiency and effectiveness of Group and subsidiary boards and committees. As a result, an Executive Leadership Risk Committee was established at Group level and various Group committees (including Business Continuity, Health and Safety, Financial Crime, Information Security and Data Protection and Supplier Risk Management) were disbanded and their duties reassigned. Division of responsibilities, pages 58-60
Risk management s172	The Board recognised that it was more important than ever to monitor the effectiveness of risk management throughout the Group, to ensure that the risks associated with the impact of the COVID-19 pandemic and suspension of the Travel business were closely monitored and effective action was taken. The Audit and Risk Committees played a crucial part in ensuring that appropriate systems, controls and processes were in place and that emerging and principal risks and uncertainties and risk tolerance thresholds were monitored. Principal risks and uncertainties, pages 28-29 Audit Committee Report, pages 70-73 Risk Committee Report, pages 74-76

Corporate Governance Statement

Division of responsibilities

A full review of our governance structure took place during the year. As a result, an Executive Leadership Risk Committee was introduced, reporting into the Risk Committee. A Data Governance Committee and an Environmental Committee were established as sub-committees, to ensure that these vital areas were given due attention.

Board responsibilities – allocation of time



Strategy and business performance	c.60%
Capital raise and share consolidation	c.20%
Oversight of risk and management	c.10%
People and culture	c.10%

s172 THE BOARD'S RESPONSIBILITIES

- Approval of strategic direction and ensuring its successful implementation.
- Overall leadership and management of the Group, including setting the Group's values and standards.
- Approval of the Group's 'Speak Up' Policy and discussing an annual report presented by the Non-Executive Director nominated as 'Speak Up Champion'.

The Nomination Committee's responsibilities

- Review the structure, size and composition (including the need for progressive refresh of membership) of the Board.
- Consider how to develop a diverse pipeline in succession planning and talent development of Executive Directors and other senior executives.
- Evaluate the independence, experience, diversity and knowledge of the Board.
- Identify and nominate candidates to fill Board and Committee vacancies.
- Review Board performance evaluation results in relation to Board composition.

Nomination Committee Report, pages 64-65

The Audit Committee's responsibilities

- Consider integrity of the financial statements.
- Review the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Monitor the effectiveness of the Company's Internal Audit function, Finance function and the external auditor.
- Review the Internal Audit work plan.
- Review annual and half yearly financial statements and accounting policies.
- Approve the remuneration and terms of engagement, and determine the independence of the external auditor.
- Monitor the scope of the annual audit and the extent of non-audit work undertaken by the external auditor.
- Provide recommendations on the fair, balanced and understandable assessment, going concern and viability statements.
- Ensure that whistleblowing ('Speak Up') and anti-fraud systems are in place and monitored.

Audit Committee Report, pages 70-73

THE EXECUTIVE LEADERSHIP TEAM RESPONSIBILITIES

(reports to the Board via the Group CEO and Group CFO)

- Develop and recommend strategy to the Board, and then implement it.
- Set the Group's business principles, and develop and implement values, behaviours and standards.
- Ensure customers are treated fairly, in line with the Saga brand values.
- Review and monitor brand and customer KPIs, trading and marketing performance.
- Review financial forecasts and financial performance of the Group.

- Encourage innovation to meet the needs of our stakeholders, including colleagues, customers and shareholders.
- Ensure compliance with statutory and regulatory obligations.
- Maintain sound systems of internal controls and risk management.
- Assess potential impact of decisions.

The Remuneration Committee's responsibilities

- Set and monitor the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with the delivery of value over the long term.
- Recommend and monitor remuneration packages for Executive Directors, the Chairman and senior management.
- Work with the Nomination Committee regarding workforce structure, reward, incentives and conditions.
- Review workforce remuneration and incentive programmes to encourage desirable culture, behaviour and responsible risk taking.
- Determine all aspects of share-based incentive arrangements.
- Review and administer employee share schemes.
- Set KPIs for the Annual Bonus Plan and long-term incentives.
- Prepare a Directors' Remuneration Report annually.

Pages 90-94 of the Directors' Remuneration Report are incorporated into this report by reference.

Directors' Remuneration Report, pages 77-110

The Risk Committee's responsibilities

- Review and advise the Board on the Group's overall risk appetite, tolerance and strategy and risk assessment processes.
- Oversee and advise the Board on current risk exposure and future risk strategy.
- Monitor the effectiveness of the Group's risk management and internal control systems and conduct risk management procedures.
- Monitor PRUs.
- Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings.
- Consider the Group's capability to identify and manage new and emerging risk.
- Review material breaches of risk limits and adequacy of action.

Risk Committee Report, pages 74-76

The Executive Leadership Risk Committee's responsibilities (reports to the Risk Committee via the Chief Risk Officer)

- Consider a risk report from business areas, to include (where necessary/material matters to report):
  - business continuity;
  - supplier risk management;
  - data governance;
  - fraud;
  - financial crime;
  - information security;
  - health and safety; and
  - environment.
- Assess opportunities and risks across all business areas.
- Derive PRUs from strategy and business model.
- Oversee material outsourcing contracts and management of insurer relationships.
- Conduct thematic reviews (to align with strategy).
- Oversee Data Governance and Environmental Committees.

- Review and discuss talent management and succession planning throughout the Group (prior to consideration by the Nomination Committee).
- Review and monitor culture, DI&B and colleague engagement metrics.
- Manage risk and conduct, reviewing Group Risk and Internal Audit and compliance plans, and report potential or actual breaches of regulation or policy to the Board.

Corporate Governance Statement

Division of responsibilities continued

INDEPENDENT NON-EXECUTIVE DIRECTORS AND BOARD COMPOSITION

We continue to comply with the Code recommendation that at least half of our Board, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. The Board considers Eva Eisenschimmel, Julie Hopes, Gareth Hoskin and Orna NiChionna to be independent Non-Executive Directors, free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management.

We recognised that our Non-Executive Chairman was not considered independent on appointment and this was carefully considered as part of the capital raise. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, and the terms of the Relationship Agreement and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. This was supported by shareholders, who voted in favour of the capital raise at a general meeting held on 2 October 2020. Other changes to the Board and its Committees included the retirement of Ray King (who did not stand for re-election at the 2020 AGM) and Gareth Williams (who retired on 31 December 2020). Eva Eisenschimmel assumed the role of Remuneration Committee Chair on 1 February 2020, Gareth Hoskin became Audit Committee Chair on 22 June 2020, Julie Hopes was appointed Chair of the Risk Committee and a member of the Audit Committee on 31 December 2020. On 5 January 2021, Cheryl Agius stepped down, for personal reasons, from her role as CEO of Saga Insurance and as an Executive Director of Saga plc.

Composition, succession and evaluation, page 61
Board of Directors, pages 62-63

BOARD ATTENDANCE DURING THE YEAR

s172 The Board and Committees have a scheduled forward programme of meetings. During the year, the Board met formally on 14 occasions. In addition, meetings were convened as necessary to discuss and approve strategic matters and a strategy event was held in July, at which the strategic direction for each of the businesses was discussed. Board members made themselves available for all discussions necessary to deal with the impact of COVID-19 and to discuss the capital raise and share consolidation projects, over and above scheduled meetings. The Chairman meets with the Senior Independent Director and Non-Executive Directors outside of formal meetings.

Member	Role	Maximum possible meetings	Attendance
Roger De Haan[1]	Non-Executive Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)	3	3
Euan Sutherland	Group Chief Executive Officer (Group performance and develops strategy for Board approval)	14	14
James Quin	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	14	14

Independent Non-Executive Directors		Maximum possible meetings	Attendance
Orna NiChionna	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of the Non-Executive Chairman, Executive Directors and senior management.	14	14
Eva Eisenschimmel		14	14
Julie Hopes		14	14
Gareth Hoskin		14	14

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

Former Directors		Maximum possible meetings	Attendance
Patrick O'Sullivan[1]	Chairman	11	11
Cheryl Agius[2]	Chief Executive Officer of Insurance	11	11
Ray King[3]	Non-Executive Director	5	5
Gareth Williams[4]	Non-Executive Director	12	12

Notes:
1 Roger De Haan replaced Patrick O'Sullivan as Chairman on 5 October 2020
2 Cheryl Agius resigned as Chief Executive Officer of Insurance on 5 January 2021
3 Ray King retired on 22 June 2020
4 Gareth Williams retired on 31 December 2020

Composition, succession and evaluation

s172 Section 172 matters are addressed throughout this page

THE MEMBERS OF THE BOARD

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

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

ANNUAL RE-ELECTION

The Directors are standing for election or re-election at the AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Roger De Haan, who is standing for election, should be appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 62 and 63. The details of the specific reasons why each Director's contribution continues to be important to the Company's long-term sustainable success will be included in our Notice of AGM.

GENDER AND DIVERSITY

The Group has a Diversity and Dignity Policy and, during the year, forums were held on topics relating to DI&B which provided valuable insight around how colleagues felt relating to matters such as age, ethnicity and gender.

Environmental, Social and Governance, pages 18-27
Nomination Committee Report, pages 64-65

GENDER ON THE BOARD AND IN SENIOR MANAGEMENT

The Board recognises the need to develop a diverse pipeline in succession planning. The Company currently has three women on its Board (43%) and six in total across the combined Board and Senior Management (37.5%).

	Male		Female		Total
	(n)	%	(n)	%	
Board	4	57%	3	43%	7
Senior Management[1]	5	62.5%	3	37.5%	8

Notes:
1 Senior management for this purpose is the Executive Leadership Team or the first layer of management below Board level, including the Company Secretary

EVALUATION OF THE BOARD, COMMITTEES AND DIRECTORS

Directors and regular attendees were asked to complete a questionnaire to assess the performance of the Board and Committees over the year. The Senior Independent Director and the other Non-Executive Directors also appraised the Non-Executive Chairman's performance and the Non-Executive Directors had regular meetings with the Chairman and Non-Executive Chairman at which their performance was discussed. Support was provided by Independent Audit Limited, which does not have any other connection to the Company or individual Directors.

The evaluation was focused on assessing progress in the areas identified during last year's review as opportunities for further development including:

- ensuring Saga has the right strategy;
- whether the Company focuses sufficient effort and resource on delivering sustainable long-term growth;
- considering whether we are giving excellent customer service and being fair to our colleagues;
- establishing if the review of performance and trends was appropriate;
- a review of how risk is managed; and
- the performance of the Committees.

The review concluded that the Board had navigated through difficult circumstances presented by COVID-19 and was working well with management in developing a well-formed strategy supported by a clear company purpose and set of meaningful values. The evaluation confirmed that there was a strong emphasis on the welfare of colleagues, with active consideration of fairness to colleagues and their rewards and a recognition of the need to support wellbeing. Respondents said that the Board was working to an effective agenda with a clear focus on the right issues.

DEVELOPMENT PLAN FOR 2021/22

- Dedicating time to ensuring excellent customer service.
- Focusing on ensuring that foundations are in place to begin to deliver sustainable growth.
- Ensuring risk management procedures are effective and embedded sufficiently.

FINDINGS FROM THE 2019/20 EVALUATION

The 2019/20 review concluded that areas of focus should include the following:

- Increasing visibility around performance, ensuring key messages and discussion points are highlighted.
- Simplifying the governance between subsidiary boards and the Company.
- Ensuring that the Board had identified objectives which were aligned with strategy.
- Developing a set of cultural indicators to monitor and measure progress against.

As a result, various dashboards and financial and customer KPIs were introduced and these were discussed at Board meetings, and a full review of governance was undertaken, with the aim of improving and simplifying the structure. The Board recognised that culture needed support by clear values, and these were defined and communicated to colleagues.

PROCESS FOR BOARD AND COMMITTEE EVALUATION

Chairman and Group Company Secretary prepared a questionnaire based on the conclusions and actions arising from the 2019/20 review and which took into account recent changes to the Board and Committees

Directors and Board/Committee attendees completed the questionnaires and provided feedback

Report produced by the Company Secretariat Team with support from Independent Audit Limited

Review/discussion by Chairman and Group Company Secretary

Discussed at Board (including feedback to Committee Chairs)

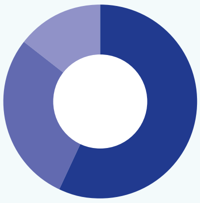
Action plans prepared
Progress tracked at future Board meetings

Corporate Governance Statement
Board of Directors

Key to Committees

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

COMPOSITION OF THE BOARD[1]



Non-Executive Directors	4
Executive Directors	2
Non-Executive Chairman	1

1 Patrick O'Sullivan was Chairman until 5 October 2020. Cheryl Agius, Ray King and Gareth Williams served as directors during the year (see page 65)

1. ROGER DE HAAN
Non-Executive Chairman

N

Appointed
5 October 2020

Key strengths and experience
- Experienced business leader and board director with extensive experience in travel and financial services industries.
- Significant history with Saga having worked for it for 39 years, including over 20 years as Chairman and Chief Executive.
- Instrumental in transforming Saga from a specialist tour operator to one that offered its own cruises and expanded the business to cover publishing, insurance and financial services, creating the Saga brand.
- Knighted in the 2014 New Years Honours List for services to education and to charity in Kent and overseas.

Other roles
- Director of Folkestone Harbour companies, Creative Folkestone, Friends of Folkestone Academy; Trustee of Roger De Haan Charitable Trust; Trustee and governor of The Kings School, Canterbury.

2. EUAN SUTHERLAND
Group Chief Executive Officer

E

Appointed
6 January 2020

Key strengths and experience
- Significant experience in leading major consumer-facing businesses through periods of change to deliver a more efficient organisation.
- Leadership, senior operational experience and marketing specialism.
- Corporate strategy creation, branding, large workforce direction and motivation.
- Implementing strategy focused on customer insight, digital innovation and wholesale expansion.
- Previous senior roles include: CEO of Superdry plc, the global digital brand, and The Co-op Group; Group COO & CEO UK at Kingfisher plc; and background in global fast moving consumer goods (FMCG) brands including Mars and Coca-Cola.

Other roles
- Non-Executive Director and member of the Audit and Nomination Committees of Britvic plc (appointed February 2016).

3. JAMES QUIN
Group Chief Financial Officer

E

Appointed
1 January 2019

Key strengths and experience
- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 28 years of senior leadership experience.
- Experience in delivering corporate strategy, investor communications and internal/external analysis and reporting.
- Extensive strategic, investor and operational finance experience within the insurance industry.
- Previous senior roles include: Zurich Insurance Group (UK CFO, Global Life CFO and Head of Investor Relations), Partner at PwC and Managing Director at Citigroup Global Markets.




4. ORNA NICHIONNA

N A RI R

Senior Independent Non-Executive Director

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

Key strengths and experience
- Significant experience in strategy, new concept development and launch, business turnaround, logistics re-design and supply chain management. Previous client portfolio included many consumer-facing clients.
- Previous roles include: Senior Independent Director of Royal Mail plc, HMV plc, Northern Foods plc and Bupa; Non-Executive Director of Bank of Ireland UK Holdings plc and Bristol & West plc; former Partner at McKinsey & Company.

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

5. EVA EISENSCHIMMEL

N R

Independent Non-Executive Director and 'People Champion'

Appointed
1 January 2019

Key strengths and experience
- Over 30 years of experience as a brand and marketing professional.
- Extensive experience in customer relations and all aspects of human resources and people strategy.
- Previous roles include: Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc; Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc; Chief Customer Officer at Regus plc; Chief People and Brand Officer at EDF Energy and senior positions at Allied Domecq and British Airways.

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

6. JULIE HOPES

A N RI R

Independent Non-Executive Director, Chair of Saga Services Limited and Saga Personal Finance Limited

Appointed
1 October 2018

Key strengths and experience
- Associate with the Chartered Institute of Bankers.
- Wealth of insurance experience coupled with over 20 years in a variety of roles, specialising in general insurance and predominantly in personal lines.
- Highly customer focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.
- Previous roles include: Chair of Police Mutual and its Remuneration Committee; Non-Executive Director and Chair of the Risk Committee of Co-operative Insurance; Tesco Bank; and CEO of The Conservation Volunteers, a UK community volunteering charity.

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

7. GARETH HOSKIN

A N RI

Independent Non-Executive Director, Chair of Acromas Insurance Company Limited and 'Speak Up Champion'

Appointed
11 March 2019

Key strengths and experience
- c.20 years' experience in insurance, in a variety of roles.
- Chartered Accountant with recent and relevant financial experience and competence in accounting (Institute of Chartered Accountants in England and Wales).
- Previous roles include: main Board Director and CEO International, and finance, retail marketing and HR roles in Legal & General; accountant at PwC; and Trustee, Non-Executive Director and Chair of the Audit and Risk Committee at Diabetes UK.

Other roles
- Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015).

Corporate Governance Statement

Nomination Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

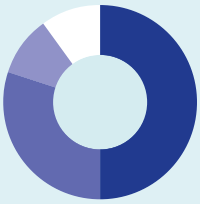
The Committee's remit

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

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters



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

Committee composition and attendance

Members (majority of independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Orna NiChionna[1] (Chair)	29/05/14	7	7
Roger De Haan[2]	05/10/20	4	4
Eva Eisenschimmel	04/04/19	7	7
Julie Hopes[3]	10/09/20	4	4
Gareth Hoskin[3]	10/09/20	4	4
Ray King[4]	29/05/14	2	2
Patrick O'Sullivan[5]	18/05/18	3	3
Gareth Williams[6]	29/05/14	7	7

Notes:
1 Orna NiChionna was appointed Committee Chair on 5 October 2020
2 Roger De Haan became a member on 5 October 2020
3 Julie Hopes and Gareth Hoskin became members on 10 September 2020
4 Ray King retired on 22 June 2020
5 Patrick O'Sullivan stepped down as Committee Chair on 5 October 2020
6 Gareth Williams retired on 31 December 2020

ORNA NICHIONNA
Chair, Nomination Committee

DEAR SHAREHOLDER,

This is my first statement as Chair of the Nomination Committee since assuming the role from Patrick O'Sullivan when he stepped down from the Board on 5 October 2020. I would like to formally thank Patrick for his valuable contribution as Committee Chair.

In a year that required resilience to adapt to the impact of the COVID-19 pandemic, and the resulting desirability of a capital raise, it was more important than ever to continually assess whether the Board and Committee structures supported delivery of the strategy. As the nature of the capital raise began to take shape, the Committee considered the proposed role of Roger De Haan as Non-Executive Chairman in the context of the roles of the Group CEO and Senior Independent Director and the proposed responsibilities of each. My role as Senior Independent Director was widened and it was determined that I should become Chair of the Nomination Committee as it was recognised that Roger De Haan would not be considered independent on appointment.

Taking into account Roger's history with the Saga brand and business, his proposed time commitment, and the terms of the Relationship Agreement and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. Shareholders supported this decision when they approved the capital raise and share consolidation at a general meeting held on 2 October 2020. It was agreed that all Non-Executive Directors should be members of the Committee and Julie Hopes and Gareth Hoskin were appointed as members on 10 September 2020.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 61). The review indicated that the Committee had focused sufficiently on succession planning, whilst acknowledging that there is more work to be done. Respondents confirmed that the Committee had found its rhythm of operation and had navigated complex issues well during the year, with strong direction from the Chair.

Board composition

There were other changes to the Board and its Committees during the year, which went smoothly reflecting succession planning carried out previously by the Nomination Committee. Gareth Williams informed us of his intention to stand down by the end of December 2020 and we concluded that Eva Eisenschimmel had the required experience to chair the Remuneration Committee. She assumed this role on 1 February 2020 and Gareth remained a member until he retired on 31 December 2020, which ensured a smooth and efficient handover. Julie Hopes was appointed Chair of the Risk Committee and became a member of the Audit Committee on the same date, following the Committee's recommendation that this would ensure the appropriate skills and balance on these committees.

Ray King also informed us that he would not stand for re-election at the 2020 AGM. Gareth Hoskin's skills and experience matched the requirement that the Chair of the Audit Committee must have significant, recent and relevant financial experience with competence in accounting and accordingly, Gareth assumed this position on 22 June 2020.

Last year, we reported that the Committee had identified the need to consider whether there was sufficient travel experience on the Board. We explored possible options with external advisers for adding a Board member with a travel background. However, the appointment of Roger De Haan to the Board changed the skills balance as he brings very deep experience of the travel industry to the Board.

During the year, each Director completed a skills matrix and the Committee discussed the results, to identify current or future skills gaps and to confirm Committee membership based on the experience and skills of each Director against each Committee's remit. We also considered the Code, guidance from the FRC and best practice. Our priority with any Board appointments over the next three years will be to address the current lack of ethnic diversity on our Board while maintaining our depth and breadth of experience in the functional and sectoral areas of most importance to the Group.

In January 2021, Cheryl Agius informed the Board of her intention to step down from her role, for personal reasons, as CEO of Insurance and as an Executive Director of Saga plc. Euan Sutherland has assumed the responsibilities of Interim CEO of Insurance until a suitable replacement is appointed. He is supported by the Executive Leadership Team (ELT) and the senior management of the Insurance business. The search for a successor is underway.

Re-election and election of Directors

After the year end, but prior to publication of this annual report, the Committee considered the profiles of the Directors, each Director's contribution and time commitment necessary to perform their duties and recommended to the Board that all should be put forward for re-election or election at the 2021 AGM. Individuals did not participate in the discussion when their own re-appointment was being considered.

Succession planning and talent development

The Board and I were aware that, as a long standing Non-Executive Director, it was important to consider the succession plans for my role as Senior Independent Director. In light of the capital raise and the need for continuity on the Board, I agreed to remain on the Board for a further term. The Committee will continue to consider forward looking succession and refreshment plans in detail.

During the year the Committee received an update from the Group CEO and the Chief People Officer (CPO) on how they were approaching talent management in line with the new strategy. This requires intense focus on skills and cultural change in an organisation that is considerably more streamlined than previously, and new processes and frameworks have been put in place to ensure success.

The Committee also reviewed the talent pipelines for the ELT and other key roles.

Diversity

During the year, the Group organised forums on topics relating to diversity, inclusion and belonging (DI&B), which provided valuable insight (see page 21). The Company has a Diversity and Dignity Policy in place, which includes practical steps to promote a working environment in which all colleagues are treated equally. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy and communicated to all colleagues. All colleagues must report any breaches, whether actual or perceived, to their line manager or to the People team.

Whilst the policy does not set specific targets, the Committee is keen to achieve greater ethnic diversity on the Board and will address this in the context of Board appointments over the next three years. Diversity is considered as part of the appointment process, with reference to diversity of perspective, including gender, social and ethnic backgrounds; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning. The Board currently has a 43% gender balance of women and 37.5% in the first layer of management below Board level. Details of gender balance of those in the senior management and their direct reports can be found on page 61.

Board evaluation

Committee members discussed the findings of the report produced by the Group Company Secretary (with support from Independent Audit Limited) in relation to the composition of the Board. All Directors and the Group Company Secretary were asked to complete questionnaires about the dynamics of the Board and how well Board meetings supported discussion of the strategy and its delivery. This was a particularly important theme given the pressures caused in the business by COVID-19, as well as the change in the Board composition during the year. The evaluation confirmed that the Board dynamics were seen by colleagues to facilitate high quality discussion and decision-making, despite almost all Board meetings having been virtual throughout the year.

Orna NiChionna

ORNA NICHIONNA
Chair, Nomination Committee

Corporate Governance Statement
Audit, risk and internal control

s172 Section 172 matters are addressed throughout this section

BOARD ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

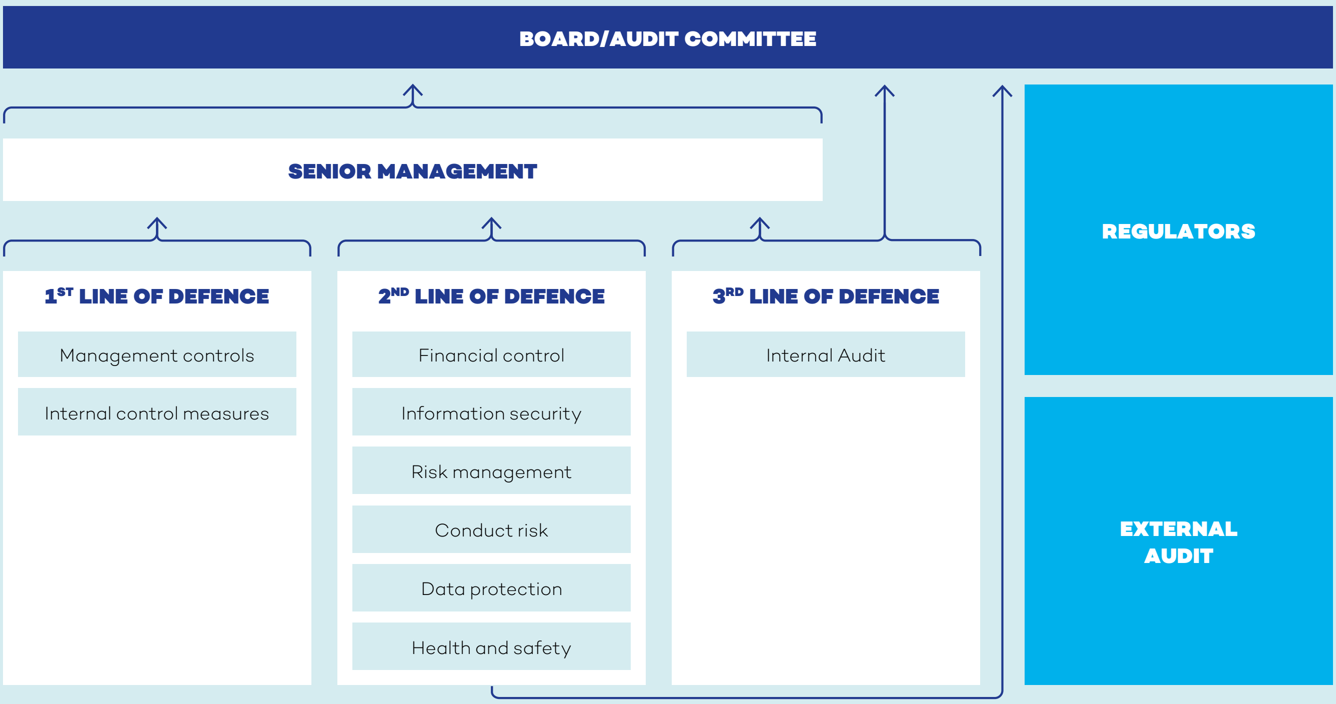
- there is an ongoing systematic process for identifying, evaluating and managing the emerging and principal risks faced by the Company;
- this system has been in place for the year under review and up to the date of approval of the annual report and accounts;
- the system is regularly reviewed by the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

During 2020, risk management activity was largely focused on responding to COVID-19 and protecting Saga's financial and operational resilience. In addition, the conduct risk framework was strengthened and the wider enterprise risk management framework continued to be improved to ensure it remains fit for purpose. Particular areas of focus included the improvement of internal control effectiveness, enhancing change risk governance and ensuring an appropriate risk culture towards speaking up and managing incidents effectively. Key to this work was ensuring Saga's Leadership Team possessed the required risk management capability. This was achieved through comprehensive training and the selection and development of 'Risk Champions' within the first line.

The Board has directly, or through delegated authority to the Risk and Audit Committees, overseen and reviewed the development and performance of risk management activities, practices and internal control systems in the Group. The Board has agreed risk policies, risk appetite and the strategic approach to risks and has overseen the identification and mitigation of emerging and principal risks. The Risk Committee also reviewed areas identified as requiring improvement that related to particular subsidiaries and activities carried out by Saga more widely. Members of senior management were invited, when relevant, to provide an update on areas of concern including root cause analysis and an update on improvement action plans. Further details regarding the involvement of the Risk and Audit Committees in the development and review of risk management and internal control systems can be found in the Audit and Risk Committee Reports on pages 70-73 and 74-76 respectively.

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

SAGA'S 'THREE LINES OF DEFENCE' RISK GOVERNANCE MODEL

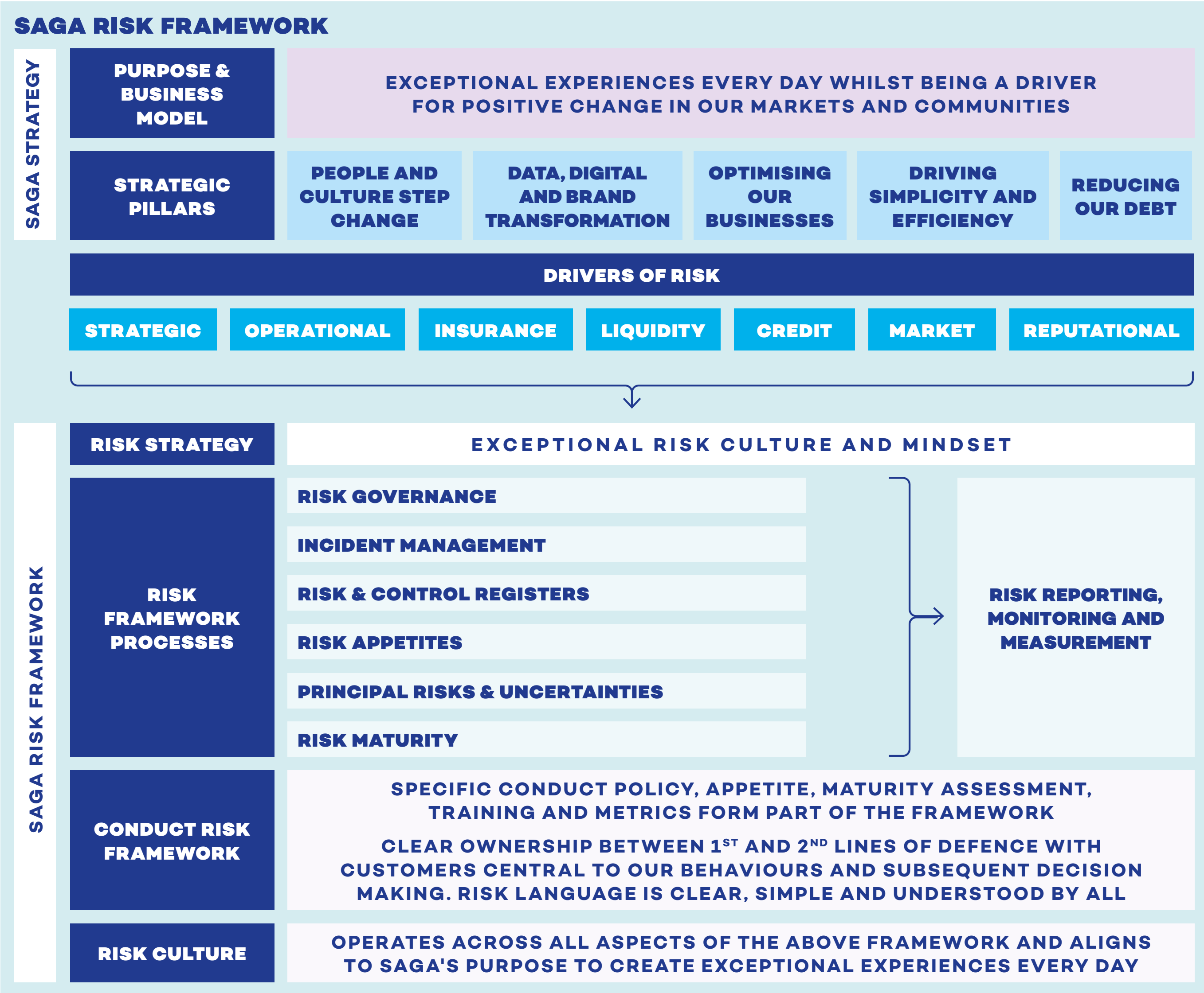


1st line of defence – Colleagues across Saga are responsible for identifying and managing risk in line with agreed risk appetite, risk policies and procedures.

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

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

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



RISK STRATEGY

The Group's risk strategy is aligned with the Company's overarching strategy, and is considered and approved annually.

RISK FRAMEWORK PROCESSES

Risk governance – The main consideration within risk governance is the Board management of risk and subsequent delegation to risk committees and other governance forums to ensure risk is managed effectively, and that there is appropriate oversight through reporting and accountability defined within each committee's terms of reference. Additionally, the suite of Saga risk policies, including but not limited to conduct risk, incident management, internal control and risk appetite, define our risk management strategy, framework, and high-level expectations of the 1st and 2nd line in respect of risk management activity.

Incident management – The 1st line business areas are responsible for raising any risk incidents identified in a timely manner, conducting appropriate root cause analysis to prevent recurrence, and resolving incidents promptly. The 2nd line oversees this activity to ensure good customer outcomes, and that the process is managed in line with the policy.

Risk & control registers – Each Saga operating company is responsible for identifying and managing its risks, which are captured on risk registers and scored using a consistent risk scoring matrix that rates risk against both likelihood and severity. Key controls are identified, regularly reviewed and subject to periodic testing with action taken where controls are found to be ineffective.

Risk appetites – Refers to the type and amount of risk that Saga is willing to take to achieve its strategic objectives. Risk appetites are approved at Group level, and adopted by the operating companies. They are used to support formation of strategy and decision making. A definition of Saga's key risk appetite categories can be found on the following page.

Principal risks and uncertainties – The PRUs are informed by the detailed functional/entity risk registers and are linked back to the relevant strategic objectives. This gives visibility to Saga's management of the most significant risks which may impede Saga's ability to achieve its strategic objectives.

Corporate Governance Statement

Audit, risk and internal control continued

Risk maturity – Each operating entity is assessed periodically against Saga's risk maturity framework, with targets for improvement set and monitored.

PROCESS FEEDBACK

Outputs from the risk management cycle are fed back to the Risk Committee and Board by exception to ensure the risk framework remains effective and supports the strategy, business model and decision making processes of the Company.

RISK APPETITES

Our risk appetites define the amount and sources of risk we are willing to accept in pursuit of our objectives. Risk appetites are set both at a Group and operating company level where appropriate and are expressed against the following key risk categories

Appetite risk category	Definition
Credit	The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations.
Liquidity	The inability to meet short-term cash demands.
Insurance	The risk of adverse deviation from predicted outcomes in respect of insurance liabilities for which a fixed premium has been received.
Market	The risk of loss arising from the adverse movement in asset values over time.
Group	The risk arising from being part of the Saga Group, including potential conflicts of strategy, the competition for resources from other businesses, reputational impact from the activities from other parts of the Group, intra-group transactions and concentration risk.
Strategic	The risk of failing to achieve Saga's business objectives due to poor strategy selection, execution or modification.
Colleague engagement	The risk of loss and inability to achieve Saga's business objectives due to lack of colleague engagement.
Conduct risk	The risk that the culture, integrity and ethical behaviour of Saga, its employees and representatives (e.g. partners and suppliers) towards customers, or in the markets in which it operates, leads to adverse customer outcomes.
Information security and cyber threat	The risk of loss arising from a cyber attack on one or more parts of Saga or any third party with whom Saga shares information with who themselves suffer a successful cyber attack.
Regulatory compliance	The risk of loss, sanction and/or reputational damage arising from failure to comply with our regulatory obligations.
Operational resilience	The risk of material disruption to key systems, access to our buildings or availability of colleagues that could affect our ability to service customers or meet strategic objectives.
Third-party risk	The risk of loss, business disruption or poor customer outcomes as a result of failure to manage third parties and partners effectively.
External fraud	The risk of loss as a result of fraudulent activity by an external party.
Change management	The risk of failure to effectively manage and execute change, resulting in loss of planned benefits, business disruption or poor customer outcomes.
Brand/reputation	The potential for loss of customers or market share due to damage to Saga's reputation.

INDEPENDENT PROCESS ASSURANCE

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

Governance statements, page 53

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

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

FINANCIAL REPORTING

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

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

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

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

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

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

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

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

STATEMENT OF REVIEW

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and, up to the date of the approval of this annual report and accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 53.

Our risk management framework and systems are designed to manage rather than eliminate risk, and operate to facilitate the achievement of our business objectives within our stated risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year on the improvements to the design of the framework. The remaining areas of focus are strengthening our risk culture, conduct risk framework and ownership of risk within the 1st line business. The Committees on behalf of the Board will continue to monitor progress throughout 2021.

Corporate Governance Statement

Audit Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

The Committee's remit

Our purpose is to help the Board discharge its responsibilities for monitoring the following:

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

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk /about-us/governance).

What we did during the year

Time spent on matters

Financial statements	c.40%
Internal financial controls	c.10%
Internal audit	c.30%
External audit	c.20%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Gareth Hoskin (Chair)[1]	04/04/19	9	9
Julie Hopes[2]	31/12/20	1	1
Orna NiChionna	29/05/14	9	9
Ray King[3]	29/05/14	4	4
Gareth Williams[4]	29/05/14	8	8

Notes:
1 Gareth Hoskin was appointed Committee Chair on 22 June 2020
2 Julie Hopes was appointed as a member of the Committee on 31 December 2020
3 Ray King retired on 22 June 2020
4 Gareth Williams retired on 31 December 2020

On 22 June 2020 Gareth Hoskin replaced Ray King as Chair when he retired. The Board is satisfied that both Ray King and Gareth Hoskin have recent and relevant financial experience and competence in accounting, reflected by their professional qualifications as chartered accountants and relevant experience during their careers. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sector in which the Company operates. The Board of Directors' biographies on pages 62-63 contain details of each Committee member's skills and experience.

GARETH HOSKIN
Chair, Audit Committee

DEAR SHAREHOLDER,

This is my first statement as Audit Committee Chair since Ray King retired in June 2020 and I would like to thank him for his valued contribution over many years. This has been an unparalleled year, as we demonstrated financial and operational resilience in the face of the COVID-19 pandemic, progressed our strategic reset announced in September 2020, laying the foundations to optimise our business and reduce debt, and undertook a capital raise.

The COVID-19 pandemic created significant challenges for Saga that required prompt, decisive action. Enabling all colleagues to work from home provided maximum colleague safety combined with no business interruption for customers. Our focus was on the improved financial flexibility of the Group to strengthen the balance sheet and improve liquidity. Against this background, the Committee provided independent scrutiny of the Group's financial reporting and the internal controls in its businesses.

Reporting

Interim and full-year results

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

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 61). Overall, the review concluded that the Committee received well structured and timely papers, with useful input from internal and external auditors. Respondents confirmed that there was a healthy level of challenge and debate and that the Committee had identified priority topics. For 2021/22, more time will be spent on probing root causes of issues.

Significant issues

- Consideration of the financial implications and impact of COVID-19 on liquidity, going concern and viability
  The Committee reviewed and challenged the assessment that management made including the appropriateness of the underlying forecasting assumptions used in the base case and reasonable worse-case scenarios and the mitigating actions that management would take.

Note 2.1 of the financial statements, pages 136-138
Viability Statement, page 46

- Working Capital Report
  Discussed and agreed assumptions which underpinned the working capital report in connection with the capital raise, reviewed the financial reporting procedures report prepared by an independent team at KPMG, and recommended the working capital report to the Board for approval.

- Valuation of insurance contract liabilities
  The analysis and justification prepared by management in support of the reserves for outstanding claims, including consideration of an independent valuation prepared by Willis Towers Watson and analysis prepared by the Group's external auditor, was reviewed. The analysis and justification was reviewed and challenged initially by the Acromas Insurance Company Limited (AICL) Reserving and Audit Committees, following which it was also then reviewed and challenged by the Committee.

Note 28 of the financial statements, pages 189-193
Independent Auditor's Report to the Members of Saga plc, pages 121-122

- Valuation of goodwill
  The Committee considered the recoverability of goodwill and discussed with management the basis of its impairment assessment. The key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, and the selection of an appropriate discount rate and terminal growth rate including the sensitivity of the assessment to changes in those rates within a reasonable range. The review concluded that the carrying value of the goodwill asset allocated to the Insurance business was recoverable but that the carrying value of the goodwill asset allocated to the Tour Operations and Cruise businesses should be impaired in full.

Note 16a of the financial statements, pages 169-170
Independent Auditor's Report to the Members of Saga plc, page 123

- Valuation of the parent company's investment in subsidiaries
  The Committee evaluated the recoverability of the carrying value of the investment in subsidiaries held on the balance sheet of the Company. The Committee reviewed and challenged management's internal valuation of the Group. The Committee also considered alternative valuation data based on market data provided by brokers. The review confirmed that no impairment was required nor was it appropriate to reverse any previous impairments at this stage.

Note 2.5 of the financial statements, pages 151-154
Independent Auditor's Report to the Members of Saga plc, page 123

- Carrying value of other material assets
  The Committee reviewed indicators of impairment and resultant impairment reviews of the Group's ocean cruise ships, and land and buildings. For the cruise ships, the key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, including, in particular, the potential impact of COVID-19 on the resumption of cruising, and the selection of an appropriate discount rate, which has been impacted this year in particular by an increase in cruise industry asset betas and cost of debt levels. The Committee also considered the sensitivity of the assessment to changes in those rates within a reasonable range. For land and buildings, the Committee challenged the quality of the valuations obtained from independent valuers. The review concluded that the carrying values of the cruise ships were recoverable with a finely-balanced judgement having been made not to impair the carrying value of Spirit of Adventure, and that certain buildings should be written down to their fair value less costs to sell.

Note 17 of the financial statements, page 171-173
Note 2.5 of the financial statements, pages 151-154
Independent Auditor's Report to the Members of Saga plc, page 124

The Committee considered the internal control observations identified by the Group's external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions. The Committee was satisfied that the key accounting policy choices and judgements were appropriate and provided a true and fair view of the Company's financial performance and position.

Fair, balanced and understandable

We advised the Board that we supported the statement (see page 53) that this annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This was following consideration of whether:

- the report was clear and presented a balanced view of successes, challenges, opportunities and risks;
- key messages were prominent and an appropriate level of KPIs were disclosed;
- business segments, significant issues and key judgements reporting was consistent with disclosures in the financial statements; and
- definitions provided were explained and Alternative Performance Measures (APMs) were reconciled with the closest IFRS measure in the financial statements.

Going concern and viability

The going concern basis of preparation disclosure note is set out on pages 136 to 138 and the Viability Statement, and the methodology for assessing the Group's ongoing viability, are set out on page 46.

Our review took account of the Company's current position and PRUs (as reviewed and approved by the Risk Committee and detailed on pages 28 and 29) and the methodology used to provide an assessment of ongoing viability over the chosen five-year period of review. We considered the relevant assessment time horizon, severe but plausible potential outcomes and the appropriateness of the scenarios

Corporate Governance Statement

Audit Committee Report continued

modelled. In particular, we considered the continued impact that the COVID-19 outbreak could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to continue to prepare the financial statements on a going concern basis and make the Viability Statement on page 46.

Audit and control

Internal controls

The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit programme. The Group Financial Controller also provided an update on accounting issues and key aspects of financial controls at each meeting. In December 2020, we received an update on the transformation of the Finance function, which included progress on establishing a new target operating model and the formation of a shared services department, and the digitisation and simplification of financial reporting processes. We noted how this work would improve customer payment and refund methods and optimise working processes for colleagues. The Committee was also trained on the implications of IFRS 17 and continued to be briefed with regular progress updates on the Group's preparatory work on its adoption. This new insurance accounting standard becomes applicable in the financial year ending 31 January 2024.

s172 Financial crime and 'Speak Up' reporting (formerly whistleblowing and open door reporting)

We reviewed and approved policies covering financial crime (including anti-bribery, anti-corruption, anti-fraud, anti-money laundering and treasury sanctions and asset freezing). We reviewed a simplified whistleblowing policy and renamed this the 'Speak Up' policy to encourage colleagues to engage with this. As 'Speak-Up Champion', I am responsible for ensuring the integrity, independence and effectiveness of the Company's 'Speak Up' Policy and procedures. The Committee reviewed all reported incidents and concluded that these had been handled appropriately, with no material issues identified.

Internal Audit

We approved the Internal Audit programme and considered the internal audits conducted throughout the year. In addition, we held an extraordinary Committee meeting in May 2020 to discuss how Internal Audit were responding to, and reprioritising focus due to, the COVID-19 pandemic and the changing control environment. The audit plan was further refreshed for the second half of the year, with progress being appropriately reported by the Internal Audit Director and amendments to the audit plan being approved by the Committee. We were satisfied that the Internal Audit function, a team of eight people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. The Internal Audit Director attended Committee meetings and provided regular reports on the progress of the Internal Audit plan.

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

A quality assurance and improvement program, as required by the Chartered Institute of Internal Auditors (CIIA) was considered. We concluded that the Internal Audit function complied with the CIIA's definition of internal auditing, the core principles of the Professional Practice of Internal Auditing and the Code of Ethics. The Committee (in co-operation with the Risk Committee) monitored the work of the risk, compliance and internal audit functions to ensure that their activities complemented each other appropriately. KPIs included whether actions were closed within agreed timeframes and customer satisfaction response rate. We approved the Internal Audit Charter, which is available on the Saga website (www.corporate.saga.co.uk/about-us/governance).

Work conducted over the year was risk-based, and covered both financial and non-financial controls. A selection is shown below:

– Customer sales and claims journey audits (Saga Services Limited (SSL) and CHMC Limited): End to end review of the sales and claims customer journeys including, renewals, repudiated claims, complaints, and customer outcomes.
– Cyber security: A deep dive into core focus areas, including cyber governance, cyber resilience, user awareness and training, and threat and vulnerability management.
– Response to COVID-19: A review of the business' response to the crisis, including management and mitigation of associated financial, regulatory, technological and operational risks.

Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also conducted the annual year end review of the effectiveness of the risk management and controls framework. This showed that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continues to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.

Audit, risk and internal control, pages 66-69
Risk Committee Report, pages 74-76

An external review of the effectiveness of the Internal Audit function (in line with the CIIA Standards) was last conducted during the financial year ended 31 January 2017. A tender process was undertaken in the year and PwC were selected by the Committee to carry out an external quality assessment (EQA). The outcome of the EQA is due to be presented to the Committee in July 2021.

Subsidiary audit committees

I have regular meetings with the independent Non-Executive Directors who chair the SSL, Saga Personal Finance Limited and AICL audit and risk committees to ensure an appropriate level of oversight and enable a sufficient level of transparency. Minutes from these meetings were also noted at each Committee meeting.

External audit

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

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 117-130.

The Committee considered the audit scope, materiality and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud and error into account. We also considered and approved KPMG's engagement terms and fee proposal for 2020/21.

Auditor independence and non-audit services

During the year, the Committee met three times with the external auditor without members of management being present.

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

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

The audit fees payable to KPMG in respect of the year ended 31 January 2021 were £1.6m (2020: £1.7m) and non-audit service fees incurred were £0.8m (2020: £0.2m), the latter being incurred for work to review the Group's interim results, essential reporting to our banks and travel industry regulators and, in 2020 specifically, work as reporting accountant in support of the Group's equity capital raise. This equates to a non-audit to audit fee ratio of 0.5 (2020: 0.12). A summary of fees paid to the external auditor is set out in note 4a to the consolidated financial statements on page 160. KPMG has discontinued the provision of non-audit services to the current and recent members of the FTSE 350 index that they audit other than those required by law or closely related to the audit.

Audit quality and effectiveness of external auditor

The following was considered when assessing the effectiveness of KPMG:

- Our perception of KPMG's understanding and insight into the Group's business model.
- How key areas of judgement were approached by KPMG, the extent of challenge and the quality of reporting.
- The content of (and management's responsiveness to) KPMG's management letter.
- Feedback from management following completion of an evaluation survey on the audit process (including audit scope, audit communication, independence and objectivity).

The evaluation concluded that the external auditor had continued to challenge the key accounting judgements and estimates rigorously and maintain a high level of independence. Both planning of the audit and communication between the external auditor and management had improved in response to feedback provided in the previous year. The review also confirmed that there remained an opportunity to continue to improve the efficiency of how the audit operates. Overall, the audit was judged to be high-quality.

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

GARETH HOSKIN
Chair, Audit Committee

Corporate Governance Statement

Risk Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

The Committee's remit

Our main purpose is to assist the Board in discharging its responsibilities for monitoring the following:

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

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters

Management and reporting	c.40%
Risk strategy, policy and appetite	c.25%
Compliance	c.10%
In depth reviews	c.25%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Julie Hopes (Chair)[1]	04/04/19	6	6
Orna NiChionna	29/05/14	6	6
Gareth Hoskin	04/04/19	6	6
Ray King[2]	29/05/14	3	3
Gareth Williams[3]	29/05/14	5	5

Notes:
1 Julie Hopes was appointed as Committee Chair with effect from 31 December 2020
2 Ray King retired on 22 June 2020
3 Gareth Williams retired on 31 December 2020

JULIE HOPES
Chair, Risk Committee

DEAR SHAREHOLDER,

This is my first statement as Chair of the Risk Committee since taking over the role from Orna NiChionna on 31 December 2020. I am pleased that Orna remains a Committee member and would like to formally thank her for her support and commitment to ensuring a smooth handover.

During the year, as the Group focused on transformation of the business and operational and financial resilience amidst unprecedented challenge and change, the Committee considered the relevant risks and interdependencies within the Group. The Committee reviewed progress against the Group's turnaround strategy and considered the risks associated with the COVID-19 pandemic and the end of the Brexit transition period.

The Committee also received regular updates on the external regulatory and macroeconomic landscape, dedicating a significant amount of time to our regulated entities and regulator relationships. We continued to measure and discuss emerging and principal risks and uncertainties (PRUs), aiming to ensure that processes were aligned with strategy, ahead of a pivotal year of transition.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 61). The review indicated that the Committee was chaired effectively, and that the restructured annual plan would ensure that the right discussions took place, at the right time. The effort to remove duplication across the Group was welcomed. The focus for 2021/22 will be on embedding risk management in all business areas and to increase consideration of long-term risks.

Management and reporting

Group risk reports, considered by the Committee at each meeting, provided a comprehensive dashboard spanning the entire Group portfolio. The Committee considered the rationale behind the selection of the PRUs, as well as the risk and conduct risk monitoring plans for each business.

The Committee received regular updates on the developing COVID-19 pandemic, and reviewed related topics such as contagion risk, stress testing and the expectations of the Group's regulators. The impact of the pandemic on business operations and sustainability of the balance sheet were key areas of focus.

We also considered risks relevant to our business transformation programme, including culture. The Committee reviewed the risks relating to the performance of each business and those arising from incidents in relation to control failures or weaknesses. We discussed these incidents in the context of the risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business CEOs certified compliance with the risk management framework at the year end.

The Committee received updates on the Group insurance programme, including whether any additional cover was required, and noted the impact on premiums caused by the COVID-19 pandemic.

The Committee understands that climate and environmental risk are a feature of executive and senior management planning and will continue to feature in Saga's strategy. Reporting and oversight of risk matters, including those pertaining to climate risk, takes place through subsidiary risk governance committees, who will escalate material points for consideration to the Committee and through the Committee's oversight of the PRUs.

The Group's PRUs are refreshed on at least an annual basis, ensuring that new and emerging risks and opportunities are captured and remain at the forefront of the Group's strategic planning.

Risk management and internal controls

The Committee considered changes to the Group Risk function as part of the wider business simplification. The new structure provided an improved profile for the Enterprise Risk and Conduct Risk functions. The Committee concluded that the restructure of the Group Risk function was working as intended.

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

The conclusion was that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continues to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.

We recommended to the Board that the appropriate statements could be made regarding robust assessment of emerging and principal risks facing the Group and the review of the effectiveness of the risk management process (see page 53).

Risk strategy, policy and appetite

The risk reporting framework continues to provide a holistic approach linked to the Company's strategy and business model. The Committee recognised the strength of our brand and the economic resilience of our customer demographic while considering opportunities and threats.

Changes and additions to the PRUs were scrutinised in line with the agreed strategy and business model and the results of this review are shown in the Strategic Report on pages 1 to 49. These formed the basis of the scenario testing used for the production of the Viability Statement (see page 46). Our risk management processes are described on pages 66 to 69. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

We also considered conduct risk and how our decisions and behaviour could impact our customers, or affect our reputation with stakeholders, including shareholders and regulators.

Actions were reviewed against risk appetite and tolerance. We concluded that where scenarios were outside of risk appetite, the probability of occurrence was low and that mitigating actions were appropriate. We remain satisfied that controls are in place, meaning that the risk of significant failing across the business model is unlikely.

The Committee is focused on a continued robust response to the COVID-19 pandemic and ongoing resilient trading in our Insurance business. The safe resumption of our Travel business is also a key topic of consideration, alongside the need for financial flexibility.

Supplier risk management continues to be an ongoing process. As a Committee, we are acutely aware of the need for the organisation to focus on the risks associated with larger suppliers and those that carry reputational risk. The Group has implemented a revised governance framework and system of delegated authorities that allows the Committee to focus on the material issues which are escalated to it.

In depth reviews

COVID-19

Saga responded quickly to the COVID-19 pandemic. Our priorities for the year have been serving our customers and keeping our colleagues safe during a period of major disruption, alongside strengthening our financial position for longer-term recovery and growth. The initial focus of the Committee was around the ability to respond to a pandemic scenario, including the threat of a full lockdown. This initial phase was followed by a focus on managing colleagues

Corporate Governance Statement
Risk Committee Report continued

effectively from home, ensuring there was a continued focus on fair customer outcomes, and identifying new business priorities. Saga engaged with its regulators, including the Financial Conduct Authority (FCA), to ensure steps were taken to confirm customers remained protected. Going forward, the Committee will focus on next steps to emerge stronger from the crisis, as the Travel business resumes operation.

Contagion risk
The Committee considered the threat of contagion risk across the Group and between Group entities, including cash arrangements and the impact on debt covenants. The Committee concluded that the risk mitigations in place were appropriate and that it was important for the Committee to continue to receive updates on these areas.

Impact of the corporate transaction
As part of the process for the capital raise, the Committee considered a risk assessment prepared by the Chief Risk Officer which set out the risks associated with the transaction, including the controls in place to safeguard confidentiality. The Committee concluded that the control systems in place were appropriate, risks were being managed well and that the disclosures included in the prospectus were adequate.

Organisational culture
The Committee received a detailed report on organisational culture across the Group, including the creation a new Company purpose, to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities, and set of values (precision pace, empathy, curiosity and collaboration). The Committee heard how leadership skills would be developed to achieve the desired change. The Committee recognised the importance of culture to support organisational success and concluded that the steps being taken were appropriate.

Purpose and business model, pages 12-13

Cyber security and business continuity
Cyber security remains a key priority. The Chief Information Security Officer provided an update to the Committee regarding the integration of cyber controls across the Group, particularly in light of the elevated threat associated with opportunistic cyber attacks following the move to working from home. The Committee also reviewed logical access management controls and the Group's approach to data classification and retention periods. The Committee noted that the Group's revised governance structure sought to identify continuous improvements to security controls, through both the Cyber Security and Data Governance Forums, each chaired by the Chief Information Officer. Processes are in place to deal with malware and ransomware threats; these are kept under constant review as threats evolve. The Committee concluded that this would continue to be a risk and that the controls in place needed to be monitored closely.

Data protection and ethics
Data protection continues to be an area of focus. The Committee discussed a review of resource and controls within the data protection and governance functions. This included discussion around the 'right to be forgotten' and the Group's approach to retention of data. The conclusion was that the business was taking the right approach but would benefit from clarifying the division of responsibilities and accountabilities at business levels. The Committee noted that there were initiatives in progress which should address these issues.

Relationship between the Committee and businesses
In January 2021, the Committee revisited its remit to ensure that there was an efficient flow of reporting and escalation of material matters from subsidiary risk committees and that the Committee focused on the most material risk issues for the Group. The Committee agreed changes to the standing agenda items as a result of the discussion.

JULIE HOPES
Chair, Risk Committee

Directors' Remuneration Report
Annual Statement

CONTENTS

GENERAL INFORMATION
The Committee's remit
The Committee's main purpose is to assist the Board in discharging its responsibilities for:

- determining the Remuneration Policy for the Executive Directors;
- setting remuneration for the Chairman and Non-Executive Directors;
- recommending and monitoring the level and structure of remuneration for senior management;
- governing all share schemes; and
- reviewing any major changes in colleague compensation and benefit structures throughout the Company or Group.

The Remuneration Committee's terms of reference were approved by the Board on 4 September 2020 and are available on our website (www.corporate.saga.co.uk/about-us/governance). These are reviewed and updated as required, annually.

What we did during the year
Time spent on matters

Remuneration Policy	c.10%
Regulatory developments	c.15%
Senior management remuneration	c.25%
Share schemes	c.30%
Colleague compensation and benefits structure	c.20%

Committee composition and attendance

	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)	04/04/19	13	13
Julie Hopes	04/04/19	13	11
Ray King[1]	29/05/14	7	7
Orna NiChionna	29/05/14	13	12
Gareth Williams[2]	29/05/14	12	12

1 Ray King retired on 22 June 2020
2 Gareth Williams retired on 31 December 2020

EVA EISENSCHIMMEL
Chair, Remuneration Committee

DEAR SHAREHOLDER,
On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the year ended 31 January 2021.

As described in our Strategic Report, this has been an extraordinary year for Saga and global society as a whole. The Company has embraced a huge amount of transformation with pace and precision, despite the pressures caused by the COVID-19 pandemic. Our Leadership Team have made significant strides in creating a more robust, innovative and lower-cost business that is focused tightly on the customer, leveraging digital technology far more broadly than before, and has moved into 2021 with confidence. During these challenging times, morale has improved, as we've enhanced colleague engagement through our purpose and step-changed communication and approach to wellbeing. Customer retention is growing. Our Insurance business has performed robustly and has prepared well for compliance with the requirements of the FCA market study; the team has also designed several new products, to be launched in the autumn. Our Personal Finance business has performed well, exceeding plans for the year with our new savings product.

COMMITTEE EVALUATION
An evaluation of the Committee's effectiveness took place during the year as part of the Board effectiveness review (for details, see page 61). The review indicated that the Committee was chaired well, was focused on the key issues and had covered an extensive amount of work during the year, with healthy discussion and an appropriate level of challenge. The evaluation concluded that the shareholder consultation was handled well. In future, there will be a focus on the actions being taken to address the gender pay gap and develop the alignment between Environmental, Social and Governance (ESG) and executive remuneration.

Directors' Remuneration Report
Annual Statement continued

We all recognise the disruption that the pandemic caused our business in 2020, particularly in Travel where, as a result of restrictions, our cruise ships were forced to remain docked for most of the year. However, our Cruise business is planning to sail as soon as government restrictions are lifted, having adapted to COVID-19 conditions, being the only company awarded the Shield+ accreditation from Lloyd's Register, and only accepting passengers who have been fully vaccinated. Our Tour Operations business has been redesigned to be truly distinctive for our target customers and is ready for relaunch.

s172 Against this backdrop, the Committee has carefully considered how it should operate executive remuneration arrangements for 2020/21 in the context of business performance, shareholders' experience and the experience of other stakeholders including the wider colleague population. In developing the proposed approach, the Committee has considered the following:

- Shareholder and proxy publications and communications regarding the approach to executive remuneration in the current environment. We are fully aware of the need to manage executive remuneration sensitively in the context of the global pandemic which has resulted in greater reputational and business risks associated with remuneration decisions.
- Saga's decision not to take government support in the form of the Coronavirus Job Retention Scheme (CJRS) or government loans. In our view, this is the primary consideration relating to the operation of executive remuneration, and we acknowledge that businesses which took this support would not be expected, for example, to award cash bonuses.
- The nature of the capital raising during the year, specifically that this was primarily via a firm placing from a single investor, and that this investor has also joined the Board as Non-Executive Chairman. In our view this makes the capital raising event substantially different from others, where some investors and proxies have indicated that the payment of bonuses, for example, may not be appropriate. Importantly in this consideration, the new Non-Executive Chairman has been consulted regarding the proposed approach to remuneration and is fully supportive.
- The largely new Leadership Team, under Euan Sutherland, who joined Saga at what was already an incredibly challenging time, have worked tirelessly to begin the process of rebuilding our business in order to realise the potential which we believe exists in the Saga brand and business model.

Company performance for the 2020/21 financial year

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

- Underlying Profit Before Tax (PBT) decreased by 84.4% to £17.1m.
- Underlying Earnings Per Share was 13.2p.
- Declared dividend per share (pence) was nil.
- As a result of the cash injections to the Travel business in the last 12 months, available operating cash flow reduced from £92.7m in the prior year to £3.4m in the current year.
- Excluding the impact of debt and earnings relating to the new ocean cruise ships, the Group's leverage ratio was 2.7x.
- Customer net promoter score of 44.
- Colleague engagement was 7.3 out of 10.

Changes to the Board

On 5 January 2021 we announced the departure, for personal reasons, of Cheryl Agius, our Chief Executive Officer (CEO) of Insurance. Given the relatively short period since her appointment to the position, we carefully considered the most appropriate approach to the treatment of her remuneration arrangements. Full details of the approach taken are set out in the section 430 (2B) announcement available on our corporate website (www.corporate.saga.co.uk/about-us/governance), and are repeated on page 87.

On 5 October 2020, Roger De Haan joined the Board as Non-Executive Chairman as part of the successful capital raising event. Roger De Haan has waived his annual Chairman's fee of £200,000. Patrick O'Sullivan stepped down as Chairman on 5 October 2020 having served in that role since February 2018 and the Board thanks Patrick for his commitment and service.

On 31 December 2020, Gareth Williams stepped down from the Saga Board. Gareth served as a Non-Executive Director since September 2014 and was my predecessor as Remuneration Committee Chair. I would personally like to thank Gareth for his invaluable service, both prior to my joining the Board and for the support he has given me as part of the Remuneration Committee Chair handover process. On 22 June 2020, Ray King stepped down as Non-Executive Director having been with Saga for six years. Again I would like to thank Ray for his contribution as part of the Remuneration Committee.

2020 Remuneration Policy review

Whilst, under the normal three-year Remuneration Policy cycle, shareholder approval for a binding policy would have been sought at the 2021 AGM, the Committee consulted with shareholders and presented a new policy at the AGM held in June 2020.

The key reasons for the change were:

- to support the implementation of the new strategy previously communicated;
- to align the interests of the new team of Executive Directors with shareholders as soon as possible;
- a drive to simplify our remuneration;
- a desire to incentivise the creation of long-term shareholder returns through sustainable long-term performance; and
- to address the historical challenge the Company had experienced in determining the right performance conditions and targets for its long-term incentive arrangements, as demonstrated by the number of consultations held with shareholders since the Company's listing and the wide range of shareholder views on the issue.

Director's Remuneration Policy, pages 95-110

The key elements can be summarised as follows:

Restricted Share Plan (RSP)

- Removal of the long-term incentive plan (LTIP), replaced with an RSP.
- Three-year vesting period for shares and two-year holding period.
- Underpin for the Committee to adjust vesting if business performance, individual performance or wider Company considerations mean, in its view, that an adjustment is required.
- Reduction in the maximum award for the Group CEO from 200% of salary (other Executive Directors 150% of salary) under the LTIP to:
  - Initial 2020 RSP award of:
    - 70% of salary for the Group CEO;
    - 65% of salary for the Group Chief Financial Officer (CFO); and
    - 56% of salary for the CEO of Insurance.
  - Ongoing RSP award of a maximum of:
    - 100% of salary for the Group CEO; and
    - 85% of salary for the Group CFO.
- The Committee was conscious of the volatility and low share price of the Company, due to the impact of the COVID-19 pandemic on its Cruise and Tour Operations businesses, amongst other factors, and in order to protect all stakeholders reduced the 2020 RSP award levels as above.
- The Committee will review each year the size of the award under the RSP within the maximums set out above, taking into account the considerations outlined.
- The Committee retains discretion to adjust the number of RSP awards, and the factors it will consider in doing so are set out on page 99.
- The Committee will review the share price performance at the end of the vesting period to determine whether there are any inappropriate windfall gains.

Other changes to the Policy

Changes were made to bring the Remuneration Policy into line with the UK Corporate Governance Code 2018 (the 'Code') and best practice:

- Alignment on Company pension contributions for new and incumbent Executive Directors with the majority of colleagues at 6% of salary (currently).
- Introduced post-cessation of employment shareholding requirement for the full in-employment requirement (250% of salary for the Group CEO, 200% of salary for other Executive Directors) to apply for two years following cessation.
- Reduced the target level of bonus to 50% of the maximum bonus opportunity.

The Committee did not propose any changes to the structure of the annual bonus; however the following performance conditions and weightings were agreed after the start of the COVID-19 pandemic, as these best aligned with the strategy and current position of the Company:

- 25% balance sheet protection (covenant compliance).
- 15% cost efficiency (admin costs).
- 30% Insurance business delivery (EBITDA, cash, retention).
- 30% operational and strategic objectives (personal objectives).

Salary increases for 2020/21

Euan Sutherland's salary remained unchanged for the financial year 2020/21.

Having delayed the increase proposed last year, James Quin's salary was increased from £370,000 to £430,000. We previously indicated that his salary would rise over time to a more market competitive level. In the two years that he has been with us, he has delivered an extremely strong performance and is seen by all stakeholders as a sophisticated and highly skilled plc CFO. Whilst we faced a challenging environment in which to implement this change, the Committee agreed that we would honour this promise to James and award the salary increase.

2020/21 bonus

In April 2020, when targets were being set as illustrated above, it was already clear that this would not be a normal year. The Committee took this into account when setting the annual bonus measures, targets and weightings and this was done in order to incentivise our management team to focus on the few, critical activities required in the short term.

We set out the four criteria which would be used to measure the performance of our Executive Directors (as well as all managers and leaders) in the 2020 Notice of AGM.

The specific targets set are shown on pages 83-84, together with the degree of achievement of each. The team have delivered strongly on all of these, despite the huge difficulty posed by our Travel business being suspended for 10 months of the year. Noting that government support was not sought or used, and the successful completion of the capital raise, the whole team is rightly proud of its achievements. As a result, the Committee supports a bonus payout for this financial year.

Page 82 sets out the calculation for the 2020/21 bonus which paid out at between 71% and 86% of maximum for the Executive Directors. The bonus for Cheryl Agius reflects the portion of the year worked before she resigned from the Board on 5 January 2021: £326,260.

Euan Sutherland will receive a bonus of £872,830.

James Quin will receive a bonus of £459,318.

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

Open Offer and share consolidation

s172 As described earlier in the Strategic Report, the Company completed a successful capital raising event and adjustments were made to existing share schemes to ensure that participants neither benefited, nor lost out, as a result. The adjustments to share schemes are set out on page 86.

Directors' Remuneration Report
Annual Statement continued

s172 What we achieved during the year – matters discussed, decisions made and actions taken

- Approved the business and personal objectives for 2020/21. The Committee considered the societal and business disruption caused by the COVID-19 pandemic when setting the performance expectations for 2020/21 against the medium-term business strategy. Details of the personal objectives for the Executive Directors are on pages 83-84.
- Made grants in June 2020 under the RSP for the Executive Committee and senior management of the Company. Grant levels were reduced for 2020 to reflect the volatility and low share price of the Company at the time of the award, due to the impact of COVID-19 on our Cruise and Tour Operations businesses, amongst other factors.
- Recommended that the Board approve the award of Free Shares to all eligible colleagues in November 2020.
- Approved adjustments to share incentives as a result of the Open Offer and share consolidation.
- Reviewed the governance and processes of the three Saga Share Plans in operation and confirmed that they met the necessary standards and were well communicated.
- Agreed that Non-Executive Director fees would remain at their current level.
- Reviewed a risk evaluation for the subsidiary regulated businesses (Saga Personal Finance Limited, SSL and AICL) and considered whether they highlighted any material adverse activities, decisions or outcomes that should impact subsidiary or Group bonus calculations. We concluded that these evaluations were robust and full consideration was given to individual bonus outcomes.
- Strengthened risk management ethos through the design and delivery of objectives and reviews.
- Reviewed and approved the bonus outcomes for Executive Directors for 2020/21 as detailed above.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy and reviewed terms of reference for the People Committee.
- Approved remuneration for outgoing and new Directors.

Wider workforce considerations

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions as outlined on page 90. We continue to be as focused on our colleagues as we are on our customers and we are proud of the reward, benefits and overall career packages that we offer our colleagues. We continue to engage with colleagues through our People Committee on executive reward matters. Details of our People Committee can be found on pages 18-20.

As part of our commitment to fairness, this report contains details of the pay and conditions of our wider workforce, the cascade of incentives throughout our business and our Group CEO to colleague pay ratio. Details of Saga's gender pay report can be found on our corporate website (www.saga.co.uk/gender-pay-review).

Shareholder consultation and looking ahead

Following the extensive consultation last year, ahead of the adoption of our Policy, which I'm delighted to say received very strong (97.98%) support, we have largely been focused on implementing this policy as anticipated, whilst taking into account all of the extraordinary circumstances associated with the global pandemic on our business.

At the time of publication of this report, on behalf of the Committee I intend to engage in a consultation with our major shareholders with a view to providing additional context and insights regarding the remuneration implementation decisions which are set out in this letter and in the rest of the Remuneration Report.

The Committee is aware of the increasing importance attached to the use of ESG to inform executive remuneration. At present, the Committee considers this as part of its holistic assessment of performance and related remuneration decisions and expects to consider this in more detail going forwards ensuring alignment with our core strategy.

Conclusion

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

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

EVA EISENSCHIMMEL
Chair, Remuneration Committee

Annual Report on Remuneration

ACTUAL PERFORMANCE AND REMUNERATION OUTCOMES FOR 2020/21

Single total figure of remuneration for Executive Directors for the 2020/21 financial year (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2020/21 financial year. Comparative figures for the 2019/20 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

	Period	Salary £	Taxable benefits £	Pension £	RSP[2] £	Other £	**Total fixed £**	Bonus £	LTIP[3] £	**Total variable £**	**Single figure £**
Euan Sutherland	2020/21	700,000	13,641	42,000	490,000	–	**1,245,641**	872,830	–	**872,830**	**2,118,471**
(Group CEO)	2019/20	53,846	1,002	3,231	–	–	58,079	58,456	–	58,456	116,535
James Quin	2020/21	374,583	13,035	31,108	240,500	–	**659,226**	459,318	–	**459,318**	**1,118,544**
(Group CFO)	2019/20	370,000	25,505	37,000	–	–	432,505	308,980	–	308,980	741,485
Cheryl Agius[1]	2020/21	338,795	11,092	20,328	204,400	112,250[4]	**686,865**	326,260	–	**326,260**	**1,013,125**
(CEO of Insurance)	2019/20	30,417	937	1,825	–	–	33,179	24,532	–	24,532	57,711
Roger De Haan	2020/21	0	–	–	–	–	**0**	–	–	**0**	**0**
(Non-Executive Chairman)	2019/20	–	–	–	–	–	–	–	–	–	–
Patrick O'Sullivan[5]	2020/21	220,417	–	–	–	–	**220,417**	–	–	**–**	**220,417**
(Chairman)	2019/20	325,000	–	–	–	–	325,000	–	–	–	325,000
Eva Eienschimmel[6]	2020/21	73,672	–	–	–	–	**73,672**	–	–	**–**	**73,672**
(Non-Executive Director, Remuneration Committee Chair)	2019/20	63,672	–	–	–	–	63,672	–	–	–	63,672
Julie Hopes[7]	2020/21	178,216	–	–	–	–	**178,216**	–	–	**–**	**178,216**
(Non-Executive Director, Risk Committee Chair)	2019/20	125,788	–	–	–	–	125,788	–	–	–	125,788
Gareth Hoskin[8]	2020/21	133,447	–	–	–	–	**133,447**	–	–	**–**	**133,447**
(Non-Executive Director, Audit Committee Chair)	2019/20	84,896	–	–	–	–	84,896	–	–	–	84,896
Ray King[9]	2020/21	29,091	–	–	–	–	**29,091**	–	–	**–**	**29,091**
(Non-Executive Director)	2019/20	73,672	–	–	–	–	73,672	–	–	–	73,672
Orna NiChionna[10]	2020/21	102,710	–	–	–	–	**102,710**	–	–	**–**	**102,710**
(Senior Independent Non-Executive Director, Nomination Committee Chair)	2019/20	93,672	–	–	–	–	93,672	–	–	–	93,672
Gareth Williams[11]	2020/21	58,366	–	–	–	–	**58,366**	–	–	**–**	**58,366**
(Non-Executive Director)	2019/20	73,672	–	–	–	–	73,672	–	–	–	73,672

Notes:

1 Cheryl Agius' single total figure for 2020/21 is for the period up to 5 January 2021 when she stepped down from the Board
2 The face value on grant of the RSP awards is shown in the table above as there are no performance conditions other than underpins tested on vesting
3 None of the Executive Directors had an LTIP award which was eligible to vest in the year
4 Payment in respect of buyout award as disclosed in last year's report
5 Patrick O'Sullivan resigned as Chairman on 5 October 2020 and was Nomination Committee Chair up to this date
6 Eva Eisenschimmel replaced Gareth Williams as Remuneration Committee Chair on 1 February 2020
7 Julie Hopes became Chair of the Saga Personal Finance Board on 1 February 2020 and is also Chair of SSL. She was appointed Risk Committee Chair on 31 December 2020
8 Gareth Hoskin was appointed on 11 March 2019 and is also Chair of AICL
9 Ray King retired on 22 June 2020 and was Chair of the Audit Committee until this date
10 Orna NiChionna's responsibilities as Senior Independent Director increased on 5 October 2020. She became Nomination Committee Chair with effect from the same date. Orna stood down as Risk Committee Chair on 31 December 2020 when Julie Hopes assumed this position
11 Gareth Williams retired on 31 December 2020

Directors' Remuneration Report

Annual Report on Remuneration continued

How we have performed in 2020/21

Bonus (audited in conjunction with details on page 161)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2020/21 financial year are shown in the table below:

								Actual annual bonus value achieved (% of salary)[3]		
Performance condition	Weighting (based on 100% max)	Threshold performance required	50% Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Euan Sutherland	James Quin	Cheryl Agius[1]
Covenant compliance	25%	4.75x	4.56x	4.25x	4.15x	20% 100%	100%	37.5%	31.3%	29.1%
Admin costs	15%	£165.0m	£157.5m	£145.0m	£157.5m	20% 100%	50%	11.3%	9.4%	8.7%
Insurance/ other EBITDA[2]	10%	£108.0m	£115.5m	£128.0m	£144.0m	20% 100%	100%	15.0%	12.5%	11.6%
Insurance/ other cash	10%	£94.0m	£101.5m	£114.0m	£101.4m	20% 100%	50%	7.4%	6.2%	5.8%
SSL retention	10%	77.0%	78.5%	81.0%	80.5%	20% 100%	90%	13.5%	11.3%	10.5%
Personal objectives	30%					0% 100%		40%	37.5%	23.6%
Total	100%							124.7%	108.1%	89.4%
Total Calculated (£)								£872,830	£459,318	£326,260
Total Payable (£)								£872,830	£459,318	£326,260

Notes:
1 The bonus for Cheryl Agius was pro-rated for the period up to 5 January 2021 when she stepped down from the Board and ceased to be a Director
2 'Other' relates to Saga Personal Finance, MetroMail and Publishing
3 The annual bonus percentage achieved for each Executive Director is based on their maximum bonus potential and shown as a percentage of annual salary

Individual performance assessment

s172 The Remuneration Committee assessed Executive Directors on their individual performance in the year against three key areas: people, growth and customers (financial resilience and risk management has been used as an alternative to customers for the CFO) with a focus on risk for each element. This underpins the leadership responsibility to create a risk-aware and responsible culture, ensuring a robust risk framework was embedded across the Group.

Details of the individual's achievements are set out in the table below, which is supported in the Chairman's introduction to governance on pages 50-51.

Objectives overview	Committee assessment and basis of achievement for 2020/21
Euan Sutherland – Maximum: 30% of overall bonus. Achievement: 27% of overall bonus.	
People	
– Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Over 80% of colleagues tell us they are aware of the Saga strategy, purpose, brand and values and that they feel able to speak up and feel heard. – Strong colleague engagement across Saga: 92% participation in most recent colleague engagement survey, scoring 7.3 out of 10, +0.3 higher than in September 2020. – Continued focus on colleague wellbeing. Extensive mental wellbeing support for colleagues through our #Sagamindsmatter initiative.
Growth	
– Oversee completion of Cruise transformation programme. – Transform digital and data capability. – Insurance retention, new business and profitability.	– Delivery of Spirit of Adventure in September 2020, completing our Cruise transformation programme. – Strong Cruise bookings of £154m combined for 2021/22 and 2022/23, in comparison with £128m at the same point last year. – First cruise operator awarded Lloyd's Register Shield+ COVID-19 safety accreditation. – Reset Tour Operations, focusing on a smaller, higher quality, differentiated offering. – Launched a digital version of the Saga magazine, achieving an Apple App Store rating of 4.7 (out of 5.0). – Commenced the process of migrating customer data from many legacy platforms to a new, modern data architecture. – Implemented Radar Live which provides increased data capacity and faster, more efficient pricing capability. – Increased customer retention across motor and home by 5ppts to 80%. – Continued differentiation with 610,000 three-year fixed-price policies sold in Insurance and implementation of enhanced travel insurance to include COVID-19 cover. – 59% of new business acquired directly, 2ppts ahead of prior year. – Growth in motor and home policies of 1.1%. – Motor and home underlying gross margins of £74 per policy, in line with guidance.
Customers	
– Oversee expansion of consumer research programme and leverage insights to improve customer experience.	– Increased the volume and frequency of research to monitor customer needs, attitudes and insights during the COVID-19 period. – Launched our digital self-serve portal, enabling customers to make common policy amendments online. – Launched a series of improvements to the Saga customer app, including web chat functionality. – Increased customer net promoter score (NPS) at 44.

Directors' Remuneration Report

Annual Report on Remuneration continued

Individual performance assessment (continued)

Objectives overview	Committee assessment and basis of achievement for 2020/21
James Quin – Maximum: 30% of overall bonus. Achievement: 30% of overall bonus.	
People – Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Achievement assessed in line with Group CEO: – 80%+ colleagues are aware of the strategy, purpose, brand and values. – 92% participation in recent survey with 7.3 out of 10 scored. – Continued focus on wellbeing through our #Sagamindsmatter initiative.
Growth – Support completion of Cruise transformation programme. – Support development of Insurance strategy. – Identify and deliver cost reductions.	– Supported the delivery of Spirit of Adventure in September 2020, completing our Cruise transformation programme. – Supported and constructively challenged the Insurance Team to reset strategy in the first half of the year, with fixing phase largely completed in the second half. – Identified significant operational savings to mitigate COVID-19 impacts, without compromising good customer outcomes. On track to achieve £20m of run rate cost savings over time. Displayed disciplined cost control during the period of Travel suspension with burn costs at the lower end of the £6-8m per month guidance.
Financial resilience and risk management – Successfully deliver equity raise. – Ensure robust finances in response to the challenges of the pandemic.	– Successfully raised c.£140m equity capital, allowing repayment of the revolving credit facility (RCF) and part of the term loan. – Completed disposals of Healthcare, Destinology and Bennetts, generating c.£31m of proceeds. – Leverage ratio (excl. Cruise) of 2.7x, well within the covenant of 4.75x. – Worked closely with lenders in order to manage the existing bank covenants, allowing flexibility through the ongoing disruption arising from COVID-19. – Further cruise debt deferral and covenant waiver agreed until 31 March 2022 (in addition to existing deferral covering the period to 31 March 2021).
Cheryl Agius – Maximum: 30% of overall bonus. Achievement: 20.4% of overall bonus	
People – Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Achievement assessed in line with Group CEO: – 80%+ colleagues are aware of the strategy, purpose, brand and values. – 92% participation in recent survey with 7.3 out of 10 scored. – Continued focus on wellbeing through our #Sagamindsmatter initiative.
Growth – Insurance retention, new business and profitability. – Successfully implement digital migration.	– Continued differentiation with 610,000 three-year fixed-price policies sold and implementation of enhanced travel insurance to include COVID-19 cover. – 59% of new business acquired directly, 2ppts ahead of prior year. – Growth in motor and home policies of 1.1%. – Motor and home underlying gross margins of £74 per policy, in line with guidance. – Migrated our home product to the Guidewire platform.
Customers – Leverage customer insights to improve customer experience.	– Delivered a 'Customer First' service capability plan which has digital capabilities and multi-skilled agents aligning to single view and broader reach across products. – Launched our new motor price-comparison website proposition, providing customers with greater flexibility. – Built initial core foundations for pricing and data in AICL both in terms of capability, sources of data and technology. – Built investor confidence that met the external market changes; regulatory red, amber, green (RAG) rating lowered, reset the home proposition in the short-term and medium-term by delivering Guidewire implementation and end-to-end customer experience. – Increased Insurance NPS of 43.

Long-term incentives (audited)

Name	Award type	Basis on which award made	Face value of award (% of salary)	Shares awarded	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest (%)	Performance conditions
Euan Sutherland	2019 LTIP	Annual	100%[1]	99,113[2]	25%	100%	– Organisational and strategic measures: 50% – Comparative total shareholder return (TSR): 25% – Return on Capital Employed (ROCE): 25%
	2020 RSP	Annual	70%	198,831[2]			No performance conditions
James Quin	2019 LTIP	Annual	200%[3]	121,566[2]	25%	100%	– Organisational and strategic measures: 50% Comparative TSR: 25% – ROCE: 25%
	2020 RSP	Annual	65%	97,589[2]			No performance conditions

Notes:

1 100% LTIP agreed on recruitment on the same terms as the 2019 LTIP scheme; the award was officially made on 6 January 2020
2 Post consolidation number of shares
3 As part of James Quin's recruitment it was agreed he would be awarded a 200% one-off award. Following this, his LTIP returned to 150% in line with the Remuneration Policy

Directors' share interests (audited)

The following table and chart set out the equity interests held by the Executive and Non-Executive Directors:

					Unvested nil-cost options held						
Director	Shareholding requirement (% salary)[1]	Current shareholding (% salary)	Shares counting towards shareholder requirements[4]	Beneficially owned	LTIP nil-cost options subject to performance conditions	RSP nil-cost options not subject to performance conditions	Deferred bonus nil-cost options subject to performance conditions	Other awards	Vested but unexercised nil-cost options held	Unvested SIP shares not subject to performance conditions	Shareholding requirement met?
Executive Directors											
Euan Sutherland	250%	48%	135,223	26,339	99,113	198,831	6,407	–	–	108	No
James Quin	200%	49%	84,906	14,825	121,566	97,589	34,436	–	–	108	No
Cheryl Agius[2]	200%	37%	55,386	9,894	–	82,941	2,689	34,171	–	108	No
Non-Executive Directors[3]											
Roger De Haan	–	–	–	36,855,555	–	–	–	–	–	–	n/a
Eva Eisenschimmel	–	–	–	4,288	–	–	–	–	–	–	n/a
Julie Hopes	–	–	–	4,419	–	–	–	–	–	–	n/a
Gareth Hoskin	–	–	–	14,018	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	–	3,027	–	–	–	–	–	–	n/a

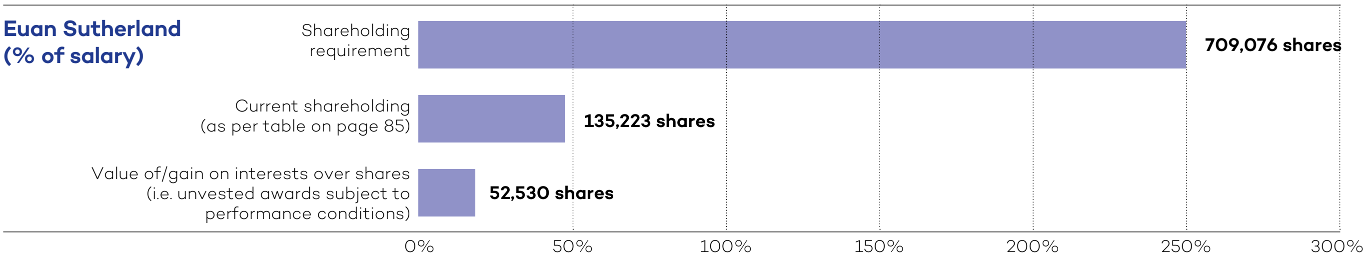
Notes:
1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2021
2 Cheryl Agius resigned on 5 January 2021
3 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements
4 The number of shares counting towards the shareholding requirement is calculated by summing beneficially owned shares with unvested nil-cost options which are not subject to performance conditions on a net of tax basis as well as any vested but unexercised options on a net of tax basis

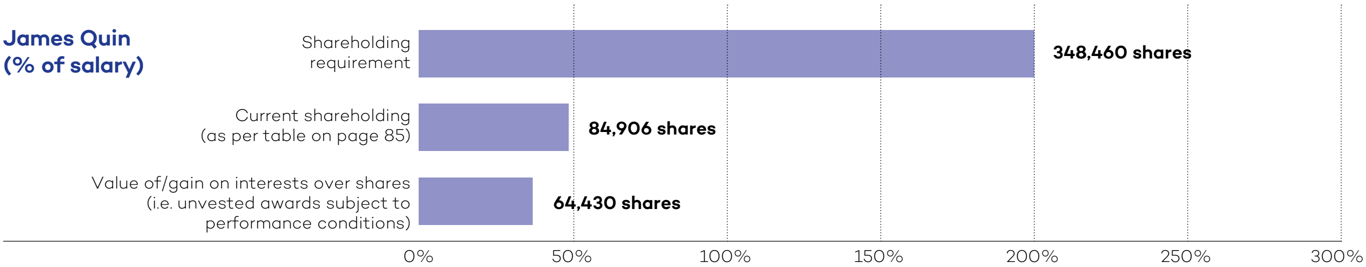
Directors' Remuneration Report

Annual Report on Remuneration continued

Directors' share interests (audited) (continued)

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary. The number of shares in which current Directors had a beneficial interest, and details of long-term incentive interests as at 31 January 2021 are set out below:





Notes:
The mid-market quoted share price of 246.8p as at 31 January 2021 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary
Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

Open Offer and share consolidation

The Committee adjusted the number of nil-cost options under in-flight share schemes to take account of the Placing and Open Offer and share consolidation which completed in October 2020.

The adjustments were made uniformly for all colleagues who were recipients of nil-cost options and were made so that participants would neither benefit, nor lose out, as a result of these events.

The calculation for the adjustment is set out below and uses the following parameters:

- Closing price on day prior to the ex-entitlement date: £0.16
- Offer price: £0.12
- Open Offer entitlement: five new shares for nine existing shares

Theoretical ex-entitlement price (T) = ((ex-entitlement price x existing shares) + (offer price x new shares)) / (new shares + old shares)

T = ((£0.16 x 9) + (£0.12 x 5)) / 14
T = £0.1457

The number of nil-cost options was adjusted by the ratio between the ex-entitlement price and the theoretical price:

Adjustment factor for number of options = £0.16 / £0.1457 = 1.0980 (i.e. multiply current number of options by 1.0980).

The adjustment factor for the share consolidation is determined simply by reducing the number of nil-cost options (after the Open Offer) by a factor of 15.

Pension entitlements

Pension contributions for all Executive Directors are aligned with that of the majority of colleagues (6%). In September 2020 the pension contribution for James Quin reduced from 10% to 6% to align with colleagues.

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

On 5 January 2021, we announced that Cheryl Agius would be stepping down from the Board of Directors as the CEO of Insurance due to personal reasons. The Committee determined that she will be treated as a good leaver under the Remuneration Policy approved by shareholders at the AGM on 22 June 2020. The full details of the remuneration arrangements are outlined below:

- Cheryl stepped down on 5 January 2021 and will remain a colleague and be on garden leave, receiving salary, benefits and her pension allowance until cessation of employment on 5 January 2022 (the 'Termination Date').
- Her annual bonus in respect of 2020/21 will be pro-rated to reflect the time worked during the year. The bonus will be paid in the form of cash and deferred in shares as set out on page 82.
- Awards made to Cheryl under the Deferred Bonus Plan (DBP) on 28 May 2020 will vest at the normal vesting date and remain subject to the plan rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
- Awards made to Cheryl under the Saga plc 2020 RSP granted on 24 June 2020 will be pro-rated to reflect the period from award date to the Termination Date and vest at the normal vesting date subject to the plan rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
- Cheryl received buyout awards in respect of long-term incentives forfeited from her previous employer. These awards which were granted on 1 June 2020 will be pro-rated to reflect the period from the award date to the Termination Date and vest at their normal vesting dates subject to the terms of the buyout agreement, including malus and clawback provisions. Awards will be exercisable until the later of six months after vesting or six months after cessation. Full details of these awards can be found in the 2020 Annual Remuneration Report.
- Cheryl will not be eligible to receive an annual bonus in respect of 2021/22.
- No further RSP awards will be granted to Cheryl.
- Cheryl is required to retain 200% of her salary or (if lower) her final shareholding in shares for a period of two years from the Termination Date i.e. until 5 January 2024.

Patrick O'Sullivan ceased to be Chairman on 5 October 2020 and received no payments for loss of office.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. Euan Sutherland is a Non-Executive Director of Britvic plc for which he receives a fee of £58,365 per annum. Neither James Quin nor Cheryl Agius hold any external directorships.

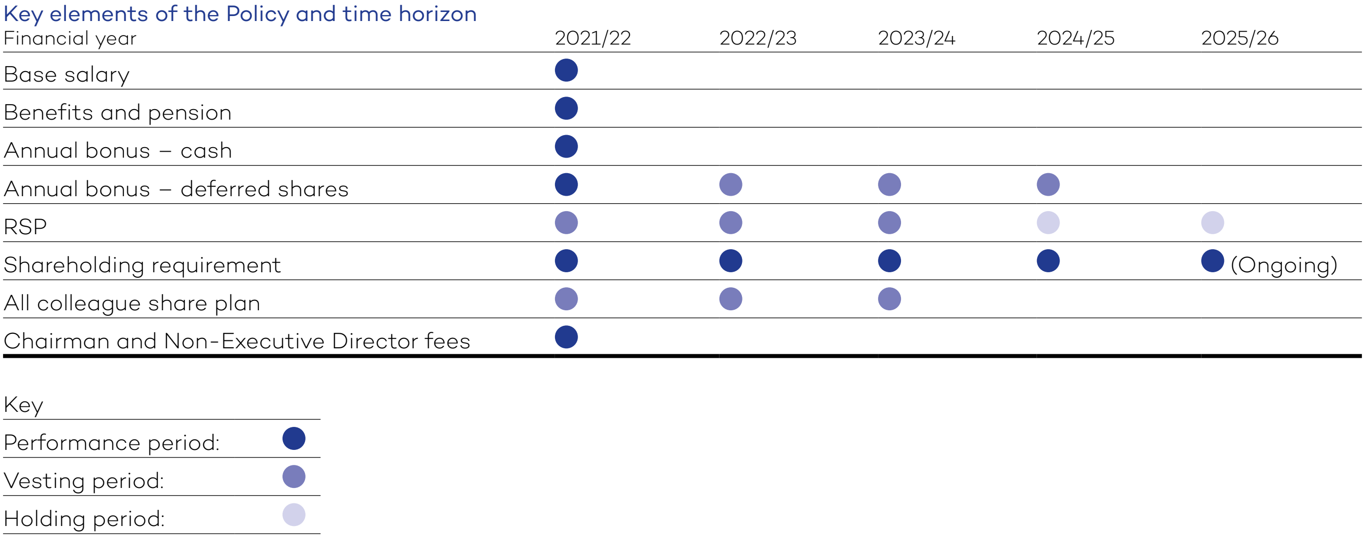
IMPLEMENTATION OF THE POLICY IN 2021/22

The current Remuneration Policy was approved by shareholders at the Company's AGM on 22 June 2020. The Remuneration Policy is set out later in this report and can also be found on our website (www.corporate.saga.co.uk/about-us/governance) or from the Group Company Secretary at Saga's registered office.

Remuneration Policy

The graphic below illustrates the time horizons for each of the key elements of our Policy:

Key elements of the Policy and time horizon



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

- A summary of the key elements of the Remuneration Policy.
- The operation of the Policy in 2020/21 and its proposed operation in 2021/22.

Directors' Remuneration Report

Annual Report on Remuneration continued

IMPLEMENTATION OF THE POLICY IN 2021/22 (CONTINUED)

Remuneration Policy element	Operation in 2020/21	Proposed operation in 2021/22
Base salary When determining an appropriate level of salary, the Committee considers: – pay increases to other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant Director; and – the economic environment.	Executive Directors did not receive any increase in base salary on 1 February 2020 (the increase awarded to the broader all colleague group was 1.5%). The salaries for the Executive Directors were: – Euan Sutherland: £700,000 – James Quin: £370,000 – Cheryl Agius: £365,000	Euan Sutherland received a salary increase of 1.5%, consistent with other Saga colleagues. Having delayed the increase last year, James Quin's salary increased from £370,000 to £430,000. We previously indicated that his salary would rise over time to a more market competitive level. In the two years that he has been with us, he has demonstrated an extremely strong performance and is seen by all stakeholders as a sophisticated and highly skilled plc CFO. Whilst we faced a challenging environment to implement this change, the Committee agreed that we would honour this promise to James and award the salary increase. As a result, the salaries for the Executive Directors are: – Euan Sutherland: £710,500 – James Quin: £430,000
Benefits The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and discounts in line with other colleagues.	Standard benefits.	No change.
Pension Maximum pension contributions for Executive Directors are aligned with those of the wider workforce (6% of salary).	Executive Directors received the following: – Euan Sutherland: 6% of salary – James Quin: Reduced from 10% to 6% of salary – Cheryl Agius: 6% of salary	No change.
Bonus The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. At least one third of the bonus will be deferred into shares vesting after three years.	Maximum bonus opportunity: – Euan Sutherland: 150% of salary – James Quin: 125% of salary – Cheryl Agius: 125% of salary Two-thirds of the total bonus to be paid immediately in cash and one-third deferred into shares for three years. Performance measures were: – Covenant compliance: 25% – Administrative costs: 15% – Insurance/other EBITDA: 10% – Insurance/other cash: 10% – SSL retention: 10% – Personal objectives: 30% (See page 82 for full details on the 2020/21 targets.)	The maximum opportunities for Executive Directors are unchanged and are as follows: – Euan Sutherland: 150% of salary – James Quin: 125% of salary The current intention is to set performance measures and weightings for the 2021/22 bonus as follows: – Insurance PBT: 21% – SSL retention: 14% – 2021 Cruise load factor and per diem: 14% – Net debt at January 2022: 21% – Personal objectives: 30% In relation to the Travel metrics, the Committee will review the appropriateness of these metrics in light of government announcements and restrictions regarding the travel industry. If it is not possible to operate these metrics due to external factors, the annual bonus performance measures will be adjusted accordingly. The Committee is of the view that targets for the 2021/22 annual bonus are currently commercially sensitive and these targets will be disclosed retrospectively in the 2022 Annual Report on Remuneration.

Remuneration Policy element	Operation in 2020/21	Proposed operation in 2021/22
RSP Awards of nil-cost options are granted annually up to a maximum of 100% of salary. RSP awards do not have any performance conditions but are subject to an underpin on vesting. Awards vest after three years and are subject to a further two-year holding period, during which shares may not be sold other than for tax.	RSP awards were made in June 2020 shortly after approval of the Policy. The Committee decided to reduce award levels to reflect the impact of the COVID-19 pandemic on the share price: – Euan Sutherland: 70% of salary – James Quin: 65% of salary – Cheryl Agius: 56% of salary The Committee will review share price performance on vesting to determine whether any windfall gains were made.	The Committee assessed share price performance since the 2020 RSP awards and has determined that awards will be made at the normal levels: – Euan Sutherland: 100% of salary – James Quin: 85% of salary
Shareholding requirement The Remuneration Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of salary.	– Euan Sutherland: 250% of salary – James Quin: 200% of salary	No change.
All colleague share plan The Company operates a HM Revenue and Customs (HMRC) SIP.	Saga continued to operate the SIP for all colleagues in 2020, with a Free Share award of £300 made in November 2020 to all eligible full-time colleagues.	Saga will continue to provide all colleagues the opportunity to participate in colleague equity arrangements.
Chairman and Non-Executive Director fees The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.	Increases in Board fees were waived this year, with the exception of our Senior Independent Director fee which was increased to £40,000. – Patrick O'Sullivan: £325,000 – Roger De Haan: £nil – Board member fee: £63,672 – Committee Chair fee: £10,000 – Senior Independent Director fee: £40,000	No change to Non-Executive Directors or Senior Independent Director fee. Roger De Haan has waived his fee for 2021.

Directors' Remuneration Report

Annual Report on Remuneration continued

GOVERNANCE OF REMUNERATION

Wider workforce

s172 In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at Remuneration Committee meetings, setting out key details of remuneration throughout the Company. Alongside its review of the wider workforce remuneration, the Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

The table summarises some of the key workforce reward elements that are regularly discussed by the Committee:

Bonus	Bonus schemes contain both financial and personal triggers. A universal financial scorecard is used for all colleagues at Saga, including Executive Directors. Malus and clawback are in place for the colleagues in our Senior Leadership Team (SLT).
Other incentive schemes	Incentive arrangements that are paid more frequently are also operated in our contact centres. These incentive schemes are reviewed regularly to ensure best practice and market alignment. The method of calculation and frequency of payment varies depending on business area and product.
Pay	All colleagues received a performance-related increase ranging from 0.5% to 2.7% of base pay.
National living wage	Saga continues to be committed to paying 20p above national living wage for Saga colleagues and 5p above for MetroMail colleagues with a view of aligning all colleagues in 2021.
RSP	RSP awards are granted across senior leadership at Saga. Eligible colleagues received an RSP grant in 2020, ranging from 20% to 50%.
Winter payment	All front line colleagues received a one-off winter payment of £120 in November 2020 after tax and National Insurance.
Free Shares and SIP	We want all colleagues at Saga to feel invested in the Company's success, hence we gave each full-time colleague £300 of Free Shares. We also continue to promote our SIP, which enables colleagues to purchase shares through payroll.
Pension	Saga operates a Defined Benefit (DB) scheme and Defined Contribution (DC) scheme. There were 1,264 colleagues in the DB scheme and 856 colleagues in the DC scheme as at 31 January 2021.

The Committee engages regularly with the People Committee, gaining regular feedback and also sharing executive remuneration. Further details of the People Committee can be found on pages 18-20 of the annual report.

Competitive pay and cascades of incentives

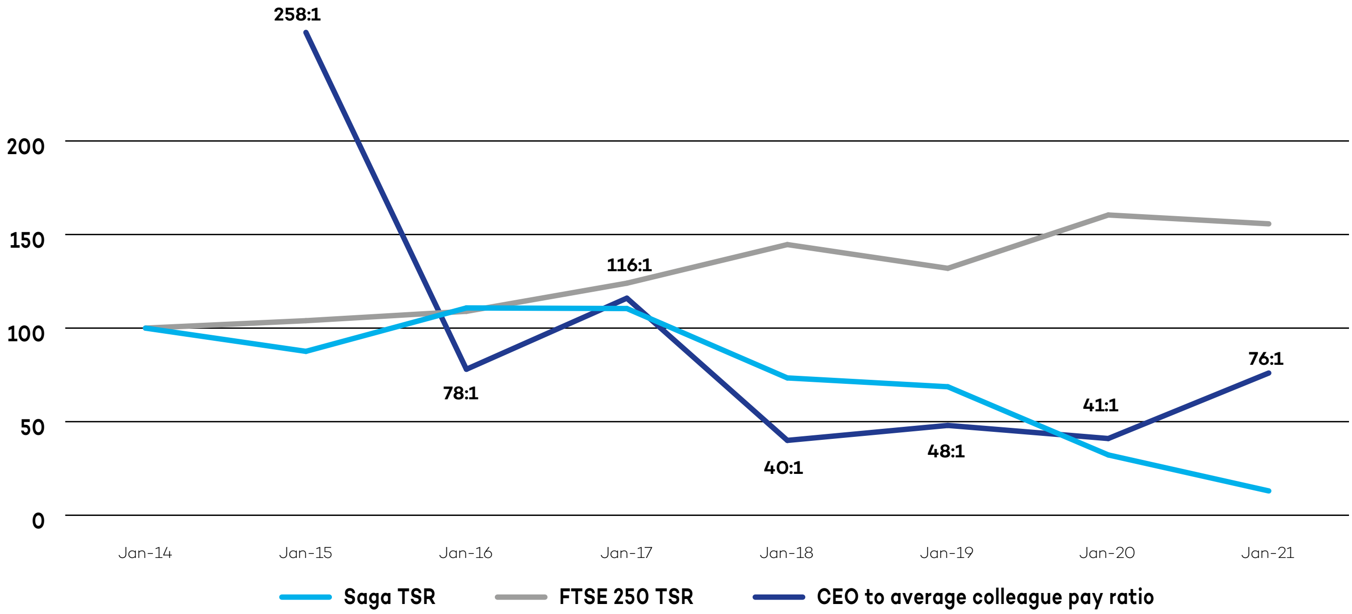
Organisational level	Number of colleagues[1]	Range bonus percentage of salary	Maximum proportion of bonus payable in cash	Minimum proportion of bonus deferrable in shares	Range of RSP award	SIP
Group CEO	1	150%	67%	33%	100%	Yes
Group CFO	1	125%	67%	33%	85%	Yes
Executive Leadership Team	5	100%	67%	33%	50%	Yes
Senior Leadership Team	31	40-80%	100%	0%[2]	20-40%	Yes
Senior Management Team	149	10-40%	100%	0%	n/a	Yes
Other bonused colleagues	1,547	2.5-7.5%	100%	0%	n/a	Yes
Other non-bonused colleagues	772	n/a	n/a	n/a	n/a	Yes

Notes:
1 Colleagues as at 31 January 2021
2 Colleagues in the SLT within Insurance also receive one-third of their bonus in deferrable shares

Pay comparisons

CEO ratio

Our CEO to average colleague pay ratio for 2020/21 is 76:1. To give context to this ratio, we have set out below a chart tracking the CEO to average colleague pay ratio since 2014/15 alongside Saga's TSR performance since the Company was listed. We also show this against the performance of the FTSE 250 during the same time span.



The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company was a long-standing member of this index since the Initial Public Offering (IPO) and has strong aspirations to re-join in the future. This graph has been calculated in accordance with the Listing Regulations.

It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2021.

In summary, there has been significant volatility in Group CEO pay, and we believe that this is caused by the factors set out below. Please note that pay for Lance Batchelor (former Group CEO) has been used for this calculation.

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

Where the structure of remuneration is similar, as for the Executive Leadership Team (ELT) and the Group CEO, the ratio is much more stable over time.

Directors' Remuneration Report

Annual Report on Remuneration continued

GOVERNANCE OF REMUNERATION (CONTINUED)

Colleague and Executive Committee ratios

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

Group Chief Executive Officer		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total single figure		£1,600,287	£2,490,617	£1,025,146[1]	£1,191,743	£1,062,887	£2,118,471
Annual bonus payment level achieved (percentage of maximum opportunity)		78.6%	67.5%	0%	35.1%	33.6%	83.1%
LTIP vesting level achieved (percentage of maximum opportunity)		n/a[2]	65.6%	26.0%	0%	0%	n/a[2]
Ratio of CEO single total remuneration figure to all colleagues[3,4]	25th percentile	n/a	n/a	8:1	59:1	46:1	97:1
	Median	78:1	116:1	40:1[5]	48.1[6]	41:1[7]	76:1[8]
	75th percentile	n/a	n/a	33:1	36.1	29:1	55:1
Ratio of single total remuneration figure shown to executive members		2:1	4:1	3:1	3:1	2:1	4:1

Notes:

1 For 2017/18 the final value of the 2015 LTIP award as at vesting date is shown and has been restated from the 2017/18 annual report. The share price at vesting date of 30 June 2018 was 125.6p

2 No LTIP awards eligible to vest for the Group CEO in post in 2015/16 and 2020/21

3 For the colleague ratio Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18, 2018/19, 2019/20 and 2020/21 using the April gender pay gap data for that year. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018, 2019, 2020 and 2021 for these colleagues calculated in line with the single total figure methodology. For colleagues who participate in a DB scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service

4 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18, 2018/19, 2019/20 and 2020/21 figures which have been calculated in line with the methodology prescribed by the regulations

5 The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group CEO and the relatively low payout on the LTIP. This reflects the fact that shareholders want Executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group CEO remuneration set out in the table on page 93 shows that year-on-year when the volatility of payouts from equity-based awards is excluded, the changes in remuneration for the Group CEO and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year

6 The increase in ratio for 2018/19 is due to the Group CEO receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout

7 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our call centres

8 The increase in ratio in 2020/21 is due to the relatively high bonus payout in 2020/21 and RSP award granted to the Group CEO in 2020/21 which was fully vested on grant

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

		25th percentile	Median	75th percentile
2020/21	Salary	£19,339	£23,465	£33,495
	Total pay	£21,840	£27,837	£38,312

Annual percentage change in remuneration of Directors and other colleagues

The following table sets out the change in the remuneration paid to each Director from 2019/20 to 2020/21 compared with the average percentage change for other colleagues.

The percentage change for each Directors' remuneration in the table below is based on the figures in the single total figure table on page 81.

Average colleague pay has been calculated using the following elements:
- Annual salary: base salary and standard monthly allowances.
- Taxable benefits: car allowance and private medical insurance premiums.
- Annual bonus: company bonus, management bonus, commission and incentive payments.

	Salary/fees (2020/21)	Taxable benefits (2020/21)	Annual bonus (2020/21)
Euan Sutherland	0%	9.3%	25.2%
James Quin	1.2%	-48.9%[1]	48.7%
Cheryl Agius	0%	5.9%	19.0%
Roger De Haan	n/a	n/a	n/a
Patrick O'Sullivan	0%	n/a	n/a
Eva Eisenschimmel	15.7%[2]	n/a	n/a
Julie Hopes	41.7%[3]	n/a	n/a
Gareth Hoskin	9.3%[4]	n/a	n/a
Ray King	0%	n/a	n/a
Orna NiChionna	9.6%[5]	n/a	n/a
Gareth Williams	-13.6%[6]	n/a	n/a
Average per colleague	3.2%[7]	2.7%	67.8%

Notes:
1 The decrease in benefits for James Quin is due to his move to a reduced cost electric vehicle
2 Increase in salary for Eva Eisenschimmel is due to becoming Chair of the Remuneration Committee on 1 February 2020
3 Increase in salary for Julie Hopes is due to becoming Chair of the Saga Personal Finance Board on 1 February 2020 and assuming the position of Risk Committee Chair on 31 December 2020
4 Increase in salary for Gareth Hoskin is due to becoming Chair of the Audit Committee with effect from 22 June 2020
5 The increase in salary for Orna NiChionna is due to increasing responsibilities as Senior Independent Director from 5 October 2020
6 Reduction in salary for Gareth Williams is due to step down as Chair of the Remuneration Committee on 1 February 2020
7 Average salary per colleague increased due to a combination of annual salary increase, Company restructuring which altered our colleague base and the impacts of the COVID-19 pandemic

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2020/21 financial year and 2019/20 financial year compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2020/21 financial year £m	Disbursements from profit in 2019/20 financial year £m	Percentage change
Profit distributed by way of dividend	0.1	25.8	(99.6%)
Total tax contributions[1]	44.2	50.1	(11.8%)
Overall spend on pay including Executive Directors	125.3	125.6	(0.2%)

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

Directors' Remuneration Report
Annual Report on Remuneration continued

Advisers to the Remuneration Committee
During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy for Executive Directors and members of the ELT.

PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists, or existed in the provision of these services.

Following a selection process carried out prior to, and then following, the IPO of the Company, PwC was formally appointed by the Remuneration Committee. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Other PwC teams provide certain non-audit services to the Company in areas of tax and consulting. The Committee is satisfied that no conflict of interests exist in the provision of these services and that the advice provided is independent and objective. Fees of £109,000 (2020: £97,250) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to additional support in relation to the renewal of the Remuneration Policy.

The Committee receives support from Jane Storm (Chief People Officer (CPO)) and Vicki Haynes (Group Company Secretary).

Shareholder voting
The Directors' Remuneration Policy was approved by shareholders at the AGM held on 22 June 2020.

Outlined below are the voting outcomes in respect of approving the Directors' Remuneration Report, the Directors' Remuneration Policy and the RSP.

Results of shareholder voting at the 2020 Annual General Meeting

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	536,042,769	82.92	110,416,414	17.08	647,040,963	57.67%	581,780
To approve the Directors' Remuneration Policy	609,404,573	97.98	12,534,190	2.02	647,040,963	57.67%	25,102,200
To approve the Saga plc 2020 Restricted Share Plan	604,360,644	97.16	17,653,018	2.84	647,040,963	57.67%	25,026,393

Directors' Remuneration Policy

s172 This section of the report sets out the Company's Policy on remuneration for Executive and Non-Executive Directors, as approved by shareholders at the AGM on 22 June 2020. The Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the 'Act'), Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and the Listing Rules. The Committee has built in a degree of flexibility to ensure the practical application of the Policy. Where such discretion is reserved, the extent to which it may be applied is described. The Company's Policy retains its primary goal to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long term success of Saga, aligned with shareholder interests.

CHANGES MADE TO THE PREVIOUS POLICY

Element	Changes to Policy	Rationale
Pension	Pension contributions for incumbent and new Executive Directors to be aligned to that of majority of colleagues (6%).	Provision in line with corporate governance best practice.
Long-term incentives	Introduction of RSP to replace LTIP.	Simplified long-term incentive arrangements and addresses challenges of setting performance targets given the Company's new strategy.
Post-cessation shareholding requirements	Formal post-cessation employment for full employment requirement for two years following cessation.	Ensures Executives' focus on long-term sustainable performance and extended the length of alignment between management and shareholders.
Malus and clawback	Provisions expanded to refer specifically to risk management failure and corporate failure.	Provision brought in line with best practice.

Directors' Remuneration Report

Directors' Remuneration Policy continued

DIRECTORS' REMUNERATION POLICY TABLE

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's basic salary is set on appointment and reviewed annually, or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: – pay increases to other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant Director; and – the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for colleagues until the target positioning is achieved.	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size and complexity to Saga and validated against an appropriate comparator group, so that they are competitive against the market. The Committee intends to review the comparators each year and will add or remove companies from the comparator group as it considers appropriate. In general, salary increases for Executive Directors will be in line with the increase for colleagues. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out, in the section headed 'Implementation of the Remuneration Policy', in the following financial year, the salaries for that year for each of the Executive Directors.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Pension Provides a fair level of pension provision for all colleagues.	The Company provides a pension contribution allowance that is fair, competitive and in line with governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.	The maximum value of the pension contribution allowance for both current and newly appointed Executive Directors is aligned with that of the wider workforce. The Company will set out, in the section headed 'Implementation of Remuneration Policy', in the following financial year, the pension contributions for that year for each of the Executive Directors.	No performance or recovery provisions applicable.
Benefits Provides a market-standard level of benefits.	Benefits may include family private health cover, death in service life assurance, car allowance, subsistence expenses and discounts in line with other colleagues. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other colleagues on broadly similar terms may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits set out adjacent.	No performance or recovery provisions applicable.

Directors' Remuneration Report

Directors' Remuneration Policy continued

DIRECTORS' REMUNERATION POLICY TABLE (CONTINUED)

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Annual bonus The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. The Company will set out in the section headed 'Implementation of Remuneration Policy', in the following financial year, the nature of the targets and their weighting for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the DBP element. The minimum level of deferral is one-third of the bonus; however, the Committee may determine that a greater portion or in some cases the entire bonus be paid in deferred shares. The main terms of these awards are: – minimum deferral period of three years; and – the participant's continued employment at the end of the deferral period unless they are a good leaver. The Committee may award dividend equivalents on those shares to plan participants to the extent that they vest. The Committee has the discretion to apply a holding period of two years post-vesting for deferred bonus shares.	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. Percentage of bonus maximum earned for levels of performance: – Threshold: up to 20% – Target: 50% – Maximum: 100%	The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider Company performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures. Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any payouts under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus and clawback provisions.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Restricted Share Plan Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards are granted annually to Executive Directors in the form of Restricted Shares. Restricted Shares vest at the end of a three year period subject to: – the Executive Director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Remuneration Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors. Upon vesting, sufficient shares may be sold to pay tax on the shares. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Maximum value of 100% of salary per annum based on the market value at the date of grant set in accordance with the rules of the plan.	No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Remuneration Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting: – Whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares. – Whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually. – Whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually. – The potential for windfall gains. – The level of colleague and customer engagement over the period. The RSP is subject to clawback and malus provisions.

Directors' Remuneration Report
Directors' Remuneration Policy continued

DIRECTORS' REMUNERATION POLICY TABLE (CONTINUED)

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Legacy LTIP Awards were designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards were granted annually to Executive Directors in the form of a conditional share award or nil-cost option. These vest at the end of a three-year period subject to: – the Executive Director's continued employment at the date of vesting; and – satisfaction of the performance conditions. A two-year holding period applies following the three-year vesting period for LTIP awards granted to the Executive Directors. Upon vesting, sufficient shares can be sold to pay tax. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	No further awards will be made under the LTIP to Executive Directors. Awards already granted will be eligible to vest in line with their original criteria. Maximum value of 200% of salary per annum based on the market value at the date of grant set in accordance with the rules of the plan. 25% of the award vests for threshold performance. 100% of the award will vest for maximum performance. Straight-line vesting between these points.	Awards vest based on performance against stretching targets, measured over a three-year performance period. The Committee reviews and sets weightings and targets before each grant to ensure they remain appropriate. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the LTIP vesting resulting from the application of the performance measures. Details of the performance conditions for grants made in the year were set out in the relevant Annual Report on Remuneration. The LTIP contains clawback and malus provisions.

Shareholding requirement

The Committee already had in place strong shareholding requirements (as a percentage of base salary) that encourage Executive Directors to build up their holdings over a five year period. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.

In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (percentage of salary)
Group Chief Executive Officer	250%
Other Executive Directors	200%

The Committee retains the discretion to increase the shareholding requirements.

The Committee has introduced a post-cessation shareholding requirement of the full in-employment requirement as listed above (or the Executive's actual shareholding on cessation if lower) for two years following cessation.

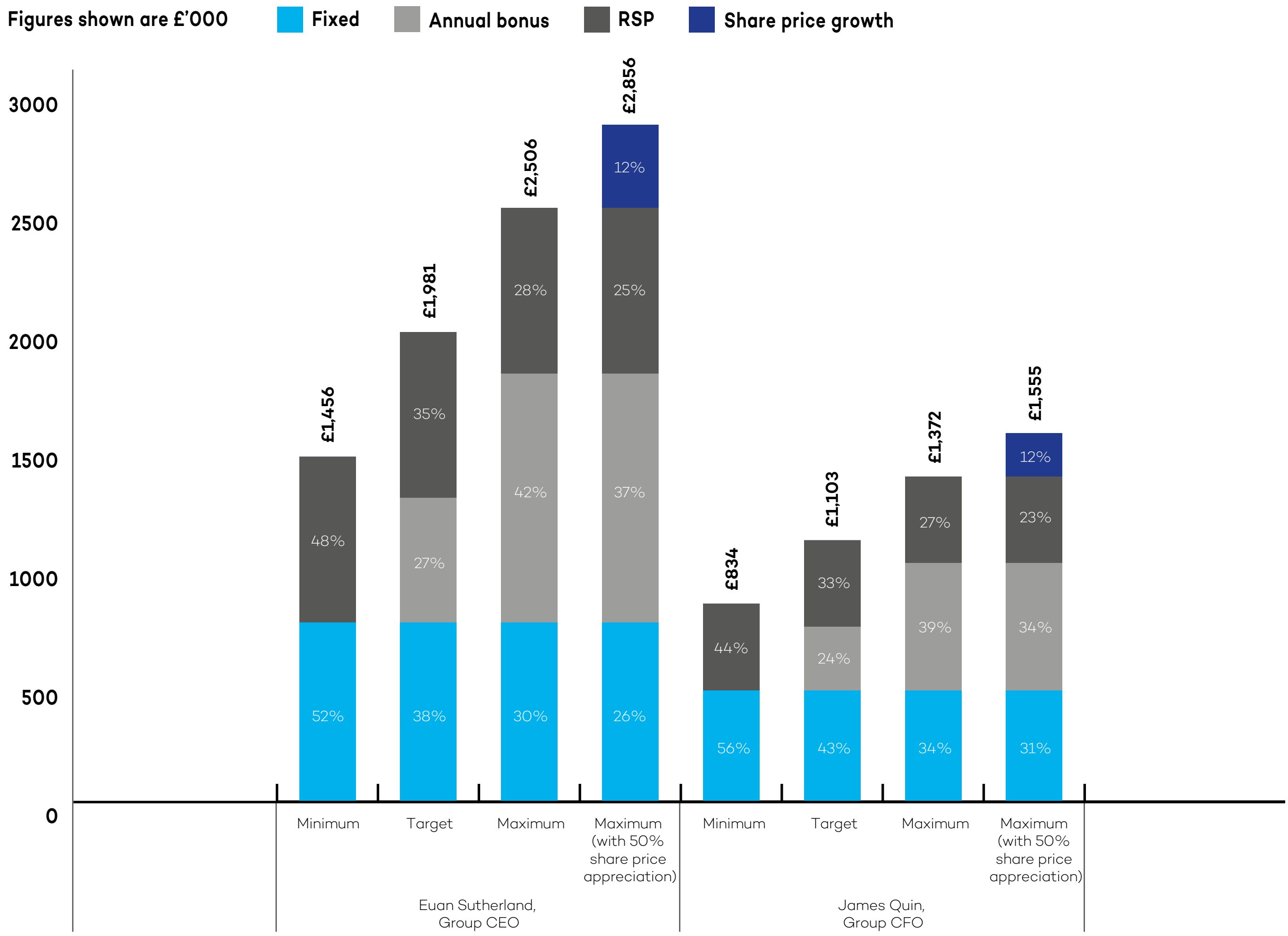
Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Non-Executive Chairman and Non-Executive Director fees			
Provides a level of fees to support recruitment and retention of a Non-Executive Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Non-Executive Chairman's fees. Non-Executive Directors are paid an annual fee and additional fees for chairing of Committees. The Company retains the flexibility to pay fees for the membership of Committees. The Non-Executive Chairman does not receive any additional fees for membership of Committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors and the Non-Executive Chairman do not participate in any variable remuneration or benefits arrangements.	The fees for Non-Executive Directors are broadly set at a competitive level against the comparator group. In general, the level of fee increase for the Non-Executive Directors and the Non-Executive Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The aggregate fee for the Non-Executive Directors and the Chair will not exceed £2,000,000. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Non-Executive Chairman and may settle any tax incurred in relation to these.	No performance or recovery provisions applicable.

Directors' Remuneration Report

Directors' Remuneration Policy continued

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the Remuneration Policy set out in this report and is based on the normal RSP award level, rather than the lower initial award.



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed elements	Base salary for 2020/21. Benefits paid for 2020/21 annualised for full year equivalent figures. Pension in line with policy at 6% of salary.			
Annual bonus	Nil.	50% of the maximum opportunity.	100% of the maximum opportunity.	100% of the maximum opportunity.
Restricted Shares	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	100% vesting of Restricted Shares plus the increase in value from 50% share price growth. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.

Scenario charts show 'minimum', 'target' and 'maximum' scenarios in accordance with the regulations as well as the impact of a 50% share price growth on the long-term incentives for the 'maximum' scenario. All scenarios do not account for dividend equivalents on DBP shares or RSP shares.

DISCRETION WITHIN THE DIRECTORS' REMUNERATION POLICY

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

MALUS AND CLAWBACK

Malus is the adjustment of the annual bonus payments or unvested long-term incentive awards (including RSPs) because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the Annual Bonus Plan or vested long-term incentive awards (including RSPs) as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's payment under the Annual Bonus Plan, RSP or LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses. The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company.
- The discovery that any information used to determine the award was based on error, or inaccurate or misleading information.
- Action or conduct of a participant which amounts to fraud or gross misconduct.
- Events, or the behaviour of a participant, which have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company, provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.
- Failure of risk management including but not limited to a material breach of risk appetite and regulatory standards.
- Corporate failure.

	Annual bonus (cash)	Annual bonus (deferred shares)	Restricted Shares	LTIP
Malus	Up to the date of the cash payment.	To the end of the three-year vesting period.	To the end of the three-year vesting period.	To the end of the three-year vesting period.
Clawback	Two years post the date of any cash payment.	n/a	Two years post vesting.	Two years post vesting.

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

Directors' Remuneration Report
Directors' Remuneration Policy continued

LOSS OF OFFICE POLICY

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy:

Remuneration element	Treatment on cessation of employment		
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or other colleagues, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.		
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.		
	Good leaver reason	**Other reason**	**Discretion**
Bonus cash	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for year of cessation.	The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To determine whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
Bonus deferred share awards	All subsisting Deferred Share Awards will vest.	Lapse of any unvested Deferred Share Awards.	The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation. – To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Directors' departure.

Remuneration element	Treatment on cessation of employment		
	Good leaver reason	**Other reason**	**Discretion**
LTIP	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards	The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation. – To determine to vest shares at the end of the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation. – To determine whether the holding period will apply in full or in part. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation. – To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
RSP for the year of cessation	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.

Directors' Remuneration Report

Directors' Remuneration Policy continued

LOSS OF OFFICE POLICY (CONTINUED)

Remuneration element	Treatment on cessation of employment		
	Good leaver reason	**Other reason**	**Discretion**
Subsisting awards	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	Unvested awards will be forfeited on cessation of employment. Vested awards will remain subject to the holding period.	The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure. – To determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment. – To determine whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to all the above incentive plans. A good leaver reason is defined as cessation in the following circumstances:

- Death.
- Ill-health.
- Injury or disability.
- Retirement.
- Employing company ceasing to be a Group company.
- Transfer of employment to a company which is not a Group company.
- At the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

CHANGE OF CONTROL POLICY

Name of incentive plan	Change of control	Discretion
Cash bonus	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Deferred Share Awards	Subsisting Deferred Share Awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
RSP	The number of shares subject to subsisting RSPs will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSPs for time. The Committee's normal policy is that it will pro-rate the RSPs for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders. The Committee also has discretion to consider attainment of any underpins.

RECRUITMENT AND PROMOTION POLICY

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary, benefits and pension	Salary and benefits will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be aligned with that of the majority of colleagues.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary.
RSP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 100% of salary for RSPs.
Maximum variable remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus and RSP (excluding the value of any buyouts). The maximum variable remuneration will be 250% of salary.

Directors' Remuneration Report
Directors' Remuneration Policy continued

RECRUITMENT AND PROMOTION POLICY (CONTINUED)

Remuneration element	Recruitment policy
Buyout of incentives forfeited on cessation of employment	Forfeited on cessation of employment. Where the Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: – The proportion of the performance period completed on the date of the Executive Director's cessation of employment. – The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied. – Any other terms and conditions having a material effect on their value ('lapsed value'); The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences/housing allowance and schooling and will not exceed a period of two years from recruitment.

Where an existing colleague is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing colleague would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of a new Chairman or Non-Executive Director is to apply the policy which applies to current Non-Executive Directors.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

The Remuneration Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Remuneration Committee may, in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts and are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period. The Company follows the Code's recommendation that all Directors be subject to annual re-appointment by shareholders.

Executive Directors

			Notice periods		
Name	Date appointed	Nature of contract	From Company	From Director	Compensation provisions for early termination
Euan Sutherland	6 January 2020	Rolling	12 months	12 months	None
James Quin	1 January 2019	Rolling	12 months	12 months	None

Non-Executive Directors

Name	Original appointment	Appointment of current term	Arrangement	Notice period/unexpired term at AGM
Orna NiChionna	29 May 2014	29 May 2020	Letter of appointment	3 months/23 months
Julie Hopes	1 October 2018	1 October 2018	Letter of appointment	3 months/3 months
Eva Eisenschimmel	1 January 2019	1 January 2019	Letter of appointment	3 months/6 months
Gareth Hoskin	11 March 2019	11 March 2019	Letter of appointment	3 months/8 months

The Board allows Executive Directors to accept appropriate outside Non-Executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the ELT, the Remuneration Committee considers a report prepared by the CPO detailing base pay and share schemes practice across the Company. The report provides an overview of how colleague pay compares to the market and any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with colleagues as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company does receive an update and feedback from the broader colleague population on an annual basis using an engagement survey which includes a number of questions relating to remuneration. The Company does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all colleagues that is market competitive and operates the same core structure as for the Executive Directors. The Group operates colleague share and variable pay plans, with pension provisions provided for all Executive Directors and colleagues. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based colleagues. The Committee annually publishes a section on fairness, diversity and wider workforce considerations as part of the Directors' Remuneration Report.

CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies IA, ISS and Glass Lewis prior to proposing this Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation the majority of shareholders consulted indicated they were supportive of this Policy.

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

The following table sets out how the Policy aligns with the UK Corporate Governance Code whose objective is to ensure the remuneration operated by the Company is aligned with all stakeholder interests including those of shareholders:

Key remuneration element of the 2018 UK Corporate Governance Code	Alignment with Remuneration Policy
Five-year period between the date of grant and realisation for equity incentives	The RSP meets this requirement through the implementation of the two-year post-vesting holding period.
Phased release of equity awards	The RSP meets this requirement as awards are made in an annual cycle.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Annual Bonus Plan and the RSP.
Post-cessation shareholding requirement	The full in-employment requirement for two years following cessation of employment.
Pension alignment	The pension contribution for all Executive Directors aligned with the majority of colleagues at 6%.
Extended malus and clawback	The malus and clawback provisions align with the Financial Reporting Council's (FRC) Board Effectiveness Guidance.

Provision 40 element	How the Remuneration Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Annual Bonus Plan performance conditions are based on the core strategic objectives and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. The RSP provides annual grants of shares which have to be retained for the longer term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The performance conditions for the Annual Bonus Plan are based on the Company's strategic objectives. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. RSPs are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make the remuneration more complex.

Directors' Remuneration Report
Directors' Remuneration Policy continued

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (CONTINUED)

Provision 40 element	How the Remuneration Policy aligns
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Policy includes: – setting defined limits on the maximum awards which can be earned; – requiring the deferral of a substantial proportion of the incentives in shares for a material period of time; – aligning the performance conditions with the strategy of the Company; – ensuring a focus on long-term sustainable performance through the RSP; and – ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: – limiting the maximum value that can be earned; – deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short-term behaviours; – aligning any reward to the agreed strategy of the Company; – the use of an RSP which supports a focus on the sustainability of the performance over the longer term; – reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and – reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Remuneration Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management. The introduction of an RSP increases the predictability of the rewards received by management.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Remuneration Policy sets out clearly the range of values and discretions in respect of the remuneration of management. The introduction of an RSP increases the predictability of the rewards received by Executive Directors, and the bonus plan, being based on annual targets, operates over a more predictable time cycle compared with traditional LTIP schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes. The Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The bonus plan drives behaviours consistent with Saga's strategy. The RSP drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.

Eva Eisenschimmel

EVA EISENSCHIMMEL
Chair, Remuneration Committee
6 April 2021

This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, 2018 and 2019, the Provisions of the current Code and the Listing Rules.

Directors’ Report

MANAGEMENT REPORT

The Directors’ Report, together with the Strategic Report set out on pages 1 to 49, form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R (the 'Management Report').

STATUTORY INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

Information required to be part of this Directors’ Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference.

Information	Location in annual report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-49
Environmental, Social and Governance	Pages 18-27
Greenhouse gas emissions	Pages 24-25
Suppliers, customers and others in a business relationship engagement	Pages 26-27
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 18-22 and 26
Corporate Governance Statement	Pages 50-76
Directors’ details (including changes made during the year)	Pages 50, 61-63 and 65
Related-party transactions	Not applicable
Diversity	Pages 21, 61 and 65
Share capital	Note 33 on page 197
Employee share schemes (including long-term incentive schemes)	Note 36 on pages 199-200
Financial instruments: information on the Group’s financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 136-159, 161 and 174-184
Statements of responsibilities	Page 116
Additional information	Pages 212-216

DISCLOSURE TABLE PURSUANT TO LISTING RULE (LR) 9.8.4C

The following table provides references to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on pages 171-173
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Operating and Financial Review, pages 30-45
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors’ Remuneration Report, pages 77-110
9.8.4(5)	Directors’ waivers of emoluments	Directors’ Remuneration Report, pages 77-110
9.8.4(6)	Directors’ waivers of future emoluments	Directors’ Remuneration Report, pages 77-110
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors’ Report on page 114
9.8.4(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors’ Report on page 115 (under paragraph ‘Rights attaching to shares’)
9.8.4(13)	Waiver of future dividends by a shareholder	Directors’ Report on page 115 (under paragraph ‘Rights attaching to shares’)
9.8.4(14)	Board statement in respect of relationship agreement with a controlling shareholder	Not applicable. See Directors’ Report on page 112 (under ‘Relationship agreement with Director shareholder’)

Directors' Report continued

RESULTS AND DIVIDENDS

The Group made a loss after taxation of £67.8m for the financial year ended 31 January 2021. The Board did not pay an interim dividend. The Board of Directors is not in a position to recommend the payment of a final dividend for the 2020/21 financial year, for the reasons stated below.

The Directors have adopted a Dividend Policy (which is reviewed by the Board on an annual basis). While the Directors intend to resume dividend payments in the future, the Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain. No dividends can be paid while leverage is greater than 3.0x, nor while the principal amounts deferred under the two ship facilities remain outstanding. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

POLITICAL DONATIONS

No political donations were made during the year.

DIRECTORS' INTERESTS

A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 77-110.

RELATIONSHIP AGREEMENT WITH DIRECTOR SHAREHOLDER

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions stated in the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, there are no controlling shareholders in the Company. However, the Company entered into a relationship agreement with Roger De Haan on 10 September 2020 (the 'Relationship Agreement'). Roger De Haan holds 36,855,555 shares of 15p each (constituting 26.4% of issued share capital immediately after the capital raise and 26.31% of total issued capital as at 31 January 2021). The Relationship Agreement regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements with the shareholder will be conducted on an arm's length basis and on normal commercial terms. It also provides that dilutions caused by new issuances of shares shall be disregarded when determining investor rights under its terms.

RULES ON APPOINTMENT AND REPLACEMENT OF DIRECTORS

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next Annual General Meeting (AGM). A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by an ordinary resolution of the Company. The Relationship Agreement between the Company and Roger De Haan provides for the nomination for appointment (and removal or re-nomination) to the Board of one Non-Executive Director for as long as he or she holds at least the higher of (i) 10% or more of the issued ordinary share capital of the Company and (ii) the percentage of the issued ordinary share capital of the Company represented by 60% of the investor's holding of ordinary shares immediately following the capital raise.

All Directors will seek re-election, or election in the case of Roger De Haan, at the AGM in accordance with the Company's Articles of Association and the recommendations of the UK Corporate Governance Code.

DIRECTORS' INDEMNITIES

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these indemnities during the year.

CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

There are some arrangements which give rights to third parties to terminate agreements upon a change of control of the Company, including following a takeover bid, for example insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £250m seven-year public listed bond at 3.375%, due to expire in May 2024, which has 101% put at change of control leading to a 1 notch credit rating downgrade, a five-year £200m term loan expiring in May 2023 (£70m outstanding at 31 January 2021) and a £100m five-year revolving credit facility (RCF), expiring in May 2023.

Twelve-year Export Credit Agency (ECA) backed funding is in place to finance 80% of the cost of the Group's two new ocean Cruise ships. The first of these facilities was drawn on completion of the build of Spirit of Discovery and is secured by way of a charge over the asset. The second facility was drawn on completion of the build of Spirit of Adventure and is also secured by way of a charge over the asset. The Company has provided a guarantee for the ship debt. The Group has secured a debt holiday and covenant waiver for the ship debt up to 31 March 2022.

In the event of a change of control, the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in note 30 to the consolidated financial statements on pages 194-195.

The rules of the Company's employee share plans generally provide for the accelerated vesting and/or release of share awards in the event of a change of control of the Company.

The Company does not have any agreements with colleagues (including Directors) which would pay compensation in the event of a change of control.

CONFLICT OF INTEREST

Each Director is obliged to disclose any potential or actual conflict of interest in accordance with the Company's Conflict of Interest Policy. The policy and declarations made are subject to annual review and Directors are required to update any changes to declarations as they occur. Internal controls are in place to ensure that any related party transactions are conducted on an arm's length basis.

SHARE CAPITAL AND INTERESTS IN VOTING RIGHTS

The Company's share capital (including movements during the year) is set out on page 197. At the date of this report, the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 15p each. As at 31 January 2021, 140,102,227 ordinary shares of 15p each had been issued, are fully paid up and quoted on the London Stock Exchange (LSE).

During the year, the Company undertook a capital raise, which resulted in the new issue of 971,918,208 shares of 1p each on 5 October 2020. Roger De Haan subscribed for 348,583,026 shares of 1p each in the firm placing and 204,250,307 shares of 1p each in the placing and Open Offer representing 26.4% of the share capital at the time. The Company undertook a share consolidation on 13 October 2020, consolidating every 15 ordinary shares of 1p each into a single ordinary share of 15p each. 507,458 shares of 15p each were issued on 18 November 2020 and transferred into an Employee Benefit Trust to satisfy employee incentive arrangements. As a result Roger De Haan holds 26.31% of the Company's issued share capital.

In accordance with DTR 5.1, the Company needs to disclose where it has been notified of the interests in the Company's total voting rights. The obligation to notify sits with the shareholder, and the Company must report on the notifications received, as at 31 January 2021 and also the date of signing of this annual report and accounts. Details of such notifications are included on the following page.

Since the date of disclosure to the Company, the interest of any person may have increased or decreased. There is no requirement to notify the Company of any increase or decrease unless the holding passes a notifiable threshold in accordance with DTR 5.1.

As the Company is aware that the disclosures set out on page 114 do not reflect current shareholders an exercise was undertaken (under section 793 of the Companies Act 2006) to identify those shareholders who hold over 3% of the Company's issued share capital, as summarised in the table on page 114.

Information regarding other interests in voting rights provided to the Company pursuant to the FCA DTRs is published on the Company's website and a Regulatory Information Service.

Directors' Report continued

SHARE CAPITAL AND INTERESTS IN VOTING RIGHTS (CONTINUED)

The following table summarises shareholders who hold over 3% of the Company's issued share capital (based on section 793 requests):

Name	Ordinary shares of 15p each (post-consolidation)	Percentage of capital held	Nature of holding
Aggregate of Standard Life Aberdeen plc	7,348,655	5.25%	Indirect
Setanta Asset Management Limited	5,500,845	3.93%	Indirect
Roger De Haan	36,855,555	26.31%	Indirect

In accordance with DTR 5.1, the Company had been notified of the following interests in the Company's total voting rights as at 31 January 2021:

Name	Ordinary shares of 1p each (pre-consolidation)	Ordinary shares of 15p each (post-consolidation)	Percentage of capital as disclosed to the Company	Nature of holding
Majedie Asset Management Limited	56,074,666	3,738,311	4.99%	Indirect
Artemis Investment Management LLP	111,601,253	7,440,083	9.98%	Indirect
Royal London Asset Management Limited	55,282,337	3,685,489	4.93%	Direct
Pelham Capital Ltd	49,867,633	3,324,508	4.44%	Contract for Difference
BlackRock, Inc.	56,034,496	3,735,633	4.99%	Indirect
Aggregate of Standard Life Aberdeen plc	62,905,217	4,193,681	5.61%	Indirect
Setanta Asset Management Limited	–	9,738,336	6.95%	Indirect
Pictet Asset Management Ltd	56,064,854	3,737,656	4.99%	Direct
Roger De Haan	552,833,333	36,855,555	26.31%	Indirect
Mário Nuno dos Santos Ferreira	33,660,000	2,244,000	3.00%	Direct (0.2%), Indirect (2.8%)

Note:
The Company is aware that some shareholdings referenced above may have been diluted as a result of the capital raise, and the number of shares quoted are disclosed either pre or post the consolidation which took place on 13 October 2020

As at 6 April 2021, the Company had been notified of the following interests in the Company's total voting rights:

Name	Ordinary shares of 15p each	Percentage of capital as disclosed to the Company	Nature of holding
Setanta Asset Management Limited	5,500,845	3.93%	Indirect

AUTHORITY TO ALLOT/PURCHASE OWN SHARES

A shareholders' resolution was passed at the AGM on 22 June 2020 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,122,003.32 representing 10% of the aggregate nominal share capital of the Company following admission). This is subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the LSE trading system.

The Company did not exercise this authority during the year, and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £2,101,533.41 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2020 AGM to allot relevant securities up to a nominal amount of £3,736,271. This authority will apply until the conclusion of the 2021 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of section 551 of the Act) to allot relevant securities (i) up to an aggregate nominal amount of £6,935,060; and (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £13,870,120 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2022, or, if earlier, 31 July 2022.

Special resolutions will also be proposed to give the Directors authority to make non pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £1,050,766.70 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £1,050,766.70.

RIGHTS ATTACHING TO SHARES

The Company has a single class of ordinary shares in issue. The rights attached to the shares are governed by applicable law and the Company's Articles of Association (which are available at www.corporate.saga.co.uk/media/1195/saga-plc-articles-of-association.pdf).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and to receive a copy of the Company's report and accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held. No shareholder owns shares with special rights as to control. The Notice of AGM ('Notice') states deadlines for exercising voting rights and for appointing a proxy/proxies.

The Saga Employee Benefit Trust (the 'Trust') is an Employee Benefit Trust which holds property (the 'Trust Fund') including *inter-alia* money, and ordinary shares in the Company, in trust in favour or for the benefit of colleagues of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in note 36 to the consolidated financial statements.

RESTRICTIONS ON THE TRANSFER OF SHARES

Pursuant to the relationship agreement dated 10 September 2020, Roger De Haan is limited in the transfer of his shares prior to 5 October 2021 (12 months from the date of admission) without the written consent of the Company. Other than this arrangement, or where imposed by law or regulation, or where the Listing Rules require certain persons to obtain clearance before dealing, there are no restrictions regarding the transfer of shares in the Company. The Company is not aware of any further agreement which would result in a restriction on the transfer of shares or voting rights.

ARTICLES OF ASSOCIATION

Any amendment to the Company's Articles of Association may only be made by passing a special resolution of the shareholders of the Company.

RESEARCH AND DEVELOPMENT

The Group does not undertake any material activities in the field of research and development.

BRANCHES OUTSIDE THE UK

The Company does not have any branches outside the UK.

POST-BALANCE SHEET EVENTS

There were no post-balance sheet events.

AUDITOR

KPMG LLP has confirmed its willingness to continue in office as auditor of the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2021 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice of AGM will contain an explanation of special business to be considered at the meeting and will be available on our website, www.corporate.saga.co.uk, in due course.

By order of the Board

V. HAYNES
Group Company Secretary
6 April 2021
Saga plc (Company no. 08804263)

Statements of responsibilities

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU), and in conformity with the requirements of the Companies Act 2006, and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period (see Key statements on page 53). In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information (as defined by section 418(3) of the Act) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

MAINTENANCE OF WEBSITE

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 60 and 62-63, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

V. HAYNES
Group Company Secretary
6 April 2021
Saga plc (Company no. 08804263)

Independent Auditor's Report to the Members of Saga plc

KPMG

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Saga plc ('the Company') for the year ended 31 January 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the four financial years ended 31 January 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response

Going concern and disclosures
The risk compared to the prior year is unchanged.
 	
Refer to pages 28-29 (principal risks and uncertainties), pages 44-45 (Strategic Report – Operating and Financial Review), page 46 (Viability Statement), page 53 (going concern statement), pages 70-73 (Audit Committee Report) and note 2.1 on pages 136-138 (basis of preparation), note 30 on page 194-195 and note 41 on page 203 (financial disclosures).
	Unprecedented levels of uncertainty
	The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and the Company. The judgement is based on an evaluation of the inherent risks to the Group and Company's business model and how those risks might affect the Group and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.
	
	The prolonged impact of COVID-19 may cast significant doubt on the entity's ability to continue as a going concern and may indicate the existence of a material uncertainty.
	
	The risks most likely to adversely affect the Group and Company's available financial resources and metrics relevant to debt covenants over the period to April 2022 are:
	
	– the length of time that the impact of COVID-19 will continue to significantly disrupt the Group's Travel operations and constrain its ability to operate, given that the Group's customer demographic is most at risk from this pandemic and the restrictions imposed worldwide in respect of the freedom of movement and travel;
	– the financial and operational resilience of the Group's Insurance business and its ability to deliver the business plan in light of heightened levels of regulatory change and increased uncertainty brought on by this pandemic; and
	– the impact on the Group's ability to meet the terms of its ship debt and Group bank debt covenants.
		Our procedures included:
		
		– **Funding assessment:** We considered the Directors' assessment of COVID-19 related sources of risk to the Group's financial and operational resilience compared with our own understanding of these risks and knowledge of the business. Our procedures included:
		  – We agreed the Group's committed level of financing, the availability of facilities and related covenant requirements to signed agreements;
		  – We critically evaluated management's assessment of compliance with debt covenants. We assessed the ability of the Group to meet the terms and financial covenants within recently amended facility agreements in reasonably foreseeable downside scenarios brought about by the COVID-19 pandemic. These included challenge and assessment of the ability of the Group to withstand an extended and prolonged period of no Cruise or Tour Operations and, once business returns to normal, to respond to new ways of operation;
		  – We critically evaluated management's risk assessment process to identify and assess business risks relating to events and conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern and whether the method used by management is appropriate;
		  – We evaluated the models used by management in its assessment and evaluated how the information system captures events and conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern; and
		  – Through inquiry and inspection of correspondence, we considered the likelihood of the Group's financial services and travel regulators (Financial Conduct Authority ('FCA'), the Gibraltar Financial Services Commission ('GFSC') and the Civil Aviation Authority ('CAA')), imposing additional financial or operational constraints on the Group and how such risks had been factored into the stress testing performed.

The risk	Our response

Disclosure quality
Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption represents a key financial statement disclosure requirement.
 	
There is a risk that insufficient details are disclosed to allow a full understanding of the going concern assessment.
	– **Key dependency assessment:** The continued operation of the Group's Insurance business is an important factor in assessing the risk of failure; as is the continued availability of the Group's revolving credit facility (refer above) throughout the assessment period. Our procedures included:
	  – We gained an understanding of and assessed the Group's plans and progress to ensure the continued operation of the Insurance business in the face of the disruption caused by COVID-19, and the assessment of the likely impact of regulatory change in the insurance industry on its business plan; and
	  – Using our insurance industry experience, we challenged and evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's Insurance business were factored into the financial resilience modelling that the Group has performed.
	– **Historical comparisons:** We evaluated the appropriateness of management's cashflow forecast process by comparing historic forecasts and the related underlying assumptions considered in the prior period with the actual and forecasted cashflows.
	– **Benchmarking assumptions and our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our knowledge of the business and our travel and insurance sector experience and assessing the potential risk of management bias.
	– **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included an assessment of the Group's ability to continue to meet its amended debt covenants in this scenario.
	– **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors may consider they would take to improve the position as risks materialise. This included inspecting the temporary working capital facility agreement the Group has entered into, to enable additional funding to be provided to the Cruise business, should this be necessary.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

The risk	Our response
	– **Assessing transparency:** In order to assess the completeness and accuracy of the disclosures we performed the following procedures: – We critically assessed the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside stress scenarios performed in making this assessment; – We assessed whether the disclosures in the annual report describe the principal risks by comparing with our understanding of the business and evaluated how these are mitigated by considering the specific management actions; and – We challenged the basis of preparation and determined whether any change from the method used in the prior period is appropriate. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found the going concern disclosure without any material uncertainty to be proportionate (2020 result: proportionate). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

	The risk	Our response
Valuation of claims outstanding – large BI case reserves and IBNR (gross and net) *The risk compared to the prior year has increased.* *(Gross £329.5 million, 2020: £338.3 million; Net £117.2 million, 2020: £149.1 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3r and 2.3s on page 148 (accounting policies); note 2.5 on pages 151-154 (significant accounting judgements, estimates and assumptions), note 20 on page 178-184 and note 28 on pages 189-193 (financial disclosures).*	**Subjective valuation:** Valuation of claims outstanding –large bodily injury ('BI') case reserves and incurred but not reported ('IBNR') estimates is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods, which are highly subjective, and involves complex calculations. Key assumptions include development patterns and estimates of the frequency and severity of claims used to value the liabilities, particularly those relating to the amount and timing of IBNR claims. The inherent risks of material misstatement relating to valuation of claims outstanding has been impacted by the COVID-19 pandemic and current economic conditions. We expect that recent data used to determine the assumptions used in setting reserve estimates will be affected by COVID-19 and therefore management will need to consider the extent to which this influences the choice of the assumptions. Certain areas of the claims outstanding balance contain greater uncertainty, for example third-party bodily injury ('TPBI') claims exhibit greater variability and are more long-tailed than the damage classes. In particular the allowances made for the likelihood of a claim to settle as a Periodic Payment Order ('PPO') rather than a lump sum is uncertain and has a high reserving risk, following the change in the Ogden rate. Similar estimates are required in establishing the reinsurers' share of claims outstanding, in particular the share of IBNR claims. A margin is added to the actuarial best estimate (ABE) of claims outstanding to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the Directors, based on the perceived uncertainty and potential for volatility in the underlying claims, which has increased given the impacts of COVID-19.	Our procedures included: – **Control design and implementation:** Tested, with the support of our IT specialists, the design and implementation of key controls over the completeness and accuracy of claims and premiums data used in the calculation of IBNR claims (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems; and – tested the design and implementation of controls over setting and monitoring of case reserves over large bodily inquiry claims. We involved our actuarial specialists to perform the following procedures: – **Evaluate the work of internal actuaries:** We analysed and evaluated the results of reserving reports issued by the internal actuaries and assessed their competence and the appropriateness of their methodology and their conclusions; – **Benchmarking assumptions and methodology:** Through critical assessment of the actuarial reports and supporting documentation, including the use of benchmarking against market data and through discussion with the actuaries, we analysed and challenged the reserving methodology as well as the key assumptions used – including claims frequency, claims severity, claims inflation, development patterns, PPO propensities, allowances for subrogation and the impact of legislative and process developments and considered the need for additional allowances as a result of COVID-19; and – **Independent re-performance in respect of the actuarial best estimate:** We used our own modelling tools to re-project ultimate losses for substantially all perils and compared this to the Group's estimates. Our other procedures included: – **Margin evaluation:** We evaluated the appropriateness of the Group recommended margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to additional allowances made this year for what is considered heightened uncertainty in the notification and development of claims brought about as a result of COVID-19 that may not yet be reflected in the data and assumptions used in developing the ABE. We then considered the relative strength of the margin held against peers and versus the prior period in order to be satisfied that before allowing for the increase in uncertainty arising from COVID-19, no additional prudence had been recognised in the level of overall reserves held including margin.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response
	Data capture The valuation of these reserves depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of claims outstanding may arise. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	– **Data comparisons:** We agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal actuaries in the actuarial reserving process and assessed that the output of the actuarial re-projections reconciled. – **Tests of detail:** We corroborated a targeted sample of large BI case reserves, for example, large third party bodily injury claims, to appropriate documentation such as reports from loss adjusters or third party experts, to identify and test the application of significant assumptions applied in determining the level of case reserves and to evaluate the valuation against prescribed reserving methodology. We assessed the risk transfer elements of the reinsurance contracts and the accuracy of a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance agreements. – **Assessing transparency:** We assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions reflected the risks inherent in the valuation of claims outstanding. We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found the estimate of claims outstanding to be cautious where we exercised judgement to determine the acceptability of the amount recognised. We took into account the relative strength of the estimates versus the prior period in order to be satisfied that, before allowing for the increase in uncertainty arising from COVID-19, no additional prudence had been recognised. In concluding on the overall estimate of the valuation of claims outstanding, we took into account heightened uncertainty in a portfolio that is monoline in nature and in the development and notification of claims as a result of the impact of COVID-19. We also considered the clarity of the associated disclosure of the direction of estimation uncertainty and of the sensitivity of key assumptions. As noted above, overall we found that the assumptions and estimate were cautious (2020: mildly cautious) with proportionate (2020: proportionate) disclosure of the sensitivities to changes in key assumptions and estimate as inputs to the valuation.

	The risk	Our response
Recoverability of Group goodwill and the Parent Company's investment in subsidiaries *The risk compared to the prior year is unchanged* *(Group goodwill: £718.6 million, 2020: £778.4 million; Company's investment in subsidiaries: £552.3 million, 2020: £552.3 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3g and 2.3h on pages 142-143 and note 1.1b on page 206 (accounting policies), note 2.5 on pages 151-154 and note 1.2 on page 209 (significant accounting judgements, estimates and assumptions), note 5 on page 160, note 14 on page 168 and note 16 on pages 169-171 and note 2 on pages 209-210 (financial disclosures).*	**Forecast-based valuation:** Goodwill in the Group and the carrying amount of the Company's investment in subsidiaries are significant and at risk of irrecoverability if forecast business performance for the Group's Insurance, Cruise and Tour Operations businesses, in particular, were to fall significantly short of business plans. The estimated recoverable amount of goodwill and the Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and auditor judgement is required to assess whether the Directors' overall estimate, taking into account the below assumptions, falls within an acceptable range. Current economic conditions including the prolonged closure of the Group's Travel businesses that has arisen as a result of COVID-19 also have a significant impact on estimation uncertainty. The assessment of the recoverability of the goodwill balance involves a high degree of subjectivity due to the supporting calculation of Value in Use ('VIU') being reliant on expectations of future performance. Multiple inputs into the goodwill calculation, such as weighted average cost of capital ('WACC') and terminal growth rates are at risk of manipulation in order to demonstrate that the value of an underlying intangible asset is not impaired. The risk premium in relation to these assets has been impacted by increased uncertainty in the economic outlook as a result of a COVID-19 and therefore there is risk of impairments to goodwill and investments in subsidiaries at the Company level if the share price does not recover; and particularly if the Group is not able to deliver at or ahead of plan in 2021/22 and years to come. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Group goodwill and the Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: – **Control design and implementation:** We evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans, including as applied to the Company. – **Historical comparisons:** We assessed the reasonableness of cash flow projections against historical performance; – **Our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience. – **Benchmarking assumptions:** We compared the Group's and the Company's assumptions to externally derived data in relation to key inputs such as WACC and terminal growth rates with the support of our valuation specialists. – **Comparing valuations:** We compared the recoverable amount of each significant cash generating unit ('CGU') by reference to VIU relative to the carrying value and evaluated the outcome against comparator industry multiples; and, for the Company's investment in subsidiaries, we compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group; and corroborated reasons for any significant differences. – **Sensitivity analysis:** We used our analytical tools to assess the sensitivity of the goodwill headroom and concluded on the appropriateness of any impairment recognised. We considered the impact of COVID-19 on key assumptions and changes therein. – **Assessing transparency:** We assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the Company's investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found that the resulting estimates over the recoverable amount of Group goodwill and the related impairment charge in the period and of the Company's investment in subsidiaries to be balanced (2020 finding: mildly cautious). We found the disclosures of the drivers of impairment and the sensitivities of goodwill headroom and the carrying value of the Company's investment in subsidiaries to changes in key assumptions, to be proportionate (2020: proportionate).

Independent Auditor's Report to the Members of Saga plc continued

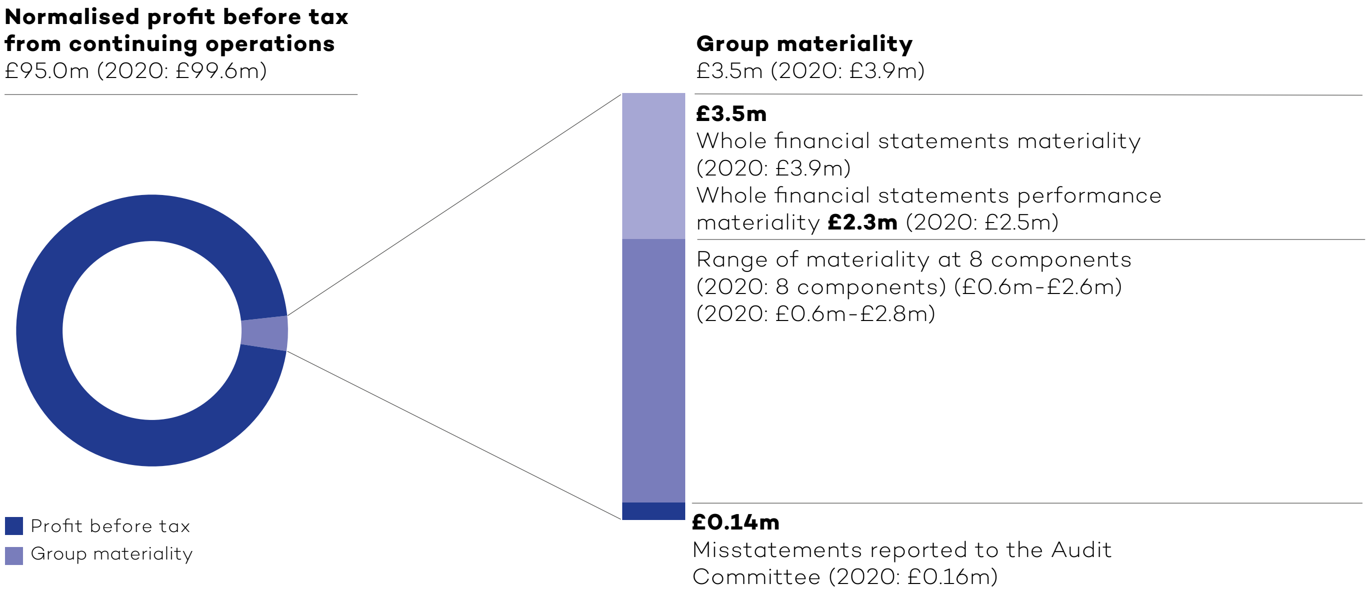
2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response
Recoverability of the carrying value of cruise ships *This is a new key audit matter* *(Cruise ships: £635.0 million, 2020: £303.9 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3h and 2.3i on page 143 (accounting policies), note 2.5 on pages 151-154 (significant accounting judgements, estimates and assumptions) and note 17 on pages 171-173 (financial disclosures).*	**Forecast-based valuation:** The estimated recoverable amount of the Group's cruise ships is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The carrying amount of the cruise ships is at risk of irrecoverability if the resumption of trading in Cruise was to be delayed beyond that assumed in the latest business plan forecasts approved or if the speed at which the business is expected to recover, fell short of expectations. There is a higher level of subjectivity and therefore more risk in estimating VIU for these assets this year, caused by the impact of COVID-19 on the prolonged closure of the Cruise business and in ongoing uncertainty as to the economic outlook. Further, there are multiple inputs into the estimate of VIU, such as the per ship cash flows, estimated useful life and residual value of the cruise ships, WACC and the annual growth rate, that are at risk of manipulation in order to demonstrate that the value of cruise ships assets is not impaired. The effect of these matters is that, as part of the reassessment of the risks in our audit, we determined that the recoverability of the carrying value of cruise ships has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: – **Control design and implementation:** We evaluated the design and implementation of the Group's controls over the impairment assessment procedures, including those over the cash flow forecasts applied to the cruise ships. – **Benchmarking assumptions:** We challenged the forecast cash flow and growth assumptions for the cruise ship assets, including comparison of the estimated useful life, residual values and annual growth rates to external sources. – We worked with our valuation specialists to independently develop a discount rate range considered appropriate using market data for comparable assets, adjusted by risk factors specific to the asset. – We considered the appropriateness of, and assessed the integrity of the VIU models applied by the Group for impairment testing. – We compared the forecast cash flows and capital expenditure contained in the VIU models to the Board approved five-year plan. – **Sensitivity analysis:** We used our analytical tools to assess the sensitivity of the recoverability of the carrying value of cruise ships and concluded on the appropriateness of no impairment being recognised. We considered the impact of COVID-19 on key assumptions including annual assumed load factors, restart dates, discount rates, and the speed at which cruising is assumed to return to pre-COVID-19 levels. – **Assessing transparency:** We assessed whether the Group disclosures around the valuation of cruise ships and the sensitivity to changes in key assumptions reflects the risks inherent in the valuation of cruise ship assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** Having found the Group's estimate of the recoverable amount of the cruise ships to be at the high end of the range, we consider it to be acceptable. We exercised judgement, based on our assessment of reasonably possible assumptions, as to whether it is acceptable not to record an impairment, and we exercised judgement to determine the appropriateness of disclosures of the risk that a reasonable change in assumptions could lead to an impairment, taking into account the fact that these cruise ships are recently acquired assets and the fact that a faster return to pre-COVID-19 levels of trading in Cruise would support the recoverability of the carrying values of these assets. As noted above, overall we found that the resulting estimate of the recoverable amount of the carrying value of the cruise ships to be optimistic (2020 finding: balanced). We found the disclosures of management judgments and the sensitivities of the carrying value of cruise ships to changes in key assumptions to be proportionate (2020: proportionate).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union ('EU'). Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments of key audit matters such as going concern, the valuation of claims outstanding – large BI case reserves and IBNR, the recoverability of Group goodwill and the Company's investment in subsidiaries and the recoverability of the carrying value of cruise ships, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £3.5m (2020: £3.9m), determined with reference to a benchmark of Group profit before tax, normalised by averaging a three year period to exclude goodwill and other impairment charges as disclosed in note 5, of £65.0m (2020: £400.5m), which represents 3.7% (2020: 3.9%).



Materiality for the Company financial statements as a whole was set at £2.2m (2020: £2.5m), which represents 0.3% of net assets of £713.4m (2020: 0.4% of net assets of £587.3m). The increase in net assets of the Company is attributable to the issuance of share capital during the year by the Company.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for both the Group and Company was set at 65% (2020: 65%) of materiality for the financial statements as a whole, which equates to £2.3m (2020: £2.5m) and £1.4m (2020: £1.5m). We applied this percentage in our determination of performance materiality based on the level of control deficiencies and changes in key senior management during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.14m (2020: £0.16m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2020: 8) reporting components, we subjected 4 (2020: 4) to full scope audits for Group purposes and 4 (2020: 4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed. For the residual components, we conducted reviews of financial information (including enquiry) at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which ranged from £0.6m to £2.6m (2020: £0.6m to £2.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 8 components (2020: 2 of the 8 components) was performed by component auditors and the rest, including the audit of the Company, was performed by the Group team. The Group audit team performed specific procedures on the impairments of £65.0m (2020: £400.5m) which was excluded in arriving at the normalised Group profit before tax for the year as identified above.

Independent Auditor's Report to the Members of Saga plc continued

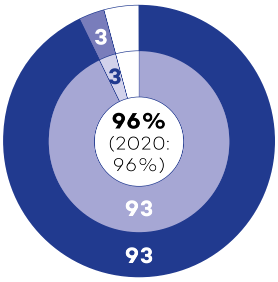
3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)

The Group team also routinely reviews the audit documentation of all component audits. This year for one component that is reported by KPMG Gibraltar, who were also the component auditors during 2019 and 2020, the work arrangement was re-organised, and the underlying work was managed and delivered by the KPMG Group senior staff with oversight and review by KPMG Gibraltar.

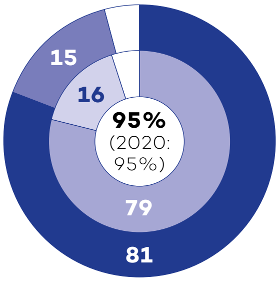
Whilst it would be conventional practice to visit the component team, the impact of the COVID-19 restrictions on travel required an alternative approach this year, which required more extensive use of video and telephone conference meetings with all component auditors. During these video and telephone conference meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected and any further work required by the Group audit team was then performed by the component auditor.

These components within the scope of our work accounted for the following percentages of the Group's results:

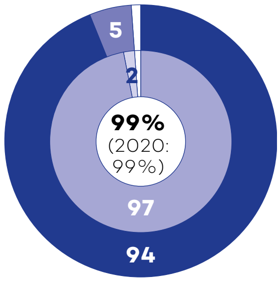
Group revenue



Total profits and losses that made up the Group loss before tax



Group total assets



- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Residual components

4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2.1 to be acceptable; and
- the related statement under the Listing Rules set out on page 53 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

– enquiring of Directors, the Audit Committee, the Internal Audit Director, the Chief Risk Officer and inspection of key policies and papers provided to those charged with governance as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and the process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
– reading Board, Audit and Risk Committee minutes and in the case of Audit and Risk Committee meetings for the Group, attendance of the external audit partner at these meetings;
– considering remuneration incentive schemes and performance targets for Directors and senior management.
– using analytical procedures to identify any unusual or unexpected relationships;
– consulting with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company; and
– reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that broking and travel revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We also identified fraud risks related to inappropriate assessment of the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – large BI case reserves and IBNR, in response to possible pressures to meet profit targets.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. Further detail in respect of the procedures performed over the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – large BI case reserves and IBNR, including how we have used specialists to assist in our challenge of management is set out in the key audit matter disclosures in section 2 of this report. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the business, trends in experience, customer behaviour and economic conditions including the impact of COVID-19 and also by reference to market practice.

To address the pervasive risk as it relates to management override, we also performed procedures including:

– identifying journal entries to test for all in scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, those including specific words based on our risk criteria, those journals which were unbalanced, those posted to unusual accounts, those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and
– assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Independent Auditor's Report to the Members of Saga plc continued

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT (CONTINUED)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form, with the Insurance business regulated primarily by the FCA and the GFSC, with the Travel business regulated by the CAA. The Travel businesses are members of the Association of British Travel Agents (ABTA), the International Air Transport Association (IATA) and the Federation of Tour Operators (FTO). These are well-recognised UK trade bodies with codes of conduct which members are required to adhere to. All parts of Saga operate procedures to comply with other key regulations and legislation including but not limited to the Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the Viability Statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 46 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures on pages 28 to 29 describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 46 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Saga plc continued

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 116, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

STUART CRISP
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London
E14 5GL
6 April 2021

Consolidated income statement

FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 £'m	2020 (restated) £'m
Gross earned premiums	3	**221.7**	233.9
Earned premiums ceded to reinsurers	3	**(142.8)**	(145.7)
Net earned premiums	3	**78.9**	88.2
Other revenue	3	**258.7**	709.1
Total revenue	3	**337.6**	797.3
Gross claims incurred	28	**(131.4)**	(140.6)[1]
Reinsurers' share of claims incurred	28	**113.2**	109.8[1]
Net claims incurred	28	**(18.2)**	(30.8)
Other cost of sales		**(82.0)**	(395.1)
Total cost of sales	3	**(100.2)**	(425.9)
Gross profit		**237.4**	371.4
Administrative and selling expenses	4	**(224.2)**	(252.6)
Impairment of assets	5	**(65.0)**	(400.5)
Gain on lease modification	18	**3.2**	–
Net profit on disposal of businesses	13	**8.6**	–
Net profit on disposal of property, plant and equipment, right-of-use assets and software	15, 17, 18	**6.6**	1.3
Investment income	6	**0.7**	1.2
Finance costs	7	**(30.2)**	(21.8)
Finance income	8	**1.7**	0.1
Loss before tax		**(61.2)**	(300.9)
Tax expense	10	**(6.6)**	(11.9)
Loss for the year		**(67.8)**	(312.8)
Attributable to:			
Equity holders of the parent		**(67.8)**	(312.8)
Earnings Per Share:			(restated)
Basic	12	**(67.0p)**	(381.7p)[2]
Diluted	12	**(67.0p)**	(381.7p)[2]

The notes on pages 136 to 203 form an integral part of these consolidated financial statements.

1 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

2 In accordance with IAS 33 'Earnings per Share', basic and diluted EPS figures for the year ended 31 January 2020 have been restated and adjusted for: (a) the bonus factor of 1.1 to reflect the bonus element of the Firm Placing and Open Offer (note 33); and (b) the consolidation of the Company's shares during the year (note 33). Amounts as originally stated were (27.9p) for basic and diluted EPS, and 8.9p for basic and diluted Underlying Basic EPS

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 £'m	2020 £'m
Loss for the year		**(67.8)**	(312.8)
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net gains/(losses) on hedging instruments during the year	19	**22.3**	(11.2)
Recycling of previous gains to income statement on matured hedges	19	**(2.5)**	(2.6)
Total net gains/(losses) on cash flow hedges		**19.8**	(13.8)
Associated tax effect		**(3.5)**	2.4
Net gains on fair value financial assets during the year		**3.2**	8.1
Associated tax effect		**(0.8)**	(1.4)
Total other comprehensive gains/(losses) with recycling to income statement		**18.7**	(4.7)
Other comprehensive income not to be reclassified to income statement in subsequent years			
Remeasurement losses on defined benefit plans	27	**(1.2)**	(5.4)
Associated tax effect		**0.2**	0.9
Total other comprehensive losses without recycling to income statement		**(1.0)**	(4.5)
Total other comprehensive gains/(losses)		**17.7**	(9.2)
Total comprehensive losses for the year		**(50.1)**	(322.0)
Attributable to:			
Equity holders of the parent		**(50.1)**	(322.0)

The notes on pages 136 to 203 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 £'m	2020 £'m
Assets			
Goodwill	14	**718.6**	778.4
Intangible assets	15	**56.6**	57.1
Property, plant and equipment	17	**660.2**	425.0
Right-of-use assets	18	**2.8**	25.7
Financial assets	19	**359.8**	378.1
Current tax assets		**3.1**	–
Deferred tax assets	10	**12.5**	22.3
Reinsurance assets	28	**71.6**	62.1
Inventories	22	**3.5**	5.4
Trade and other receivables	23	**183.1**	209.0
Assets held for sale	13, 17, 38	**16.9**	33.8
Trust accounts	24	**22.4**	–
Cash and short-term deposits	25	**101.6**	97.9
Total assets		**2,212.7**	2,094.8
Liabilities			
Retirement benefit scheme obligations	27	**4.3**	5.5
Gross insurance contract liabilities	28	**426.3**	443.6
Provisions	31	**11.7**	7.7
Financial liabilities	19	**826.6**	690.3
Deferred tax liabilities	10	**5.8**	4.2
Current tax liabilities		**–**	7.7
Contract liabilities	29	**82.2**	153.2
Trade and other payables	26	**175.1**	185.9
Liabilities held for sale	13, 38	**–**	8.5
Total liabilities		**1,532.0**	1,506.6
Equity			
Issued capital	33	**21.0**	11.2
Share premium		**648.3**	519.3
Retained earnings		**0.2**	65.4
Share-based payment reserve		**5.8**	7.8
Fair value reserve		**7.3**	4.9
Hedging reserve		**(1.9)**	(20.4)
Total equity		**680.7**	588.2
Total equity and liabilities		**2,212.7**	2,094.8

The notes on pages 136 to 203 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 6 April 2021 by

James Quin

E A SUTHERLAND
Group Chief Executive Officer

J B QUIN
Group Chief Financial Officer

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 JANUARY 2021

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total £'m
At 1 February 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
Loss for the year	**–**	**–**	**(67.8)**	**–**	**–**	**–**	**(67.8)**
Other comprehensive (losses)/income excluding recycling	**–**	**–**	**(1.0)**	**–**	**2.4**	**18.4**	**19.8**
Recycling of previous gains to income statement	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Total comprehensive (losses)/income	**–**	**–**	**(68.8)**	**–**	**2.4**	**16.3**	**(50.1)**
Recognition of non-financial asset from hedging reserve (note 19)	**–**	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Dividends paid (note 11)	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Issue of share capital (note 33)	**9.8**	**140.6**	**–**	**–**	**–**	**–**	**150.4**
Transaction costs associated with issue of share capital	**–**	**(11.6)**	**–**	**–**	**–**	**–**	**(11.6)**
Share-based payment charge (note 36)	**–**	**–**	**–**	**2.4**	**–**	**–**	**2.4**
Exercise of share options	**–**	**–**	**3.7**	**(4.4)**	**–**	**–**	**(0.7)**
At 31 January 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**
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 (note 19)	–	–	–	–	–	(26.5)	(26.5)
Dividends paid (note 11)	–	–	(25.8)	–	–	–	(25.8)
Share-based payment charge (note 36)	–	–	–	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**

The notes on pages 136 to 203 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 £'m	2020 £'m
Loss before tax		**(61.2)**	(300.9)
Depreciation, impairment and profit on disposal, of property, plant & equipment and right-of-use assets		**14.9**	43.7
Amortisation and impairment of intangible assets and loss on disposal of software		**72.5**	408.1
Gain on lease modification		**(3.2)**	–
Share-based payment transactions		**2.4**	2.1
Profit on disposal of assets held for sale		**(12.2)**	–
Loss on disposal of subsidiaries		**3.6**	–
Finance costs		**30.2**	21.8
Finance income		**(1.7)**	(0.1)
Interest income from investments		**(0.7)**	(1.2)
Increase in trust accounts		**(22.4)**	–
Movements in other assets and liabilities		**(66.5)**	(37.8)
		(44.3)	135.7
Interest received		**0.7**	1.2
Interest paid		**(24.1)**	(19.9)
Income tax paid		**(10.7)**	(25.1)
Net cash flows (used in)/from operating activities		**(78.4)**	91.9
Investing activities			
Proceeds from sale of property, plant and equipment, and right-of-use assets		**8.3**	6.3
Purchase of and payments for the construction of property, plant and equipment and intangible assets		**(285.1)**	(295.3)
Net disposal of financial assets		**41.9**	32.8
Disposal of subsidiaries, net of cash in businesses disposed of	13	**23.1**	–
Net cash flows used in investing activities		**(211.8)**	(256.2)
Financing activities			
Payment of principal portion of lease liabilities	32	**(4.0)**	(15.0)
Proceeds from borrowings	32	**330.8**	279.0
Repayment of borrowings	32	**(130.0)**	(84.2)
Debt issue costs	32	**(17.4)**	(7.9)
Proceeds from issue of share capital	33	**150.3**	–
Transaction costs associated with issue of share capital		**(11.6)**	–
Dividends paid		**(0.1)**	(25.8)
Net cash flows from financing activities		**318.0**	146.1
Net increase/(decrease) in cash and cash equivalents		**27.8**	(18.2)
Cash and cash equivalents at the start of the year		**139.1**	157.3
Cash and cash equivalents at the end of the year	25	**166.9**	139.1

The notes on pages 136 to 203 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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

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

2.1 BASIS OF PREPARATION
The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU).

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

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

The preparation of financial statements in compliance with international accounting standards (IFRS) as adopted by the EU, and in conformity with the requirements of the Companies Act 2006, requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.5.

The principal accounting policies adopted, which have been applied consistently, unless otherwise stated, are set out in note 2.3 below.

Going concern
The Directors have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 January 2021 and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of the COVID-19 pandemic and other key risks and uncertainties.

The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see (i) Principal risks and uncertainties (PRUs) on pages 28 and 29; (ii) Operating and Financial Review on pages 30 to 45; (iii) Audit, risk and internal control on pages 66 to 69; (iv) Audit Committee Report on pages 70 to 73; (v) Risk Committee Report on pages 74 to 76; and (vi) notes on pages 136 to 203). The Directors believe that the Group is well placed to successfully manage its business risks.

The Group's largest business is its Insurance operations, which have been resilient over the last 12 months and have remained profitable. In addition, the Group has been able to maintain full operational capability throughout the year despite the impact of the COVID-19 pandemic, with almost all colleagues working from home.

However, the Group's Travel business has been subject to significant disruption. 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 to suspend Cruise and Tour Operations in March 2020. Both businesses have been suspended since then and will not resume trading until later this year.

Over the 12 months during which the Travel business has been suspended, the Group has taken a number of mitigating actions to strengthen its financial position, including reductions in costs, conclusion of disposals, an equity capital raise and amendments to both ship debt and banking facilities. These actions, together with the cash generated by the Insurance business, enabled the Group to reduce net debt (excluding debt relating to Cruise operations) by £115m during the year despite the provision of £104m in cash support to Travel operations.

As at 31 January 2021, the Group had significant headroom to all covenants on bank facilities. At that date, the Group was in compliance with all requirements of its banking facilities, specifically: the leverage ratio (excluding the impact of debt and earnings relating to the new ocean cruise ships) was 2.7x (2020: 2.4x), compared to a 4.75x maximum covenant; interest cover was 3.3x (2020: 9.0x), well above the minimum covenant of 1.25x; and the Cruise intercompany debtor was £16.2m (2020: £1.1m), significantly below the limit in bank facilities at that date of £45m (since increased to £55m).

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

Although the Travel business remains suspended, customer loyalty has been exceptionally positive, especially for Cruise. Given the large number of customers who have rebooked for 2021/22 travel departures and because of a level of pent-up demand, demand generation is not considered to be a near-term material challenge for the Travel business.

The Group's base case assumption is for Tour Operations to resume in July 2021 for river cruising and in September 2021 for stays and tours, and ocean cruises recommencing in June 2021 for Spirit of Discovery and in July 2021 for the inaugural cruise of Spirit of Adventure. It is also assumed that the mid-term outlook for Cruise returns to pre COVID-19 levels.

The Group believes that the base case assumption is reasonable for the following reasons:

- All customers should have been vaccinated twice by the end of May, which will be combined with a series of other safety measures implemented by the business, including a quarantine and testing procedure for crew.
- There is UK Government support to resume domestic and international tourism from June and they have confirmed that cruises will be allowed to restart to the same timetable.
- There is a growing recognition that ocean cruise – if managed properly – is a safer proposition than some other forms of international travel. This is particularly the case for Saga given the nature of the cruise proposition and the additional steps being taken, including mandatory vaccines before travel and our third-party accreditation for COVID-19 health and safety protocols.
- A number of European countries have already indicated they will be welcoming Saga customers and look forward to UK cruise ships entering their ports in the summer of 2021. The Group's ships are particularly sought after for their modest size (at less than 1,000 passengers) and the vaccine-only policy for customers.
- If scheduled port stops are not possible because of growing levels of COVID-19 in those countries, the flexibility of Cruise allows for itineraries to be modified accordingly.

Although management are confident of a summer return, there is high degree of uncertainty in the outlook, with a number of factors that could lead to a delay in the lifting of the ban on international travel. Given this situation, which is constantly evolving, the Group has considered a range of alternative outcomes.

The main downside scenario considered assumes no Tour Operations departures until March 2022, with Cruise resuming from November 2021 for Spirit of Discovery and from December 2021 for Spirit of Adventure. In this scenario the Group has also assumed a slower recovery in load factors (remaining at 80% until July 2022) and incremental costs in operating the business. In assessing wider downside risks, the Group has also considered other trading stress tests in relation to the Insurance business.

Although this scenario would be challenging, the Group expects to remain resilient and would not expect to need to take further actions to improve financial flexibility. Specifically:

- The Group has plenty of liquidity, with £75m of available cash at 31 January 2021, and a £100m revolving credit facility (RCF) that is currently undrawn.
- The Group has agreed a working capital facility with Roger De Haan that enables the Cruise business to draw down £10m in cash support if required, on the same terms as the RCF.
- The Insurance business continues to perform well and with predictable cash generation.
- Tour Operations customer receipts are fully ring fenced and are not included in available cash.
- There are no debt maturities until after April 2022, with capital repayments not due on the two cruise ships until June 2022 for £15m on the Spirit of Discovery facility and until September 2022 for £16m on the Spirit of Adventure facility, and there are no repayments due on bank facilities until their maturity in May 2023.
- The Group therefore expects to be able to operate within the debt covenants and other requirements of its banking facilities, which have been amended to accommodate the Group's downside scenario modelling and are summarised below.

		30 April 2021*	31 July 2021	31 October 2021*	31 January 2022	30 April 2022*	31 July 2022
Leverage (net debt to EBITDA ratio)	Maximum	4.75	4.75	4.50	4.25	4.00	3.00
Interest cover (EBITDA to net cash interest ratio)	Minimum	1.25	1.25	1.25	1.50	3.50	3.50
Cruise intercompany debt cap	Maximum	£55m	£55m	£55m	£55m	£55m	£55m

* Quarterly covenants for leverage and interest cover are only tested if leverage is above 4.0x times at the previous covenant test date.

Notes to the consolidated financial statements continued

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

Although the Group believes that the downside scenario above represents an appropriate reasonable worse-case (RWC), there are a number of significant factors related to COVID-19 that are outside of the control of the Group, including the status and impact of the pandemic worldwide; potential emergence of new variants of the virus; the availability of vaccines, together with the speed at which they are deployed and their efficacy; and the restrictions imposed worldwide in respect of the freedom of movement and travel. The Group is therefore not able to provide certainty that there could not be more severe downside scenarios to that described above.

While the Group expects the outcome of a scenario more severe than the RWC to be unlikely, further downside sensitivities have been considered in light of the COVID-19 pandemic, including the impact of not being able to resume both Cruise and Tour Operations until March 2022. In considering this outcome, the Group has allowed for likely ongoing lower motor claims frequency than assumed in its base case plans, which in part offsets the adverse impact of continued delays to a resumption of Travel. In this scenario, the Group projects that it would have limited headroom to the interest cover covenant and would be near the limit of Cruise funding, but it would still remain in compliance with the requirements of its banking facilities for at least the next 12 months. The Group would however consider taking further actions to increase flexibility and reduce downside risks associated with the remote possibility of any further delay to the restart of Travel beyond March 2022. Such actions would include seeking additional amendments to bank facilities and consideration of alternative sources of funding.

The impact of the COVID-19 pandemic cannot be accurately predicted and it is not possible to assess all possible future implications for the Group; however, based on this analysis and the scenarios modelled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Directors have therefore deemed it appropriate to prepare the financial statements to 31 January 2021 on a going concern basis.

2.2 BASIS OF CONSOLIDATION

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

Subsidiary companies are consolidated using the acquisition method.

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

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

i) Insurance

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition (continued)

i) Insurance (continued)

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

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

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

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

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

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

Where there is a switch of underwriter between the Group and a third-party underwriter at either of the renewal points within the three-year price fix, the Group applies the relevant accounting policy for the subsequent policy year in line with either of the two methods described above.

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

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

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

ii) Travel

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Revenue recognition (continued)

ii) Travel (continued)

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

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

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

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

iii) Other Businesses and Central Costs

Personal finance

Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product.

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

Magazine subscriptions

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

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

Printing and mailing

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

b. Cost recognition

i) Insurance acquisition costs

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

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

ii) Claims costs

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

Further detail is provided in note 28.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Cost recognition (continued)

iii) Finance costs

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

iv) All other expenses

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

c. Recognition of other income statement items

i) Investment income

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

ii) Dividend income

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

iii) Gains and losses on financial investments at fair value through profit or loss (FVTPL)

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

d. Taxes

i) Current income tax

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

ii) Deferred tax

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

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

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

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

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Foreign currencies

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

f. Intangible assets

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

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

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

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

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

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

g. Business combinations and goodwill

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. If such an indication exists, the recoverable amount is estimated and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is determined of the CGU to which the asset belongs.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

i. Property, plant and equipment

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

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

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

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

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

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

Estimated residual values and useful lives are reviewed annually.

j. Non-current assets held for sale

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

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Financial instruments

i) Financial assets

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

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

Derecognition

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Financial instruments (continued)

ii) Impairment of financial assets

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

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

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

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

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement. For debt instruments measured at FVOCI the loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in the statement of comprehensive income, and deducted from the gross carrying value of the financial asset in the statement of financial position

iii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

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

iv) Derivatives

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

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Financial instruments (continued)

v) Fair values

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

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

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

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

vi) Hedge accounting

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

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

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

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

l. Leases

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Leases (continued)

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

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

m. Borrowing costs

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

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

n. Cash and short-term deposits

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

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

o. Trust accounts

All customer monies received in advance in relation to Air Travel Organiser's Licence (ATOL) licensable bookings are held in trust accounts until after the customer has travelled, when the Group has fulfilled all its performance obligations with customers.

The trust arrangement is governed by a deed between the Group, the Civil Aviation Authority Air Travel Trustees and an independent Trustee, PT Trustees Limited, which determines the inflows and outflows from the accounts. The Group does not use advance receipts from customers in its Tour Operations business to fund its business operations.

p. Trade and other receivables

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

q. Inventories

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Insurance contract liabilities

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

Outstanding claims provision

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

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

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

Provision for unearned premiums

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

Provision for premium deficiency

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

s. Reinsurance assets

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

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

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

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

t. Share-based payments

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Share-based payments (continued)

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

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

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

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

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

u. Retirement benefit schemes

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

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

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

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

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

v. Provisions

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

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

w. Trade and other payables

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

Notes to the consolidated financial statements continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. Equity

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2021. Except where separately disclosed, these standards are yet to be endorsed by the EU and UK Endorsement Board.

a. IFRS 17 'Insurance contracts'

IFRS 17 was issued in May 2017 and it establishes a principles-based accounting approach for insurance contracts and will replace IFRS 4. The Group has begun work to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2023.

b. Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after 1 January 2023 and are not likely to have a material effect on the Group's financial statements.

c. Reference to the Conceptual Framework (amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendment will have no effect on the Group's financial statements.

d. Property, plant and equipment – proceeds before intended use (amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group's financial statements.

e. Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group's financial statements.

f. Annual improvements to IFRS 2018-2020

Makes minor amendments to the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments will have no effect on the Group's financial statements.

g. 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. The amendment was endorsed by the EU on 9 October 2020. The amendment will have no effect on the Group's financial statements.

h. Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017. As described above, our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements.
The standard is effective for annual reporting periods beginning on or after 1 January 2023.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

i. Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the inter-bank offered rate (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments are effective for annual reporting periods beginning on or after 1 January 2021. The amendments were endorsed by the EU on 13 January 2021. The amendments are not expected to have a material impact on the Group's financial statements.

j. Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

k. Definition of accounting estimates (amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – performance obligations	Identification of performance obligations within contracts with customers, and the subsequent allocation of the transaction price to each performance obligation.
2.3ai	Classification of insurance contracts	Assessment of whether significant insurance risk is transferred, and in particular assessment of whether reinsurance arrangements constitute a reinsurance contract under IFRS 4, for example the funds-withheld quota share contract.
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. In the year to 31 January 2021, management deemed it necessary to impair the goodwill allocated to the Cruise and Tour Operations CGUs in full. Following the continued impact of the COVID-19 pandemic on the Group's operations, especially in Travel, management has concluded that indicators of impairment exist and has conducted impairment reviews at 31 January 2021 of the Group's two cruise ships, Spirit of Discovery and Spirit of Adventure. Management have considered a range of scenarios and used their judgement to conclude no impairment was necessary. In the year to 31 January 2021, in light of the Group's decision to vacate most of its properties, management exercised its judgement in relation to the impairment of the freehold land and buildings. In the year to 31 January 2021, in relation to the Destinology business, management also exercised its judgement in relation to the impairment of property, plant and equipment and right-of-use assets.
2.3l	Leases – extension and termination options	Assessment of whether it is probable that the Group will exercise any extension of termination options included within lease contracts

Notes to the consolidated financial statements continued

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant judgements (continued)

Acc. policy	Items involving judgement	Critical accounting judgement
2.3r	Insurance contract liabilities	Judgement as to areas of uncertainty that may give rise to claims costs in excess of the actuarial best estimate of claims incurred, and the level of additional reserve margin to recognise in the financial statements above that estimate. In the year to 31 January 2021, the Group has considered the additional latency risk to claims cost development caused by the impact of COVID-19 and has recognised an additional claims reserve above actuarial best estimate to cover this specific risk.

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The stand-alone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option due to the fact that they either decide not to renew or they make a claim that releases the Group from its obligation to fix the customer price.
2.3bi	Cost recognition – incremental costs of obtaining an insurance contract	Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset on the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporates the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract.
2.3f & 2.3i	Useful economic lives and residual values of intangible assets and property, plant and equipment	The useful economic lives and residual values of intangible assets and property, plant and equipment are assessed upon the capitalisation of each asset and at each reporting date, and are based upon the expected consumption of future economic benefits of the asset. Assets which are in the course of construction are not amortised and are assessed for impairment in line with the requirements of IAS 36.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate in order to calculate present value. The COVID-19 pandemic has increased the estimation uncertainty in our Tour Operations and Cruise CGUs. The outcome of the impairment reviews concluded that an impairment charge of £59.8 be recognised against the Group's Cruise and Tour Operations CGUs as at 31 July 2020. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 16a on pages 169 and 170.
2.3h	Impairment of property, plant and equipment, and right-of-use assets	Management has performed an impairment review on its freehold land and buildings, and has estimated the recoverable amount based on the fair value less costs to sell of each property the Group plans to dispose of. The outcome of the impairment reviews concluded that an impairment charge of £4.5m be recognised against the Group's freehold land and buildings assets as at 31 January 2021. These properties were subsequently transferred to assets held for sale. Following the continued impact of the COVID-19 pandemic on the Group's operations, management conducted impairment reviews at 31 January 2021 of the Group's two cruise ships, Spirit of Discovery and Spirit of Adventure. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of the two cruise ship assets, and therefore concluded that no impairment charges were necessary.

Notes to the consolidated financial statements continued

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3r	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made both for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims incurred but not yet reported (IBNR), as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2021 (2020: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in note 20d on pages 182 and 183. In calculating the level of reserve margin to recognise above the actuarial best estimate of incurred claims, the Group considered an array of risks to future claims experience and estimated the financial impact that those risks could have to derive an appropriate level of margin to hold. This included an assessment of the magnitude of the claims latency risk due to the impact of the COVID-19 pandemic.
2.3u	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in note 27 on pages 186 to 189.

3 SEGMENTAL INFORMATION

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

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

  The Group classifies the CGU at its lowest level to be at the Insurance segment level.

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

- **Other Businesses and Central Costs:** the segment comprises the Group's other businesses and its central cost base. The other businesses include the financial services product offering, a monthly subscription magazine product and the Group's mailing and printing business.

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

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

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

Notes to the consolidated financial statements continued

3 SEGMENTAL INFORMATION (CONTINUED)

	Insurance								
2021	Motor broking £'m	Home broking £'m	Other insurance broking £'m	Under-writing £'m	Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**92.7**	**60.2**	**40.7**	**74.4**	**268.0**	**51.6**	**22.6**	**(4.6)**	**337.6**
Cost of sales	(2.7)	–	(4.2)	(16.5)	(23.4)	(68.1)	(8.7)	–	(100.2)
Gross profit	**90.0**	**60.2**	**36.5**	**57.9**	**244.6**	**(16.5)**	**13.9**	**(4.6)**	**237.4**
Administrative and selling expenses	(56.5)	(32.3)	(22.0)	(2.9)	(113.7)	(64.4)	(50.7)	4.6	(224.2)
Impairment of assets	–	–	–	–	–	(0.2)	(5.0)	(59.8)	(65.0)
Gain on lease modification	–	–	–	–	–	–	3.2	–	3.2
Net (loss)/profit on disposal of businesses	–	–	–	–	–	(1.7)	10.3	–	8.6
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software	–	–	–	–	–	6.8	(0.2)	–	6.6
Investment income	–	–	–	3.7	3.7	0.2	(3.2)	–	0.7
Finance costs	–	–	–	–	–	(13.6)	(16.6)	–	(30.2)
Finance income	–	–	–	–	–	1.7	–	–	1.7
Profit/(loss) before tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(87.7)**	**(48.3)**	**(59.8)**	**(61.2)**
Reconciliation to Underlying Profit/(Loss) Before Tax									
Profit/(loss) before tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(87.7)**	**(48.3)**	**(59.8)**	**(61.2)**
Net fair value loss on derivative financial instruments	–	–	–	–	–	(1.7)	–	–	(1.7)
Impairment of goodwill	–	–	–	–	–	–	–	59.8	59.8
(Profit) on disposal/ impairment of assets	–	–	–	–	–	(3.8)	1.8	–	(2.0)
Restructuring costs	–	–	–	–	–	13.0	17.8	–	30.8
Net loss/(profit) on disposal of businesses	–	–	–	–	–	1.7	(10.3)	–	(8.6)
Underlying Profit/(Loss) Before Tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(78.5)**	**(39.0)**	**–**	**17.1**
Total assets less liabilities					**284.4**	**19.3**	**(18.0)**	**395.0**	**680.7**

All revenue is generated solely in the UK.

3 SEGMENTAL INFORMATION (CONTINUED)

2020	Insurance Motor broking £'m	Insurance Home broking £'m	Insurance Other insurance broking £'m	Insurance Under-writing £'m	Insurance Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**104.7**	**62.5**	**67.9**	**69.1**	**304.2**	**464.1**	**35.6**	**(6.6)**	**797.3**
Cost of sales	(2.8)	–	(12.9)	(30.1)	(45.8)	(365.0)	(15.1)	–	(425.9)
Gross profit	**101.9**	**62.5**	**55.0**	**39.0**	**258.4**	**99.1**	**20.5**	**(6.6)**	**371.4**
Administrative and selling expenses	(73.9)	(29.4)	(25.9)	(2.4)	(131.6)	(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**
Total assets less liabilities					**283.2**	**71.9**	**(144.6)**	**377.7**	**588.2**

All revenue is generated solely in the UK.

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

	2021 £'m	2020 £'m
Goodwill (note 14)	**718.6**	778.4
Group bond and bank loans	**(323.6)**	(400.7)
	395.0	377.7

Notes to the consolidated financial statements continued

3 SEGMENTAL INFORMATION (CONTINUED)

a. Disaggregation of revenue

	2021					
	Insurance					
Major product lines	**Earned premium on insurance underwritten by the Group £'m**	**Other revenue £'m**	**Total insurance £'m**	**Travel £'m**	**Other Businesses and Central Costs £'m**	**Total £'m**
Gross earned premium on insurance underwritten by the Group	**221.7**		**221.7**			**221.7**
Less: ceded to reinsurers	**(142.8)**		**(142.8)**			**(142.8)**
Net revenue on:						
– Motor broking	**23.2**	**69.5**	**92.7**			**92.7**
– Home broking	**–**	**60.2**	**60.2**			**60.2**
– Other broking	**1.1**	**39.6**	**40.7**			**40.7**
– Underwriting	**54.6**	**19.8**	**74.4**			**74.4**
Tour Operations				**32.7**		**32.7**
Cruise				**18.9**		**18.9**
Personal Finance					**6.0**	**6.0**
Healthcare					**0.9**	**0.9**
Media					**9.1**	**9.1**
Other					**2.0**	**2.0**
	78.9	**189.1**	**268.0**	**51.6**	**18.0**	**337.6**

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

Included in other revenue is instalment interest income on premium financing of £11.1m (2020: £11.1m).

3 SEGMENTAL INFORMATION (CONTINUED)

b. Contract balances

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

	2021 £'m	2020 £'m
Contract cost assets	**2.9**	2.6
Contract liabilities	**82.2**	153.2

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

Management expects that incremental commission fees paid to price-comparison websites as a result of obtaining insurance contracts are recoverable. The Group has therefore capitalised them as contract assets amounting to £4.5m for the year ended 31 January 2021 (2020: £5.9m). These fees are amortised over the period of the expected renewal cycle. In the year to 31 January 2021, the amount of amortisation was £4.2m (2020: £5.9m) and there was no impairment loss in relation to the costs capitalised.

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

The contract liabilities relate to the deferral of revenue for performance obligations not satisfied as at 31 January 2021 and the advance consideration received from customers for holidays or cruises booked but not travelled, and insurance premiums received in advance of the inception date. There was no revenue recognised in the current reporting year that related to performance obligations that were satisfied in a prior year.

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

	2021		2020	
	Contract cost assets £'m	Contract liabilities £'m	Contract cost assets £'m	Contract liabilities £'m
Balance as at 1 February	**2.6**	**153.2**	4.5	144.7
Released to the income statement in the period	**(4.2)**	**(86.2)**	(5.9)	(131.3)
Additional contract balances incurred during the period	**4.5**	**149.9**	5.9	140.4
Amounts refunded to customers	**–**	**(133.1)**	–	–
Disposed of with subsidiary undertakings	**–**	**(1.6)**	–	–
Reclassification to assets/liabilities held for sale	**–**	**–**	(1.9)	(0.6)
Balance as at 31 January	**2.9**	**82.2**	2.6	153.2

c. Transaction price allocated to the remaining performance obligations

The transaction price allocated to three-year fixed-price insurance policy renewal options where the remaining performance obligations are not expected to be satisfied within the next 12 months is £1.0m (2020: £0.8m). This is expected to be recognised as revenue in the subsequent one to three years.

The transaction price allocated to customer contracts within the Travel segment where the remaining performance obligations are not expected to be satisfied within the next 12 months is £14.3m (2020: £1.1m). This is expected to be recognised as revenue in the subsequent one to two years.

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

Notes to the consolidated financial statements continued

4 ADMINISTRATIVE AND SELLING EXPENSES

	2021 £'m	2020 (restated) £'m
Staff costs (excluding restructuring costs)	**90.1**	98.7
Marketing and fulfilment costs	**41.4**	69.3
Short-term lease rentals	**0.2**	0.3
Auditors' remuneration	**1.8**	1.9
Other administrative costs	**60.0**	58.7
Amounts ceded under reinsurance contracts	**(7.7)**	(4.6)
Depreciation – property, plant and equipment (note 17)	**3.8**	4.1
Depreciation – right-of-use assets (note 18)	**1.5**	2.0
Amortisation of intangible assets (note 15)	**11.8**	16.7
Restructuring costs	**21.3**	1.6
Cost of Thomas Cook insolvency	**–**	3.9
	224.2	252.6

a. Auditors' remuneration

	2021 £'m	2020 £'m
Audit of the parent company and consolidated financial statements	**0.6**	0.7
Audit of subsidiary financial statements	**1.0**	1.0
Audit-related assurance services	**0.2**	0.2
Total auditors' remuneration	**1.8**	1.9

In addition to the auditors' remuneration disclosed above, a further £0.6m was paid by the Group in relation to corporate finance services provided. These costs were expensed against the share premium reserve as part of the transaction costs associated with issue of share capital during the year.

5 IMPAIRMENT OF ASSETS

During the year, the Group has impaired the carrying value of the goodwill balance allocated to the Tour Operations CGU by £15.0m (2020: £nil) and the Cruise CGU by £44.8m (2020: £nil). In the prior year the Group impaired the carrying value of the goodwill balance allocated to the Insurance CGU and Destinology business by £370.0m and £13.0m respectively. (See note 16a for further details.)

In light of the Group's decision to vacate most of its properties, it has estimated the recoverable amount based on the fair value less costs to sell of each property the Group plans to dispose of. The outcome of the impairment reviews concluded that an impairment charge of £4.5m (2020: £nil) be recognised against the Group's freehold land and buildings assets as at 31 January 2021 (note 17). These properties were subsequently transferred to assets held for sale (note 38).

The Group has impaired property, plant and equipment and software in its Central Costs division by £0.4m (2020: £nil) and £0.1m (2020: £nil) respectively.

The Group has impaired property, plant and equipment and right-of-use assets in its Destinology business by £0.1m (2020: £nil) and £0.1m (2020: £nil) respectively. In the prior year the Group impaired software and acquired intangibles in the Destinology business by £1.3m and £5.7m respectively.

In the prior year the Group impaired property, plant and equipment and right-of-use assets in its mailing business by £3.1m and £0.2m respectively. The Group has also impaired software and property, plant and equipment in the prior year in its Healthcare business by £0.8m and £0.1m respectively.

In the prior year management recalculated the recoverable amount of Saga Sapphire based on the higher of its fair value less costs to sell and value-in-use. The recoverable amount was below that calculated by management previously and as such, an impairment charge was recognised. The impairment charge of £6.3m reflected a write down of the carrying value of property, plant and equipment.

6 INVESTMENT INCOME

	2021 £'m	2020 £'m
Interest income recognised using the EIR method	**5.0**	5.7
Gains on assets measured at FVTPL	**0.3**	0.9
Amounts ceded under reinsurance contracts	**(4.6)**	(5.4)
	0.7	1.2

7 FINANCE COSTS

	2021 £'m	2020 £'m
Interest and charges on debt and borrowings	**29.4**	19.5
Net fair value loss on derivative financial instruments	**–**	1.1
Net interest and finance charges payable on lease liabilities	**0.8**	1.2
	30.2	21.8

8 FINANCE INCOME

	2021 £'m	2020 £'m
Net finance income on pension schemes	**–**	0.1
Net fair value gain on derivative financial instruments	**1.7**	–
	1.7	0.1

9 DIRECTORS AND EMPLOYEES

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

	2021 £'m	2020 £'m
Wages and salaries	**102.5**	104.5
Social security costs	**11.6**	10.5
Pension costs (note 25)	**11.2**	10.6
Total staff costs	**125.3**	125.6

Staff costs (including restructuring and redundancy costs) of £13.9m (2020: £25.8m) and £111.4m (2020: £99.8m) have been allocated to cost of sales and to administrative and selling expenses respectively.

Average monthly number of employees:

	2021	2020
Insurance	**1,509**	1,766
Travel	**1,001**	2,408
Other Businesses and Central Costs	**697**	1,030
Total staff numbers	**3,207**	5,204

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the FCA is contained on pages 77 to 110 in the Directors' Remuneration Report.

Notes to the consolidated financial statements continued

9 DIRECTORS AND EMPLOYEES (CONTINUED)

Compensation of key management personnel of the Group

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

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

	2021 £'m	2020 £'m
Short-term benefits	**6.6**	5.1
Termination costs	**0.4**	-
Share-based payments	**0.4**	0.5
	7.4	5.6

10 TAX

The major components of the income tax expense are:

	2021 £'m	2020 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	**3.5**	16.4
Adjustments in respect of previous years	**(3.7)**	(0.8)
	(0.2)	15.6
Deferred tax		
Relating to origination and reversal of temporary differences	**3.2**	(1.1)
Effect of tax rate change on opening balance	**(1.7)**	–
Adjustments in respect of previous years	**5.3**	(2.6)
	6.8	(3.7)
Tax expense in the income statement	**6.6**	11.9

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

	2021 £'m	2020 £'m
Loss before tax	**(61.2)**	(300.9)
Tax at rate of 19.0% (2020: 19.0%)	**(11.6)**	(57.2)
Adjustments in respect of previous years	**1.6**	(3.4)
Effect of tax rate change on opening balance	**(1.7)**	–
Expenses not deductible for tax purposes:		
Impairment of goodwill	**11.4**	72.8
Other non-deductible expenses/non-taxed income	**(0.5)**	(0.3)
Effect of Cruise business entering Tonnage Tax regime	**7.4**	–
Tax expense in the income statement	**6.6**	11.9

The Group's tax expense for the year was £6.6m (2020: £11.9m) representing a tax effective rate of 471.4% before the impairment of goodwill and associated deferred tax (2020: 14.5%). 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 the COVID-19 pandemic during the period not being eligible for group relief to other profitable companies within the Group. If the Cruise business had not entered the Tonnage Tax regime the Group's tax effective rate would have been 17.6%.

Adjustments in respect of previous years includes an adjustment for the over-provision of tax charge in prior years of £1.6m (2020: £3.4m credit).

No tax charge or credit arose on the disposal of the Bennetts, Destinology and Healthcare businesses.

10 TAX (CONTINUED)

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m
Excess of depreciation over capital allowances	**3.9**	8.5	**4.6**	(4.0)
Intangible assets	**–**	–	**–**	(1.3)
Retirement benefit scheme liabilities	**0.8**	0.9	**0.3**	0.5
Short-term temporary differences:				
– Designated hedges recognised through OCI	**0.2**	4.2	**–**	–
– Share-based payment reserve	**1.0**	1.2	**0.2**	0.8
– General bad debt provision	**2.8**	3.9	**1.1**	(1.2)
– Capitalised borrowing costs	**(2.2)**	(1.5)	**0.7**	2.2
– Other	**0.2**	0.9	**(0.1)**	(0.7)
Deferred tax charge/(credit)			**6.8**	(3.7)
Net deferred tax assets	**6.7**	18.1		

Deferred tax is reflected in the statement of financial position as follows:

	2021 £'m	2020 £'m
Deferred tax assets	**12.5**	22.3
Deferred tax liabilities	**(5.8)**	(4.2)
Net deferred tax assets	**6.7**	18.1

Reconciliation of net deferred tax assets

	2021 £'m	2020 £'m
At 1 February	**18.1**	7.1
Tax (charge)/credit recognised in the income statement	**(6.8)**	3.7
Tax (charge)/credit recognised in other comprehensive income	**(4.1)**	1.9
Tax (charge)/credit recognised directly into the hedging reserve	**(0.5)**	5.4
At 31 January	**6.7**	18.1

On 11 March 2020, it was announced that the corporation tax rate would remain at 19% from 1 April 2020 and this has been enacted at the statement of financial position 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 in more than 12 months.

On 3 March 2021, it was announced that the corporation tax rate will increase to 25% from 1 April 2023 and has not been enacted at the statement of financial position date. As a result, the closing deferred tax balances have not been updated to reflect this rate change. If the rate change had been enacted at the statement of financial position date, the impact would have been to increase the net deferred tax asset by £2.1m.

The Group has tax losses which arose in the UK of £4.2m (2020: £4.2m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group was able to recognise all unrecognised deferred tax assets, the profit would increase by £0.8m (2020: £0.7m).

Notes to the consolidated financial statements continued

11 DIVIDENDS

Declared and paid during the year:	2021 £'m	2020 £'m
Final dividend for the year ended 31 January 2021: nil pence per share (2020: 1.0 pence per share)	–	11.2
Interim dividend for the year ended 31 January 2021: nil pence per share (2020: 1.3 pence per share)	–	14.6
	–	25.8
Proposed after the end of the reporting period and not recognised as a liability:		
Final dividend for the year ended 31 January 2021: nil pence per share (2020: nil pence per share)	–	–

Given the uncertain implications of the COVID 19 pandemic, the Board of Directors does not recommend the payment of a final dividend for the 2020/21 financial year. In addition to the dividends declared and paid during the year stated above, dividend equivalents of £0.1m (2020: £nil) have been paid. These dividend equivalents relate to previously declared dividends which only become payable when certain share options are exercised.

The distributable reserves of Saga plc are £38.2m as at 31 January 2021 which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately with the exception of companies within the Tour Operations and Underwriting segments, which require regulatory approval before any dividends can be declared and paid. However, due to the debt holidays agreed with our ship facilities lenders up to 31 March 2022 (notes 30 and 40), the Group is prohibited from declaring dividends during this time.

12 EARNINGS PER SHARE

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

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

The calculation of basic and diluted EPS is as follows:

	2021 £'m	2020 (restated) £'m
Loss attributable to ordinary equity holders	(67.8)	(312.8)
Weighted average number of ordinary shares	m	m
Ordinary shares as at 1 February	1,119.4	1,119.1
Initial Public Offering (IPO) share options exercised	–	0.2
Long-Term Incentive Plan (LTIP) share options exercised	–	0.1
Issue of shares – 5 October 2020 (note 33)		
First Firm Placing	224.4	–
Second Firm Placing	124.2	–
Placing and Open Offer	623.3	–
Bonus factor impact reflecting bonus element of October 2020 rights issue	–	109.7
Sub-total before share consolidation	2,091.3	1,229.1
Share consolidation – 13 October 2020 (note 33)	(1,951.9)	(1,147.2)
Issue of shares – 18 November 2020 (note 33)	0.5	–
Ordinary shares as at 31 January	139.9	81.9
Weighted average number of ordinary shares for basic EPS and diluted EPS	101.2	81.9
Basic EPS	(67.0p)	(381.7p)
Diluted EPS	(67.0p)	(381.7p)

12 EARNINGS PER SHARE (CONTINUED)

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

	2021	2020 (restated)
Basic EPS	**(67.0p)**	(381.7p)
Adjusted for:		
Derivative (gains)/losses	**(1.9p)**	1.4p
Impairment, and profit on disposal, of property, plant and equipment and software	**(2.2p)**	21.5p
Impairment of goodwill and associated deferred tax	**59.1p**	467.4p
Impact of insolvency of Thomas Cook	**–**	4.9p
Net profit on disposal of businesses	**(8.5p)**	–
Restructuring costs	**33.7p**	7.5p
Underlying Basic EPS	**13.2p**	121.0p

In accordance with IAS 33 'Earnings per Share', basic and diluted EPS figures for the year ended 31 January 2020 have been restated and adjusted for: (a) the bonus factor of 1.1 to reflect the bonus element of the Firm Placing and Open Offer (note 33); and (b) the consolidation of the Company's shares during the year (note 33). Amounts as originally stated were (27.9p) for basic and diluted EPS, and 8.9p for basic and diluted Underlying Basic EPS.

13 BUSINESS COMBINATIONS AND DISPOSALS

(a) Acquisitions during the year ended 31 January 2021

There were no acquisitions in the year ended 31 January 2021.

(b) Disposals during the year ended 31 January 2021

(i) Healthcare business

During the year ended 31 January 2020, the Group made the decision to exit the Healthcare business and initiated an active programme 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 £14.0m. 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:

	2021 £'m
Cash consideration received (net of transaction costs)	**12.8**
Cash and short-term deposits disposed of as part of the transaction	**(1.4)**
Carrying value of net assets disposed	**(1.0)**
Gain on disposal before tax	**10.4**
Tax expense on gain	**–**
Gain on disposal after tax	**10.4**

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

	At date of disposal £'m
Intangible assets	0.2
Trade receivables and other receivable	1.0
Total assets	**1.2**
Trade and other payables	0.2
Total liabilities	**0.2**
Net assets disposed	**1.0**

Notes to the consolidated financial statements continued

13 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

(b) Disposals during the year ended 31 January 2021 (continued)

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

	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

(ii) Bennetts

During the year ended 31 January 2020, the Group made the decision to initiate an active programme to locate a buyer for its insurance biking brand within the Insurance segment, Bennetts. 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 17 February 2020 the Group announced that it had reached agreement for the sale of Bennetts for an enterprise value of £26m to Atlanta Investment Holdings C Limited ('Atlanta'). Atlanta is part of The Ardonagh Group, one of the largest independent insurance brokers in the UK. Completion was subject to receiving regulatory approval and other closing conditions.

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 £24.0m.

Details of the sale of Bennetts are as follows:

	2021 £'m
Cash consideration received (net of transaction costs)	**24.0**
Cash and short-term deposits disposed of as part of the transaction	**(9.5)**
Carrying value of net assets disposed	**(12.7)**
Gain on disposal before tax	**1.8**
Tax expense on gain	**–**
Gain on disposal after tax	**1.8**

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

	At date of disposal £'m
Goodwill	13.6
Intangible assets	3.2
Property, plant and equipment	0.1
Trade receivables and other receivable	11.2
Total assets	**28.1**
Provisions	0.2
Contract liabilities	0.9
Trade and other payables	14.3
Total liabilities	**15.4**
Net assets disposed	**12.7**

13 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

(b) Disposals during the year ended 31 January 2021 (continued)

The following assets and liabilities were reclassified as held for sale in relation to Bennetts as at 31 January 2020:

	2020 £'m
Goodwill	13.6
Intangible assets	3.3
Property, plant and equipment	0.3
Trade receivables and other receivables	9.9
Cash and short-term deposits	3.3
Total assets	30.4
Provisions	0.1
Contract liabilities	0.6
Trade and other payables	7.6
Total liabilities	8.3
Net assets directly associated with disposal group	22.1

(iii) Destinology

Early in the year, the Group made the decision to initiate an active programme to locate a buyer for its Travel segment business, Destinology. On 20 October 2020 the Group announced that it had sold Destinology Limited to Brooklyn Travel Limited for a nominal sum of £1. Net transaction costs of £0.2m were incurred in relation to the disposal.

Details of the sale of Destinology are as follows:

	2021 £'m
Cash consideration received (net of transaction costs)	**(0.2)**
Cash and short-term deposits disposed of as part of the transaction	**(1.6)**
Expense of non-cash items relating to disposal	**(1.0)**
Carrying value of net liabilities disposed	**0.2**
Loss on disposal before tax	**(2.6)**
Tax expense on gain	**–**
Loss on disposal after tax	**(2.6)**

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

	At date of disposal £'m
Intangible assets	1.0
Property, plant and equipment	0.9
Trade receivables and other receivable	0.3
Total assets	2.2
Financial liabilities	0.5
Contract liabilities	1.6
Trade and other payables	0.3
Total liabilities	2.4
Net liabilities disposed	(0.2)

(iv) Other

During the year, transaction costs of £1.0m (2020: £nil) were incurred in relation to other business disposals that did not complete.

Notes to the consolidated financial statements continued

14 GOODWILL

	Goodwill £'m
Cost	
At 1 February 2019	1,485.0
Reclassification to assets held for sale	(13.6)
At 31 January 2020 and 31 January 2021	**1,471.4**
Impairment	
At 1 February 2019	310.0
Charge for the year	383.0
At 31 January 2020	693.0
Charge for the year (note 16a)	59.8
At 31 January 2021	**752.8**
Net book value	
At 31 January 2021	**718.6**
At 31 January 2020	778.4

Goodwill deductible for tax purposes amounts to £nil (2020: £nil).

15 INTANGIBLE ASSETS

	Contracts £'m	Brands £'m	Customer relationships £'m	Software £'m	Total £'m
Cost					
At 1 February 2019	5.8	17.9	11.3	124.4	159.4
Additions and internally developed software	–	–	–	21.5	21.5
Disposals	–	–	–	(1.2)	(1.2)
Transfer of asset class	–	–	–	5.7	5.7
Reclassification to assets held for sale	(5.8)	(5.2)	(3.9)	(6.0)	(20.9)
At 31 January 2020	–	12.7	7.4	144.4	164.5
Additions and internally developed software	**–**	**–**	**–**	**13.2**	**13.2**
Disposals	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Disposed of with subsidiary undertakings	**–**	**(12.7)**	**(7.4)**	**(4.8)**	**(24.9)**
At 31 January 2021	**–**	**–**	**–**	**151.6**	**151.6**
Amortisation and impairment					
At 1 February 2019	4.4	8.3	11.1	72.8	96.6
Amortisation	1.0	1.8	0.2	14.3	17.3
Impairment of assets	–	5.7	–	2.1	7.8
Disposals	–	–	–	(1.2)	(1.2)
Transfer of asset class	–	–	–	4.2	4.2
Reclassification to assets held for sale	(5.4)	(3.1)	(3.9)	(4.9)	(17.3)
At 31 January 2020	–	12.7	7.4	87.3	107.4
Amortisation	**–**	**–**	**–**	**12.4**	**12.4**
Impairment of assets	**–**	**–**	**–**	**0.1**	**0.1**
Disposals	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Disposed of with subsidiary undertakings	**–**	**(12.7)**	**(7.4)**	**(3.8)**	**(23.9)**
At 31 January 2021	**–**	**–**	**–**	**95.0**	**95.0**
Net book value					
At 31 January 2021	**–**	**–**	**–**	**56.6**	**56.6**
At 31 January 2020	–	–	–	57.1	57.1

15 INTANGIBLE ASSETS (CONTINUED)

The net book value of software at 31 January 2021 includes internally generated software of £28.7m (2020: £27.1m) relating to the Group's Guidewire platform. Guidewire is the Group's insurance broking, policy administration and billing platform. The Guidewire platform has an expected useful economic life of 10 years, with 7 years of phase one expenditure remaining at 31 January 2021. Implementation and the commencement of amortisation of the Guidewire platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2019.

The net book value of software at 31 January 2021 also includes internally generated software of £10.3m (2020: £7.9m) relating to the Group's Tigerbay platform. Tigerbay is the Group's travel booking reservation platform. The Tigerbay platform has an expected useful economic life of 10 years, with 8 years of phase one expenditure remaining at 31 January 2021. Implementation and the commencement of amortisation of the Tigerbay platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2020.

The amortisation charge for the year is analysed as follows:

	2021 £'m	2020 £'m
Cost of sales	**0.6**	0.6
Administrative and selling expenses (note 4)	**11.8**	16.7
	12.4	17.3

During the year, the Group disposed of assets with a net book value of £0.2m (2020: £nil). Loss arising on disposal was £0.2m (2020: £nil).

During the year, borrowing costs of £1.1m (2020: £0.8m) have been capitalised in software in intangible assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, being 4.0% (2020: 3.6%).

16 IMPAIRMENT OF INTANGIBLE ASSETS

a. Goodwill

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

	2021 £'m	2020 (restated) £'m
Insurance	**718.6**	718.6
Cruise	**–**	44.8
Tour Operations	**–**	15.0
	718.6	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.

The Group tests all goodwill balances for impairment at least annually, and twice yearly if there exist indicators of impairment at the interim reporting date of 31 July. Due to the impact of the COVID-19 pandemic on the Group's earnings, the Group tested goodwill for impairment as at 31 July 2020 and 31 January 2021.The impairment test compares the recoverable amount of each CGU to the carrying value of its net assets including the value of the allocated goodwill.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's latest five-year financial forecasts to 2025/26, which are derived using past experience of the Group's trading combined with the anticipated impact of changes in macroeconomic and regulatory factors. A terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (January 2020: 2.0%) as the expected long-term average growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market-participant view of the cost of capital and debt relevant to each industry. The pre-tax discount rates used for each CGU were as follows:

Notes to the consolidated financial statements continued

16 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

a. Goodwill (continued)

The pre-tax discount rates used for each CGU were as follows:

	31 January 2021	31 July 2020	31 January 2020
Insurance	**9.8%**	9.9%	12.6%
Cruise*	**n/a**	11.7%	10.9%
Tour Operations	**n/a**	11.3%	12.2%

* The Cruise pre-tax discount rate as at 31 January 2020 has been restated to accurately reflect the impact of the tonnage tax regime on future cash flows.

The Group also considered a series of stress tests, both in terms of adverse impacts to either the cash flow projections or to the discount rate. For the cash flow stress tests, the impact of further prolonged COVID-19 lockdowns during 2021 was considered, both in terms of the impact on the resumption of Travel operations and the positive impact this could have on motor insurance claims experience, in combination with a more cautious terminal growth rate of 1.5% reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of c.+1.0ppt for the Insurance CGU as at 31 January 2021, and +2.0ppt and 3.7ppt for the Cruise and Tour Operations CGUs respectively as at 31 July 2020.

For the Insurance CGU, the Group has also incorporated the expected impact of the publication of the FCA's findings from its market study into general insurance pricing and the impact this will likely have on new business pricing and retention rates, with a further stress test involving a more cautious outlook for the impact of this. The Group has also excluded the projected cash flow benefit of strategic initiatives that are not reflective of the business in its current condition. After considering the impact of cash flow and discount rate stresses to the recoverable amount, the Group remains comfortable that there remains headroom over and above the carrying value of the net assets including goodwill allocated to the Insurance CGU. This was the case at both the 31 July 2020 and 31 January 2021 testing points.

As at 31 July 2020, for both the Cruise and Tour Operations businesses, the underlying forecast cash flows were updated for the impact of the COVID-19 pandemic as assessed at that point in time, with the expectation then that ocean cruises would recommence in November 2020 and Tour Operations trading would remain suspended until April 2021. In addition to this, a further stress test scenario was considered that reflected 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 the COVID-19 pandemic on the travel industry, increases in perceived travel industry risk resulted in higher betas and cost of debt levels, particularly in Cruise in the first half of 2020. This led to a marked increase in the market-participant view of discount rates used in the calculation of recoverable amount, and particularly in increases in the top end of the range of discount rates considered for the discount rate stress test. Consequently, the Group determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs were below their respective carrying values and took the decision to impair in full the £59.8m goodwill allocated to Tour Operations and Cruise in the Group's interim results. Whilst the outlook for the travel industry has improved since then, characterised by an improvement in industry betas and cost of debt levels, goodwill impairments are irreversible, so the impairment charge remains in the full-year results. The headroom/(deficit) for each of the CGUs against the brought forward carrying value was as follows:

	Headroom/(deficit) £'m					
	Central scenario		Cash flow stress test scenario		Discount rate stress test scenario	
	31 January 2021	31 July 2020	31 January 2021	31 July 2020	31 January 2021	31 July 2020
Insurance	**216.4**	205.4	**72.4**	102.4	**108.0**	192.0
Cruise	**n/a**	18.0	**n/a**	(10.0)	**n/a**	(44.8)
Tour Operations	**n/a**	86.0	**n/a**	20.0	**n/a**	(15.0)

The headroom/(deficit) calculated is most sensitive to the discount rate and terminal growth rate assumed, or to changes in the projected cash flow of the CGU. A quantitative sensitivity analysis for each of these as at 31 January 2021 and its impact on the headroom/(deficit) against brought forward goodwill carrying values is as follows:

	Pre-tax discount rate		Terminal growth rate		Cash flow (annual)	
	+1.0ppt £'m	−1.0ppt £'m	+1.0ppt £'m	−1.0ppt £'m	+10% £'m	−10% £'m
Insurance	(113.0)	146.4	113.2	(87.3)	102.9	(102.9)

Given these headroom numbers the Directors consider that there is no reasonable possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

16 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

b. Other intangible assets

Separately identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment. The Group has assessed the recoverable amount of intangible assets as at 31 January 2021 and concluded that an impairment of £0.1m to software assets is required in the Group's Central Costs division.

17 PROPERTY, PLANT AND EQUIPMENT

	Freehold land & buildings £'m	Long leasehold land & buildings £'m	Cruise ships £'m	Assets in the course of construction £'m	Plant & equipment £'m	Total £'m
Cost						
At 1 February 2019	45.0	8.5	104.0	101.0	54.5	313.0
Additions	–	0.1	236.2	40.3	5.4	282.0
Disposals	(0.4)	–	(22.6)	–	(1.0)	(24.0)
Transfer of asset class	(3.7)	0.9	67.0	(68.5)	12.5	8.2
Reclassification to assets held for sale	(1.1)	–	–	–	(2.4)	(3.5)
At 31 January 2020	39.8	9.5	384.6	72.8	69.0	575.7
Additions	**–**	**–**	**–**	**271.6**	**2.4**	**274.0**
Disposals	**–**	**(0.1)**	**(80.7)**	**–**	**(12.0)**	**(92.8)**
Disposed of with subsidiary undertakings	**–**	**(0.2)**	**–**	**–**	**(1.0)**	**(1.2)**
Transfer of asset class	**–**	**–**	**344.4**	**(344.4)**	**3.2**	**3.2**
Reclassification to assets held for sale	**(24.4)**	**–**	**–**	**–**	**–**	**(24.4)**
At 31 January 2021	**15.4**	**9.2**	**648.3**	**–**	**61.6**	**734.5**
Depreciation and impairment						
At 1 February 2019	9.2	2.5	76.0	–	43.9	131.6
Provided during the year	0.8	0.2	16.1	–	4.4	21.5
Impairment of assets	–	–	6.3	–	3.2	9.5
Disposals	(0.1)	–	(17.7)	–	(1.2)	(19.0)
Transfer of asset class	(4.3)	2.9	–	–	11.4	10.0
Reclassification to assets held for sale	(1.0)	–	–	–	(1.9)	(2.9)
At 31 January 2020	4.6	5.6	80.7	–	59.8	150.7
Provided during the year	**0.7**	**0.2**	**8.3**	**–**	**4.3**	**13.5**
Impairment of assets	**4.5**	**0.1**	**–**	**–**	**0.4**	**5.0**
Disposals	**(0.1)**	**(0.1)**	**(75.7)**	**–**	**(12.1)**	**(88.0)**
Disposed of with subsidiary undertakings	**–**	**(0.3)**	**–**	**–**	**(0.6)**	**(0.9)**
Transfer of asset class	**–**	**–**	**–**	**–**	**1.5**	**1.5**
Reclassification to assets held for sale	**(7.5)**	**–**	**–**	**–**	**–**	**(7.5)**
At 31 January 2021	**2.2**	**5.5**	**13.3**	**–**	**53.3**	**74.3**
Net book value						
At 31 January 2021	**13.2**	**3.7**	**635.0**	**–**	**8.3**	**660.2**
At 31 January 2020	35.2	3.9	303.9	72.8	9.2	425.0

The depreciation charge for the year is analysed as follows:

	2021 £'m	2020 £'m
Cost of sales	**9.7**	17.4
Administrative and selling expenses (note 4)	**3.8**	4.1
	13.5	21.5

During the year, the Group disposed of assets with a net book value of £4.8m (2020: £5.0m). Profit arising on disposal was £7.2m (2020: £0.5m).

Notes to the consolidated financial statements continued

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, borrowing costs of £2.1m (2020: £3.5m) have been capitalised in property, plant and equipment. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, being 4.0% (2020: 3.6%).

a. Impairment review of property, plant and equipment

As the Group is planning to vacate most of its properties (note 38), management has concluded that this constitutes an indicator of impairment and has duly conducted an impairment review of the Group's freehold land and buildings as at 31 January 2021, with the exception of the main Head Office building which will not be vacated. In relation to these freehold properties, value-in-use is negligible and so the Group has obtained market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £5.0m should be recognised against the Group's assets as at 31 January 2021. At the year end, the Group reclassified freehold land and buildings with a net book value of £16.9m to assets held for sale (note 38).

Due to the continued impact of the COVID-19 pandemic on the Group's operations, and particularly in Travel, with the suspension of the Cruise and Tour Operations businesses since March 2020, management concluded that indicators of impairment exist and conducted impairment reviews at 31 January 2021 for the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. The impairment test compares the recoverable amount of each cruise ship to its carrying value.

The recoverable amount of each cruise ship has been determined based on a value-in-use calculation using cash flow projections from the Group's latest five-year financial forecasts to 2025/26, and applying a constant annual growth rate thereafter for subsequent periods until the end of the ship's useful economic life of 30 years, at which point a residual value of 15% has been assumed. This has then been discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows have been updated for the latest impact of the COVID-19 pandemic, with the expectation that ocean cruises recommence in June 2021 for Spirit of Discovery and in July 2021 for the inaugural cruise of Spirit of Adventure. In addition, a stress test of a further four-month delay to the resumption of ocean cruises and the potential adverse medium-term impact that the pandemic may have on demand for cruises have also been considered. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market-participant view of the cost of equity and debt. The pre-tax discount rates used for the cruise ships were 11.8% (2020: 10.9%) for both vessels. As at 31 January 2021, the headroom/(deficit) for each of the ships against the carrying value was as follows:

	Headroom/(deficit) £'m	
	Central scenario	Stress test scenario
Spirit of Discovery	57.0	10.0
Spirit of Adventure	(17.0)	(49.0)

Based on these impairment tests, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of Spirit of Discovery. Given the headroom in these tests, the Directors consider that there is no reasonable possible change in the key assumptions made in their impairment assessment that would give rise to an impairment of this vessel. For Spirit of Adventure however, the carrying value of the asset would exceed its recoverable amount in both the central and stress test scenarios at the discount rate selected, and therefore management considered a range of other factors to test the reasonableness of the assumptions used. Those factors included additional data sources in the form of alternative views of the discount rate, useful economic life and enterprise valuations derived from EBITDA multiples of other publicly-traded cruise companies.

Firstly, the calculated discount rate of 11.8% was found to sit at the mid-point of a range of possible values that the Group's auditors would consider reasonable, that range being 10.3% to 13.2% as at 31 January 2021. Selection of a discount rate at the bottom of that range of 10.3% would leave a headroom of £30.0m in the central scenario, and a deficit of £5.0m in the stress-test scenario. Secondly, the useful economic life of 30 years was found to sit at the bottom end of a range of 30-40 years being adopted by the industry. Increasing the useful economic life by five years would increase the recoverable amount further by £7.0m. Lastly, using an enterprise valuation basis derived from EBITDA multiples of other publicly traded cruise companies implied a headroom of £15.0m. On this basis, considering the range of data available, the Group therefore concluded that no impairment of Spirit of Adventure was necessary.

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a. Impairment review of property, plant and equipment (continued)

The headroom/(deficit) calculated is most sensitive to the discount rate and cash flows assumed. A quantitative sensitivity analysis for each of these as at 31 January 2021 and its impact on the headroom/(deficit) against carrying values is as follows:

	Pre-tax discount rate		Annual growth rate (beyond fifth year)		Cash flow (annual)		Useful economic life	
	+1.0ppt £'m	−1.0ppt £'m	+1.0ppt £'m	−1.0ppt £'m	+10% £'m	−10% £'m	+5 years	-5 years
Spirit of Discovery	(27.3)	31.6	17.3	(15.4)	34.4	(34.3)	8.4	(13.1)
Spirit of Adventure	(26.2)	30.4	16.8	(14.9)	32.4	(32.4)	7.0	(10.8)

18 RIGHT-OF-USE ASSETS

	Long leasehold land & buildings £'m	River cruise ships £'m	Plant & equipment £'m	Total £'m
Cost				
At 1 February 2019	13.5	16.1	9.4	39.0
Additions	0.2	15.9	3.4	19.5
Disposals	(0.2)	–	(5.4)	(5.6)
Transfer of asset class	–	–	0.9	0.9
Effect of modification of lease terms	–	(2.6)	–	(2.6)
At 31 January 2020	13.5	29.4	8.3	51.2
Additions	**–**	**–**	**0.8**	**0.8**
Disposals	**(1.9)**	**–**	**(0.5)**	**(2.4)**
Disposed of with subsidiary undertakings	**(1.1)**	**–**	**–**	**(1.1)**
Transfer of asset class	**–**	**–**	**(3.2)**	**(3.2)**
Effect of modification of lease terms	**(8.4)**	**(29.4)**	**–**	**(37.8)**
Other movements	**–**	**–**	**0.5**	**0.5**
At 31 January 2021	**2.1**	–	**5.9**	**8.0**
Depreciation and impairment				
At 1 February 2019	2.8	8.0	5.6	16.4
Provided during the year	1.0	10.4	2.0	13.4
Impairment of assets	–	–	0.2	0.2
Disposals	(0.2)	–	(4.9)	(5.1)
Transfer of asset class	–	–	0.6	0.6
At 31 January 2020	3.6	18.4	3.5	25.5
Provided during the year	**0.7**	**0.9**	**1.5**	**3.1**
Impairment of assets	**0.1**	**–**	**–**	**0.1**
Disposals	**(1.5)**	**–**	**(0.4)**	**(1.9)**
Disposed of with subsidiary undertakings	**(0.6)**	**–**	**–**	**(0.6)**
Transfer of asset class	**–**	**–**	**(1.5)**	**(1.5)**
Effect of modification of lease terms	**(0.7)**	**(19.3)**	**–**	**(20.0)**
Other movements	**–**	**–**	**0.5**	**0.5**
At 31 January 2021	**1.6**	–	**3.6**	**5.2**
Net book value				
At 31 January 2021	**0.5**	**–**	**2.3**	**2.8**
At 31 January 2020	9.9	11.0	4.8	25.7

Notes to the consolidated financial statements continued

18 RIGHT-OF-USE ASSETS (CONTINUED)

The depreciation charge for the year is analysed as follows:

	2021 £'m	2020 £'m
Cost of sales	**1.6**	11.4
Administrative and selling expenses (note 4)	**1.5**	2.0
	3.1	13.4

During the year, the Group disposed of assets with a net book value of £0.5m (2020: £0.5m). Loss arising on disposal was £0.4m (2020: £0.4m profit).

The total cash outflow for leases amounted to £5.0m (2020: £16.2m).

In the current year, modification of lease terms relating to river cruise ships resulted from the impact of the COVID-19 pandemic on the Travel business. Modification of lease terms relating to long leasehold land and buildings resulted from the Group's decision to initiate an active program to locate buyers for a number of its freehold properties (note 38) due to a relationship existing between the use of one of these freehold properties and the use of one of the long leasehold land buildings. In addition, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £3.2m being reported in the income statement.

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets

	2021 £'m	2020 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**0.6**	0.1
Loan funds	**6.2**	7.8
Money market funds	**66.8**	45.9
	73.6	53.8
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	**0.1**	1.0
Fuel oil swaps	**–**	0.1
	0.1	1.1
Fair value through other comprehensive income		
Debt securities	**261.9**	274.2
	261.9	274.2
Amortised cost		
Deposits with financial institutions	**24.2**	49.0
	24.2	49.0
Total financial assets	**359.8**	378.1
Current	**105.2**	126.4
Non-current	**254.6**	251.7
	359.8	378.1

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

Debt securities, where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets, are classified as fair value through OCI. On disposal of these debt securities, any related balance within the fair value reserve is reclassified to other gains/(losses) within profit or loss.

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

a Financial assets (continued)

Deposits with financial institutions, where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved by holding the asset in order to collect contractual cash flows, are classified as measured at amortised cost. The fair values of financial assets held at amortised cost are not materially different from their carrying amounts.

b. Financial liabilities

	2021 £'m	2020 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	1.3	2.0
	1.3	2.0
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	2.1	23.4
Fuel oil swaps	0.2	2.5
	2.3	25.9
Amortised cost		
Bond and bank loans (note 30)	817.1	624.3
Lease liabilities	4.4	28.6
Bank overdrafts	1.5	9.5
	823.0	662.4
Total financial liabilities	826.6	690.3
Current	10.4	95.6
Non-current	816.2	594.7
	826.6	690.3

The fair values of financial liabilities held at amortised costs are not materially different from their carrying amounts, since the interest payable on those liabilities is either close to current market rates or the borrowings are of a short-term nature.

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

c. Fair values

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

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

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

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

Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i) Level 1

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

Notes to the consolidated financial statements continued

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

c. Fair values (continued)

ii) Level 2

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

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

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, credit valuation adjustment (CVA)/debit valuation adjustment (DVA) risk adjustment is factored into the fair values of these instruments. As at 31 January 2021, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

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

iii) Level 3

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

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

	As at 31 January 2021				As at 31 January 2020			
	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	–	0.7	–	0.7	–	1.1	–	1.1
Fuel oil swaps	–	–	–	–	–	0.1	–	0.1
Loan funds	6.2	–	–	6.2	7.8	–	–	7.8
Debt securities	261.9	–	–	261.9	274.2	–	–	274.2
Money market funds	66.8	–	–	66.8	45.9	–	–	45.9
Financial liabilities measured at fair value								
Foreign exchange forwards	–	3.4	–	3.4	–	25.4	–	25.4
Fuel oil swaps	–	0.2	–	0.2	–	2.5	–	2.5
Financial assets for which fair values are disclosed								
Deposits with institutions	–	24.2	–	24.2	–	49.0	–	49.0
Financial liabilities for which fair values are disclosed								
Bond and bank loans	–	817.1	–	817.1	–	624.3	–	624.3
Lease liabilities	–	4.4	–	4.4	–	28.6	–	28.6
Bank overdrafts	–	1.5	–	1.5	–	9.5	–	9.5

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2020: none). The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

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

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

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

d. Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2021, the Group designated 285 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

	Designated in the year		**At 31 Jan 2021**		At 31 Jan 2020	
Foreign currency cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Euro (EUR)	101	(0.7)	**92**	**(0.7)**	245	(23.5)
US dollar (USD)	61	(1.1)	**82**	**(1.2)**	200	0.3
Other currencies	123	–	**113**	**(0.1)**	363	(0.9)
Total	285	(1.8)	**287**	**(2.0)**	808	(24.1)

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

ii) Commodity price risk

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

	Designated in the year		**At 31 Jan 2021**		At 31 Jan 2020	
Commodity cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Hedging instruments	–	–	**22**	**(0.2)**	50	(2.4)

iii) Hedge maturity profile

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2021. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £'m	USD £'m	Other currencies £'m	Currency hedges £'m	Fuel hedges £'m	Total £'m
1 February 2021 to 31 July 2021	–	2.5	–	2.5	(0.1)	2.4
1 August 2021 to 31 January 2022	18.2	15.5	3.0	36.7	(0.1)	36.6
1 February 2022 to 31 July 2022	16.6	15.3	1.7	33.6	–	33.6
1 August 2022 to 31 January 2023	12.0	11.8	0.5	24.3	–	24.3
1 February 2023 to 31 July 2023	0.1	0.3	–	0.4	–	0.4
Total	46.9	45.4	5.2	97.5	(0.2)	97.3

During the year, the Group recognised net gains of £6.0m (2020: £4.0m losses) on cash flow hedging instruments through OCI into the hedging reserve. Additionally, the Group recognised net gains of £16.3m (2020: £7.2m losses) 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 were £22.3m (2020: £11.2m losses). The Group has recognised £nil gains (2020: £0.1m) through the income statement in respect of the ineffective portion of hedges measured during the year.

During the year the Group has de-designated 174 foreign currency forward contracts, with a transaction value of £46.6m, where the cash flows forecast are no longer expected to occur. Similarly, during the year the Group has de-designated 27 fuel oil swaps to 25% and 50%, with a transaction value of £4.9m, where the cash flows forecast are no longer expected to occur. During the year, the Group recognised a £2.5m gain (2020: £2.6m gain) through the income statement in respect of matured hedges which have been recycled from OCI. The Group also recognised a £2.7m loss (2020: £31.9m gain) in property, plant and equipment, in respect of matured hedges which have been recognised directly from the hedging reserve.

Notes to the consolidated financial statements continued

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

a. Market risk

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

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

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits that the Group is willing to accept considering strategy, risk appetite and capital resources. The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes. For risk exposures that the Group hedges and for which the Group applies hedge accounting, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

i) Foreign currency risk

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

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

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Market risk (continued)

i) Foreign currency risk (continued)

	Sensitivity of +/– 5% forex rate change in	Effect on the fair value of forward exchange contracts	Effect on profit after tax and equity
2021	**EUR – Trading**	**+/ – £3.5m**	**+/ – £1.4m**
	USD	**+/ – £2.5m**	**+/ – £0.5m**
2020	EUR – Trading	+/ – £4.8m	+/ – £0.5m
	EUR – New ships	+/ – £11.0m	+/ – £0.0m
	USD	+/ – £2.9m	+/ – £0.3m

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

ii) Commodity price risk

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

The Group manages the purchase price using forward commodity purchase contracts based on future forecast fuel oil requirements.

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

	Sensitivity of +/– 5% rate change in	Effect on profit after tax and equity
2021	**USD – Fuel oil price**	**+/ – £0.0m**
2020	USD – Fuel oil price	+/ – £0.0m

iii) Interest rate risk

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

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

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

The following table shows the sensitivity of financial assets and liabilities to changes in the London inter-bank offered rate (LIBOR). The impact is shown net of tax at the current rate.

	Sensitivity of +/– 0.25% rate change in	Effect on profit after tax and equity
2021	**LIBOR**	**+/ – £0.4m**
2020	LIBOR	+/ – £0.2m

Notes to the consolidated financial statements continued

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b. Credit risk

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

The credit risk in respect of trade and other receivables is generally limited as payment from customers is generally required before services are provided. An exception to this in light of the Thomas Cook insolvency is agency debtors, where if a third-party tour operator takes a booking on behalf of the Travel business but is forced into liquidation, the Group would still be required to provide the service but would not receive the full amount owed from the third-party tour operator.
At 31 January 2021, the maximum exposure to credit risk for trade receivables by operating segment was as follows:

	2021 £'m	2020 £'m
Insurance	**39.9**	50.9
Travel	**2.2**	5.5
Other Businesses and Central Costs	**5.2**	6.8
	47.3	63.2
Reclassification to assets held for sale	**–**	(8.2)
	47.3	55.0

The variance between the quantum of the maximum exposure to credit risk for trade receivables (above) and total of trade receivables presented in 'Trade and other receivables' (note 23) primarily relates to insurance instalment gross premium debtors due from customers, for which a corresponding related creditor exists with third-party insurers for the net premium. In the event of payment obligation default by a customer no longer on risk, the impairment of the debtor balance by the Group would lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer. In the event of payment obligation default by a customer remaining on risk, the impairment of the debtor balance by the Group would not lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer, and the Group would bear the credit risk relating to the debtor balance.

The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances. The loss allowance required for these receivables is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. The loss allowance is based on a combination of:

(i) aged debtor analysis;
(ii) historical experience of write offs for each receivable;
(iii) any specific indicators of credit deterioration observed; and
(iv) management judgement.

Loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write off. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

On that basis, the loss allowance as at 31 January 2021 and 31 January 2020 was determined as follows for trade receivables:

31 January 2021	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**	**Total**
Expected loss rate	**0%**	**25%**	**38%**	**29%**	**22%**	**63%**	
Gross carrying amount – trade receivables (note 23)	**£107.5m**	**£1.6m**	**£0.8m**	**£0.7m**	**£0.9m**	**£20.1m**	**£131.6m**
Loss allowance (note 23)	**£0.1m**	**£0.4m**	**£0.3m**	**£0.2m**	**£0.2m**	**£12.7m**	**£13.9m**

31 January 2020	Current	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	Total
Expected loss rate	1%	24%	38%	44%	43%	64%	
Gross carrying amount – trade receivables (note 23)	£108.7m	£3.8m	£2.6m	£2.7m	£4.4m	£23.8m	£146.0m
Loss allowance (note 23)	£1.0m	£0.9m	£1.0m	£1.2m	£1.9m	£15.2m	£21.2m

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b. Credit risk (continued)

The loss allowance for trade receivables as at 31 January 2021 reconciles to the opening allowances as follows:

	2021 £'m	2020 £'m
Opening loss allowance at 1 February	**21.2**	15.9
(Decrease)/increase in loan loss allowance recognised in profit or loss during the year	**(5.5)**	7.3[1]
Receivables written off during the year as uncollectible	**(1.7)**	(1.9)[1]
Unused amount reversed	**(0.1)**	(0.1)
Closing loss allowance at 31 January	**13.9**	21.2

1 For the year ended 31 January 2020, the increase in the loss allowance recognised in profit or loss during the year, and the amount of receivables written off during the year as uncollectible, have both been restated due to an incorrect allocation between these classifications. The increase in loan loss allowance recognised in profit or loss during the year has decreased by £7.0m and the amount of receivables written off during the year as uncollectible has also decreased by £7.0m

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

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

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2021 and 31 January 2020 is the gross carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

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

Ratings analysis

31 January 2021

£'m	AAA	AA	A	BBB	Unrated	Total
Debt securities	**23.1**	**73.9**	**71.5**	**93.4**	**–**	**261.9**
Money market funds	**66.8**	**–**	**–**	**–**	**–**	**66.8**
Deposits with financial institutions	**–**	**24.2**	**–**	**–**	**–**	**24.2**
Derivative assets	**–**	**–**	**0.2**	**0.5**	**–**	**0.7**
Loan funds	**–**	**–**	**–**	**–**	**6.2**	**6.2**
	89.9	**98.1**	**71.7**	**93.9**	**6.2**	**359.8**
Reinsurance assets	**–**	**39.7**	**31.9**	**–**	**–**	**71.6**
Total	**89.9**	**137.8**	**103.6**	**93.9**	**6.2**	**431.4**

31 January 2020

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

Notes to the consolidated financial statements continued

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Liquidity risk

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

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

31 January 2021

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bond and bank loans	–	–	46.4	500.1	289.1	835.6
Interest on bond and bank loans	–	27.4	26.5	46.9	27.9	128.7
Insurance contract liabilities	–	88.9	64.3	92.7	144.8	390.7
Derivative liabilities	–	2.1	1.5	–	–	3.6
	–	118.4	138.7	639.7	461.8	1,358.6

31 January 2020

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bond and bank loans	–	50.4	20.4	431.3	132.7	634.8
Interest on bond and bank loans	–	21.4	18.6	38.8	16.2	95.0
Insurance contract liabilities	–	69.3	53.2	107.6	179.9	410.0
Derivative liabilities	–	25.9	2.0	–	–	27.9
	–	167.0	94.2	577.7	328.8	1,167.7

In March 2021 the Group reached agreement of a one-year extension to the debt deferral on its cruise ship facilities (note 41). This has resulted in the debt repayments on the cruise ship facilities within the bond and bank loans profile disclosed above being amended for this one-year deferral.

d. Insurance risk

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

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

i) Underwriting and pricing risk

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

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

ii) Reserving risk

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d. Insurance risk (continued)

ii) Reserving risk (continued)

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

In the year to 31 January 2021, the Group has considered the additional latency risk to claims cost development caused by the impact of COVID-19 and has recognised an additional claims reserve above actuarial best estimate to cover this specific risk.

iii) Reinsurance

The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophic event. During 2018, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 80% of the Group's motor claims risks limited by a loss ratio cap of 130%, effective from 1 February 2019. Prior to this, the Group had a funds-withheld quota share reinsurance contract in place that reinsured 75% of the Group's motor claims risks limited by a loss ratio cap of 120%. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has underwritten motor business.

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

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a 5 percentage point variation in the recorded loss ratio at 31 January 2021 and 31 January 2020. The impact of a 5% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate.

	2021	2020
Impact of 5 percentage point change in loss ratio	+/ – £3.2m	+/ – £3.6m
Impact of 5% change in claims outstanding	+/ – £4.6m	+/ – £5.9m
Impact of a 0.25 percentage point change in discount rate for PPOs	+/ – £3.2m	+/ – £3.3m

e. Operational risk

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

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which together ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes. The resilience of the Group's disaster recovery plans was demonstrated during the COVID-19 lockdown. The Group was able to quickly move office-based colleagues to working from home arrangements, ensuring that it was able to continue to support existing and new customers through the call centre and support functions.

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

i) Insurance

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

Notes to the consolidated financial statements continued

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

e. Operational (continued)

ii) Travel

The Travel segment operates two cruise ships which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly or its suppliers. The Travel segment is in operation with multiple suppliers which minimises the impact of any socio-economic events affecting its suppliers. The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2.1 on pages 136 to 138.

iii) Other Businesses and Central Costs

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

21 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

- bank loan funds; and
- money market funds.

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

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

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

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

At 31 January 2021, the Group's total interest in unconsolidated structured entities was £73.0m analysed as follows:

	Carrying value £'m	Interest income £'m	Fair value losses £'m
Loan funds	**6.2**	**0.2**	**(0.1)**
Money market funds	**66.8**	**0.1**	**–**

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

22 INVENTORIES

	2021 £'m	2020 £'m
Raw materials	**0.2**	0.3
Technical stocks	**1.5**	2.4
Finished goods	**1.8**	2.7
	3.5	5.4

Technical stocks are spare parts for the Group's cruise ships.

23 TRADE AND OTHER RECEIVABLES

	2021 £'m	2020 (re-presented) £'m
Trade receivables (note 20)	**131.6**	146.0
Loss allowance (note 20)	**(13.9)**	(21.2)
	117.7	124.8
Other receivables	**33.0**	25.2
Prepayments	**11.4**	36.8
Contract cost assets	**2.9**	2.6
Deferred acquisition costs	**15.1**	14.6
Other taxes and social security costs	**3.0**	5.0
	183.1	209.0

An explanation of how the Group manages and measures the credit risk of trade receivables can be found at note 20(b). The Group expects trade and other receivables to be normally settled within 12 months. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

For the prior year, trade receivables and other receivables have been re-presented to reflect reclassification and additional analysis of assets to ensure comparability with the current year presentation.

24 TRUST ACCOUNTS

The Civil Aviation Authority (CAA) and Association of British Travel Agents (ABTA) regulated the Travel business conducted by the Group in the UK during the year. To comply with its regulatory obligations, the Group is required to arrange financial security to protect customer monies, in addition to making ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

From 25 September 2020, the Group changed its method of customer protection for ATOL licensable bookings from financial security bonds to paying customer monies into trust ('Trust Accounting'). Under Trust Accounting, all monies the Group receives from customers in respect of ATOL licensable holiday packages sold are held in trust until such time as the Group has fulfilled all its obligations to the customer. The trust is administered and controlled by an independent Trustee, PT Trustees Limited. Interest arising from the funds held on trust belongs to the Group.

With the introduction of Trust Accounting during the year, the Group is no longer required to hold financial security bonds in relation to ATOL bookings.

25 CASH AND CASH EQUIVALENTS

	2021 £'m	2020 £'m
Cash at bank and in hand	**94.4**	73.1
Short-term deposits	**7.2**	24.8
Cash and short-term deposits	**101.6**	97.9
Money market funds	**66.8**	45.9
Bank overdraft	**(1.5)**	(9.5)
Cash held by disposal groups	**–**	4.8
Cash and cash equivalents in the cash flow statement	**166.9**	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 (note 41). These amounts held are not readily available to be used for other purposes within the Group and total £91.5m (2020: £98.2m). Available cash excludes these amounts and any amounts held by disposal groups.

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

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

Notes to the consolidated financial statements continued

26 TRADE AND OTHER PAYABLES

	2021 £'m	2020 (re-presented) £'m
Trade payables	**115.5**	115.7
Other payables	**5.1**	5.3
Other taxes and social security costs	**8.4**	12.4
Assets in the course of construction	**4.4**	5.2
Accruals	**41.7**	47.3
	175.1	185.9

All trade and other payables are current in nature. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

For the prior year, trade payables, other payables and accruals have been re-presented to reflect reclassification and additional analysis of liabilities to ensure comparability with the current year presentation.

27 RETIREMENT BENEFIT SCHEMES

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

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the defined contribution schemes was £3.2m (2020: £3.6m).

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

b. Defined benefit plan

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

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

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long-term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy of members. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided a super security to the Trustees of the scheme, which ranks before any liabilities under the senior facilities agreement (as detailed in note 30). The value of the security is capped at £32.5m.

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

	2021 £'m	2020 £'m
Fair value of scheme assets	**411.2**	372.3
Present value of defined benefit obligation	**(415.5)**	(377.8)
Defined benefit scheme liability	**(4.3)**	(5.5)

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

27 RETIREMENT BENEFIT SCHEMES (CONTINUED)

b. Defined benefit plan (continued)

The following table summarises the components of the net benefit expense recognised in the income statement, other comprehensive income and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2021:

	Fair value of scheme assets £'m	Defined benefit obligation £'m	**Defined benefit scheme liability £'m**
1 February 2020	372.3	(377.8)	**(5.5)**
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(5.4)	**(5.4)**
Non-cash current service cost uplift	–	(2.6)	**(2.6)**
Total current service cost	–	(8.0)	**(8.0)**
Net interest	6.3	(6.3)	**–**
Included in income statement	6.3	(14.3)	**(8.0)**
Benefits paid	(9.6)	9.6	**–**
Return on plan assets (excluding amounts included in net interest expense)	31.5	–	**31.5**
Actuarial changes arising from changes in demographic assumptions	–	6.2	**6.2**
Actuarial changes arising from changes in financial assumptions	–	(24.7)	**(24.7)**
Experience adjustments	–	(14.2)	**(14.2)**
Sub-total included in other comprehensive income	21.9	(23.1)	**(1.2)**
Total contributions by employer	10.7	(0.3)	**10.4**
31 January 2021	411.2	(415.5)	**(4.3)**

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

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

Notes to the consolidated financial statements continued

27 RETIREMENT BENEFIT SCHEMES (CONTINUED)

b. Defined benefit plan (continued)

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

	2021 £'m	2020 £'m
Equities	**51.7**	45.0
Bonds	**203.0**	222.7
Property and alternatives	**39.6**	24.5
Hedge funds	**99.8**	73.2
Insured annuities	**6.1**	3.9
Cash and other	**11.0**	3.0
Total	**411.2**	372.3

Equities and bonds are all quoted in active markets whilst property and hedge funds are not. Global financial markets have been monitoring and reacting to the COVID-19 pandemic and have incurred increased volatility and uncertainty since the onset of the pandemic. The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ultimate extent of the effect of this on the asset portfolio is not possible to estimate at this time.

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

	2021	2020
Real rate of increase in salaries	**2.60%**	2.70%
Real rate of increase of pensions in payment	**2.70%**	2.70%
Real rate of increase of pensions in deferment	**2.55%**	2.65%
Discount rate – pensioner	**1.35%**	1.60%
Discount rate – non-pensioner	**1.45%**	1.70%
Inflation – pensioner	**2.80%**	2.80%
Inflation – non-pensioner	**2.60%**	2.70%
Life expectancy of a member retiring in 20 years' time – Male	**27.2 yrs**	27.3 yrs
Life expectancy of a member retiring in 20 years' time – Female	**29.0 yrs**	29.4 yrs

Following the RPI reform consultation which completed in November 2020, the Group has updated the inflation risk premium (IRP) applied when setting the RPI assumption (at 31 January 2021, an IRP of 0.3% p.a. before 2030 and 0.5% p.a. thereafter has been adopted, compared to an IRP of 0.3% p.a. at all terms in the prior year). The actuary has confirmed that the impact of the change in approach is a £6m decrease in the DBO.

The Group has also updated the assumed long-term gap between RPI and CPI (at 31 January 2021, an RPI-CPI gap of 0.8% p.a. before 2030 and nil therefore has been adopted, compared to a gap of 0.8% p.a. at all terms in the prior year). The actuary has confirmed that the impact of the change in approach is an £8m increase in the DBO.

Mortality assumptions are set using standard tables based on specific experience where available and allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 60 will live on average for a further 26.0 years if they are male and on average for a further 27.7 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2021 and their impact on the scheme liabilities is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy		Future salary
Sensitivity	+/– 0.25%		+/– 0.25%		+/– 1 year		+/– 0.5%
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Impact £'m	(24.6)	23.2	18.3	(16.7)	14.8	(14.1)	0.0

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

27 RETIREMENT BENEFIT SCHEMES (CONTINUED)

b. Defined benefit plan (continued)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The expected contribution to the Saga scheme for the next year is £5.2m and average duration of the defined benefit plan obligation at the end of the reporting period is 23 years. Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan to pay additional contributions above those needed to fund new pensions accruing in the scheme.

The latest valuation of the Saga scheme was at 31 January 2017. The pension trustees have largely completed the triennial valuation of the scheme as at 31 January 2020. Following discussions with the Company, the trustees are proposing a new deficit recovery plan totalling £39.0m over the next seven years, with the first payment of £4.2m paid in February 2021 and subsequent payments of £5.8m due each February thereafter until February 2027. Discussions with the trustees are ongoing but are expected to be concluded in the next two months. Under the previously agreed recovery plan, the Group made an additional payment of £3.0m during the year ended 31 January 2021. The total expected contributions in the year ending 31 January 2022 are £9.4m, inclusive of a £4.2m additional payment.

The Group has also agreed to pay additional amounts into an Escrow account should asset returns fall below an agreed level over set periods of time. Dependent upon the level of return on the scheme's assets between 31 January 2020 and 31 January 2027, any amount in the Escrow account will be released to either the Group or the scheme by 30 June 2027.

28 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	2021 £'m	2020 £'m
Gross		
Claims outstanding	**329.5**	338.3
Provision for unearned premiums	**96.8**	105.3
Total gross liabilities	**426.3**	443.6

	2021 £'m	2020 £'m
Recoverable from reinsurers		
Claims outstanding	**65.2**	55.2
Provision for unearned premiums	**6.4**	6.9
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**71.6**	62.1
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**147.1**	134.0
– Provision for unearned premiums	**55.9**	63.9
Total reinsurers' share of insurance liabilities after funds – withheld quota share	**274.6**	260.0
Analysed as:		
Claims outstanding	**212.3**	189.2
Provision for unearned premiums	**62.3**	70.8
Total reinsurers' share of insurance liabilities after funds – withheld quota share	**274.6**	260.0

Notes to the consolidated financial statements continued

28 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

	2021 £'m	2020 £'m
Net		
Claims outstanding	**264.3**	283.1
Provision for unearned premiums	**90.4**	98.4
Total net insurance liabilities	**354.7**	381.5
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**(147.1)**	(134.0)
– Provision for unearned premiums	**(55.9)**	(63.9)
Total net insurance liabilities after funds – withheld quota share	**151.7**	183.6
Analysed as:		
Claims outstanding	**117.2**	149.1
Provision for unearned premiums	**34.5**	34.5
Total net insurance liabilities after funds – withheld quota share	**151.7**	183.6

Reconciliation of movements in claims outstanding	2021 £'m	2020 (restated) £'m
Gross claims outstanding at 1 February	**338.3**	392.6
Less: reinsurance claims outstanding	**(189.2)**	(209.8)
Net claims outstanding at 1 February	**149.1**	182.8
Gross claims incurred	**131.4**	140.6[1]
Less: reinsurance recoveries	**(113.2)**	(109.8)[1]
Net claims incurred	**18.2**	30.8
Gross claims paid	**(140.2)**	(194.9)[1]
Less: received from reinsurance	**90.1**	130.4[1]
Net claims paid	**(50.1)**	(64.5)
Gross claims outstanding at 31 January	**329.5**	338.3
Less: reinsurance claims outstanding	**(212.3)**	(189.2)
Net claims outstanding at 31 January	**117.2**	149.1

1 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. As a result of these changes, gross claims paid and reinsurers' share of claims paid for the year ended 31 January 2020 have also been restated – gross claims paid have decreased by £19.3m and reinsurers' share of claims paid has decreased by £19.3m

28 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

Reconciliation of movements in the provision for net unearned premiums	2021 £'m	2020 £'m
Gross unearned premiums at 1 February	**105.3**	98.0
Less: unearned reinsurance premiums	**(70.8)**	(63.5)
Net unearned premiums at 1 February	**34.5**	34.5
Gross premiums written	**213.2**	241.2
Less: outward reinsurance premium	**(134.3)**	(153.0)
Net premiums written	**78.9**	88.2
Gross premiums earned	**(221.7)**	(233.9)
Less reinsurance premium earned	**142.8**	145.7
Net premiums earned (note 3a)	**(78.9)**	(88.2)
Gross unearned premiums at 31 January	**96.8**	105.3
Less: unearned reinsurance premiums	**(62.3)**	(70.8)
Net unearned premiums at 31 January	**34.5**	34.5

The net cost of purchasing reinsurance in 2021 was £7.8m (2020: £6.4m).

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

a. Discounting

Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of −1.5% (2020: −1.5%) representing the Group's view on long-term carer wage inflation less the expected return on holding the invested financial assets associated with these claims.

The value of claims outstanding before discounting was £390.7m (2020: £410.0m) gross of reinsurance and £133.4m (2020: £174.6m) net of reinsurance.

The period between the balance sheet date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 37 years (2020: 36 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2020: 2.0%).

Notes to the consolidated financial statements continued

28 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

b. Analysis of claims incurred: claims development tables

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

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

	Financial year ended 31 January												
Analysis of claims incurred	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	2021 £'m	Total £'m	Claims paid £'m	Gross claims outstanding £'m
Accident year													
2012 and earlier	315.1	(47.2)	(42.3)	(36.2)	(40.0)	(21.4)	(17.4)	(11.4)	(7.5)	(3.6)	n/a	n/a	34.0
2013		321.2	(14.2)	(45.2)	(22.1)	(13.4)	(5.6)	(5.9)	(2.9)	(3.5)	208.4	(197.9)	10.5
2014			281.9	(18.9)	(25.7)	(7.6)	(11.1)	(10.6)	(2.6)	(3.9)	201.5	(192.8)	8.7
2015				271.3	(6.0)	(6.2)	(8.2)	(15.3)	(5.0)	(7.9)	222.7	(205.7)	17.0
2016					280.4	4.1	(19.3)	(21.7)	(9.1)	(5.7)	228.7	(209.6)	19.1
2017						197.2	4.7	(13.1)	(6.8)	(13.6)	168.4	(154.8)	13.6
2018							194.9	–	(5.8)	(11.1)	178.0	(139.6)	38.4
2019								189.8	1.0	0.7	191.5	(143.0)	48.5
2020									163.2	9.3	172.5	(117.4)	55.1
2021										154.7	154.7	(78.4)	76.3
	315.1	274.0	225.4	171.0	186.6	152.7	138.0	111.8	124.5	115.4			321.2
Claims handling costs	15.6	17.4	17.2	18.0	21.5	11.5	10.5	27.3	16.1	16.0			8.3
	330.7	**291.4**	**242.6**	**189.0**	**208.1**	**164.2**	**148.5**	**139.1**	**140.6**[1]	**131.4**			**329.5**

1 For the year ended 31 January 2020, gross claims incurred have been restated due to an incorrect allocation between gross claims incurred and reinsurers' share of claims incurred for that year. Gross claims incurred have decreased by £19.3m and reinsurers' share of claims incurred have decreased by £19.3m. In addition, gross claims incurred have been restated by £0.3m to agree to the income statement. Gross claims incurred have decreased by a further £0.3m for this correction.

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

	Financial year ended 31 January									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Accident year										
2012	77%	71%	63%	62%	57%	55%	52%	52%	52%	51%
2013		76%	72%	62%	56%	53%	52%	51%	50%	49%
2014			75%	70%	63%	61%	58%	55%	55%	54%
2015				81%	80%	78%	75%	71%	69%	67%
2016					87%	88%	82%	75%	73%	71%
2017						67%	69%	65%	62%	58%
2018							75%	75%	73%	69%
2019								80%	80%	80%
2020									70%	74%
2021										70%

28 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

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

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

	Financial year ended 31 January												
Analysis of claims incurred	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	2021 £'m	Total £'m	Claims paid £'m	Net claims outstanding £'m
Accident year													
2012 and earlier	286.0	(45.8)	(42.4)	(20.2)	(29.6)	(28.3)	(15.3)	(11.4)	(7.5)	(3.6)	n/a	n/a	14.6
2013		315.4	(14.6)	(22.9)	(19.8)	(14.6)	(10.2)	(5.9)	(2.9)	(3.5)	221.0	(217.4)	3.6
2014			276.8	(14.7)	(23.4)	(11.0)	(9.8)	(10.6)	(2.6)	(3.9)	200.8	(192.1)	8.7
2015				219.1	5.3	(9.2)	(11.1)	(15.3)	(5.0)	(7.9)	175.9	(169.4)	6.5
2016					220.9	3.2	(15.1)	(21.7)	(9.1)	(5.7)	172.5	(158.6)	13.9
2017						94.0	1.5	(6.2)	(1.9)	(3.5)	83.9	(74.2)	9.7
2018							78.8	–	(1.6)	(3.2)	74.0	(64.4)	9.6
2019								71.8	1.0	0.1	72.9	(58.1)	14.8
2020									55.3	0.7	56.0	(45.3)	10.7
2021										42.2	42.2	(25.4)	16.8
	286.0	269.6	219.8	161.3	153.4	34.1	18.8	0.7	25.7	11.7			108.9
Claims handling costs	15.6	17.4	17.2	18.0	21.5	11.5	10.5	8.9	5.1	6.5			8.3
	301.6	**287.0**	**237.0**	**179.3**	**174.9**	**45.6**	**29.3**	**9.6**	**30.8[1]**	**18.2**			**117.2**

1 Net claims incurred have been restated by £0.3m to agree to the income statement.

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

	Financial year ended 31 January									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Accident year										
2012	76%	70%	62%	62%	57%	54%	53%	52%	52%	51%
2013		75%	72%	66%	62%	58%	56%	54%	54%	53%
2014			75%	71%	65%	62%	59%	56%	55%	54%
2015				67%	69%	66%	63%	58%	56%	54%
2016					70%	71%	66%	59%	56%	55%
2017						56%	56%	53%	52%	50%
2018							66%	66%	64%	62%
2019								70%	71%	71%
2020									63%	64%
2021										53%

Favourable claims development over the year has resulted in a £30.6m (2020: £29.6m) reduction in the net claims incurred in respect of prior years.

29 CONTRACT LIABILITIES

	2021 £'m	2020 £'m
Deferred revenue (note 3b)	**82.2**	153.2
	82.2	153.2
Current	**66.9**	150.2
Non-current	**15.3**	3.0
	82.2	153.2

Deferred revenue comprise amounts received within the Travel segment for holidays and cruises with departure dates after the reporting date, and insurance premiums and sales revenues received in the Insurance segment in respect of insurance policies which commence after the reporting date, and represents the performance obligations not yet satisfied as at 31 January 2021. Contract liabilities have decreased on the prior year due to the impact of the COVID-19 pandemic on the Travel business.

Notes to the consolidated financial statements continued

30 LOANS AND BORROWINGS

	2021 £'m	2020 £'m
Bond	**250.0**	250.0
Bank loans	**70.0**	140.0
Ship loans	**515.6**	234.8
Revolving credit facility	**–**	10.0
Accrued interest payable	**8.3**	3.7
	843.9	638.5
Less: deferred issue costs	**(26.8)**	(14.2)
	817.1	624.3

Term loan and RCF

The Group's bank facilities consist of a £250.0m seven-year senior unsecured bond (repayable May 2024), a £200.0m five-year term loan facility (repayable May 2023) and a £100.0m five-year RCF with an option to extend. In March 2019, the Group's banks agreed to extend the term on the RCF by one year with expiry in May 2023. The bond is listed on the Irish Stock Exchange.

At 31 January 2021, the Group had drawn £nil of its £100.0m RCF and since the May 2017 refinancing £130.0m of the term loan has been repaid.

In light of the significant impact of the COVID-19 pandemic on the business, especially Travel operations, the Group entered into discussions with its lending banks in early March 2020 to amend the terms of its bank debt. These discussions were concluded on 1 April 2020, with favourable amendments to banking covenants.

On 30 August 2020 the Group announced that it was at the advanced stage of a prospective £150.0m equity capital raise in order to strengthen its statement of financial position, improve liquidity and support the execution of its strategy plan. The prospective £150.0m equity raise was launched on 10 September 2020, structured as a Firm Placing and Open Offer.

The £150.3m equity subsequently raised (£138.7m net of issue costs) improved the Group's financial position by funding the reduction of the term loan to £70.0m and repayment of the drawn RCF, with the balance of the proceeds raised increasing available cash. The Group also agreed with its lending banks to extend the maturity of the remaining £70.0m term loan to May 2023 and 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.

In March 2021 the Group reached agreement to amend covenants on the term loan and RCF (note 41). The covenants within the Group's term loan and RCF have been amended as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 January 2022 from 4.00x to 4.25x;
- Reduction in the Group interest cover covenant at 31 July 2021 from 1.5x to 1.25x, at 31 October 2021 from 1.75 x to 1.25x and at 31 January 2022 from 2.5x to 1.5x.

In addition, the following amendments have also been made:

- The Group is subject to a minimum liquidity requirement of £40 million, which can be met either through cash or undrawn and committed facilities;
- The permitted indebtedness to the Cruise Group is £55m until September 2022, and then reduces to £30m (being £50m and £25m respectively permitted indebtedness in addition to the level of borrowing that was in place when the facility was originally agreed of £5m);
- Dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

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

Cruise ship debt deferral

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

30 LOANS AND BORROWINGS (CONTINUED)

Cruise ship debt deferral (continued)

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 £32.1m in principal payments under the ship facilities that were due up to 31 March 2021. These deferred amounts will be paid between June 2021 and December 2024 for Spirit of Discovery and between September 2021 and March 2025 for Spirit of Adventure, and interest remains payable.

On 29 September 2020, the Group drew down the financing for its new cruise ship, Spirit of Adventure, of £280.8m. The financing for Spirit of Adventure represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The loan is repayable in 24 broadly equal instalments, with the first payment originally due six months after delivery in March 2021, but deferred to September 2021 as a result of the debt holiday described above. This financing is secured against Spirit of Adventure cruise ship asset.

In March 2021 the Group reached agreement of a one-year extension to the debt deferral on its cruise ship facilities (note 41). As part of an industry-wide package of measures to support the cruise industry, an extension of the existing debt deferral has been agreed to 31 March 2022. The key terms of this deferral are:

- All principal payments to 31 March 2022 (£51.8 million) are deferred and repaid over 5 years;
- All financial covenants until 31 March 2022 are waived;
- Dividends remain restricted while the deferred principal is outstanding;
- The Group is now subject to a minimum liquidity requirement of £40 million, which can be met through either cash or undrawn and committed facilities.

Interest on the Spirit of Discovery ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees). Interest on the Spirit of Adventure ship loan is incurred at an effective annual interest rate of 3.30% (including arrangement and commitment fees).

At 31 January 2021, debt issue costs were £26.7m (2020: £14.2m) which have increased in the year following the draw down of the financing for the new cruise ship, Spirit of Adventure.

During the year, the Group charged £29.4m (2020: £19.5m) to the income statement in respect of fees and interest associated with the bond, term loan, ship loans and RCF. In addition, finance costs recognised in the income statement include £0.8m (2020: £1.2m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £nil (2020: £1.1m). The Group has complied with the financial covenants of its borrowing facilities during the current year and prior year.

31 PROVISIONS

	PMI £'m	Other £'m	Total £'m
At 1 February 2019	5.2	4.8	10.0
Utilised during the year	(1.5)	(2.6)	(4.1)
Released unutilised during the year	–	(0.5)	(0.5)
Charge for the year	–	2.4	2.4
	3.7	4.1	7.8
Reclassification to assets held for sale	–	(0.1)	(0.1)
At 31 January 2020	3.7	4.0	7.7
Utilised during the year	(2.8)	(1.2)	(4.0)
Released unutilised during the year	–	(1.1)	(1.1)
Charge for the year	4.0	5.1	9.1
At 31 January 2021	**4.9**	**6.8**	**11.7**

	PMI £'m	Other £'m	Total £'m
Current	4.9	6.2	11.1
Non-current	–	0.6	0.6
At 31 January 2021	**4.9**	**6.8**	**11.7**

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

Notes to the consolidated financial statements continued

31 PROVISIONS (CONTINUED)

COVID-19 has led to a high number of private inpatient appointments and operations being delayed. This has had a favourable impact on the underwriting performance of the private medical insurance (PMI) product, resulting in a profit share due. Due to Group's public commitment to not profit from the impacts of COVID-19, a provision to offset this profit share has been made during the year. The provision represents that some of this upside may be returned to customers, however the quantum remains unknown since it is expected that as lockdowns begin to be lifted and hospitals 'catch up' on missed appointments, the profit share position will reduce during the next financial year.

Other provisions primarily comprise provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date or as a result of being cancelled during the statutory cooling off period after the reporting date; credit hire and repair claims handling and litigation costs on income booked as at the reporting date; fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date; and an employer liability provision relating to various Group-related, self-funded insurance arrangements. In addition, over the last year management have been working to identify areas where there is likely to be a requirement to remedy various errors that have had an adverse impact on customer outcomes. Management have also reviewed whether those issues identified necessitate a provision and have quantified a best estimate for this provision in such cases. Based on this quantification and analysis, management have recognised customer remediation provisions for these issues as at 31 January 2021.

All provisions are expected to be fully utilised over the next 12 months with the exception of the fleet insurance, credit hire and repair claims handling and litigation costs, and employer liability provisions. The timing of fleet insurance costs is uncertain and will depend upon the nature of each incident. The costs of debt recovery on credit hire and repair claims handling and litigation costs is uncertain and will depend upon the nature and timing of each claim. The settlement cash outflows from the employer liability provision depend on the timing of the settlement of claims.

These items are reviewed and updated annually.

32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

			Non-cash changes		
	2020 £'m	Cash flows £'m	New leases and lease modifications (note 18) £'m	Other £'m	**2021 £'m**
Lease liabilities (note 37)	28.6	(4.0)	(20.2)	–	**4.4**
Bank loans (note 30)	140.0	(70.0)	–	–	**70.0**
Ship loans (note 30)	234.8	280.8	–	–	**515.6**
Revolving credit facility (note 30)	10.0	(10.0)	–	–	**–**
Bond (note 30)	250.0	–	–	–	**250.0**
Deferred issue costs (note 30)	(14.2)	(17.4)	–	4.8	**(26.8)**

			Non-cash changes		
	2019 £'m	Cash flows £'m	New leases and lease modifications (note 18) £'m	Other £'m	2020 £'m
Lease liabilities (note 37)	27.7	(15.0)	15.9	–	28.6
Bank loans (note 30)	160.0	(20.0)	–	–	140.0
Ship loans (note 30)	–	234.8	–	–	234.8
Revolving credit facility (note 30)	30.0	(20.0)	–	–	10.0
Bond (note 30)	250.0	–	–	–	250.0
Deferred issue costs (note 30)	(3.0)	(7.9)	–	(3.3)	(14.2)

Included within 'Other' is the amortisation of deferred issue costs of £4.8m (2020: £3.4m) and the transfer of debt issue costs paid in the prior year from prepayments to deferred issue costs in the current year of £nil (2020: £6.7m).

Cash flows relating to bank loans comprise repayment of borrowings of £70.0m (2020: £20.0m).

Cash flows relating to ship loans comprise proceeds from borrowings of £280.8m (2020: £245.0m) less repayment of borrowings of £nil (2020: £10.2m).

Cash flows relating to the RCF comprise proceeds from borrowings of £50.0m (2020: £34.0m) less repayment of borrowings of £60.0m (2020: £54.0m).

33 CALLED UP SHARE CAPITAL

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 31 January 2019 and 31 January 2020	1,122,003,328	0.01	11.2
Issue of shares – 5 October 2020			
– First Firm Placing	224,400,000	0.01	2.2
– Second Firm Placing	124,183,026	0.01	1.2
– Placing and Open Offer	623,335,182	0.01	6.3
	971,918,208	0.01	9.7
Sub-total before share consolidation	2,093,921,536	0.01	20.9
Share consolidation – 13 October 2020	(1,954,326,767)		
Issue of shares – 18 November 2020	507,458	0.15	0.1
As at 31 January 2021	**140,102,227**	**0.15**	**21.0**

On 30 August 2020 the Group announced that it was at the advanced stage of a prospective £150m equity capital raise in order to strengthen its statement of financial position, improve liquidity and support the execution of its strategic plan. The prospective £150m equity raise was launched on 10 September 2020, structured as a Firm Placing and Open Offer.

The Group's Firm Placing was made up of two firm placings, both of which involved issuing shares to the Chairman, Roger De Haan. The First Firm Placing resulted in Roger De Haan subscribing for 224,400,000 new ordinary shares at a price of 27p per ordinary share. The Second Firm Placing resulted in Roger De Haan subscribing for 124,183,026 new ordinary shares at 12p per ordinary share (the Offer Price as if he were participating in the Open Offer as a qualifying shareholder). The Firm Placing was inter-conditional with the Placing and Open Offer.

Under the Placing and Open Offer the Company invited its shareholders to subscribe to the issue of 623,335,182 ordinary shares at an issue price of 12p per ordinary share on the basis of five new shares for every nine ordinary shares held. In addition to the Firm Placing described above, Roger De Haan subscribed for 204,250,307 new shares in the Placing and Open Offer, and, as a result, from admission held 26.4% of the enlarged share capital of the Company.

Under the Firm Placing and Open Offer, on 5 October 2020 the Company issued 971,918,208 new ordinary shares, raising £150.3m of funds which were utilised to repay part of the Group's term loan and repay in full the drawn RCF (note 30), with the balance of the proceeds raised increasing available cash. The issue was fully subscribed.

The share premium arising on the issue of the new ordinary shares was £140.6m. Transaction costs associated with the issue of the share capital of £11.6m were deducted from share premium.

On 13 October 2020 the Company undertook a consolidation of its shares, whereby for every 15 ordinary shares held of 1p nominal value, shareholders received 1 new consolidated share of 15p nominal value.

On 18 November 2020, Saga plc issued 507,458 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an Employee Benefit Trust (EBT) to satisfy employee incentive arrangements.

Employee Benefit Trust

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

During the year, employees exercised options over 67,567 of these shares which were transferred from the EBT into the direct ownership of the employee. Employees exercised 13,213,975 of these shares in prior periods. As a result of the share consolidation exercise described above, the remaining 126,566 shares (1p nominal value) became 8,437 shares (15p nominal value) on 13 October 2020. The remaining 8,437 shares have been treated as treasury shares at 31 January 2021.

Notes to the consolidated financial statements continued

34 RESERVES

Share-based payment reserve

Prior to vesting, the share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. More detail is provided in note 36.

Fair value reserve

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

Hedging reserve

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

35 CAPITAL MANAGEMENT

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

For the purposes of the Group's capital management, capital comprises total equity of £680.7m (2020: £588.2m) as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

The Group's financial services businesses are regulated primarily by the FSC in Gibraltar and by the FCA in the UK; and the capital requirements of its Travel businesses are regulated by the CAA in the UK. It is the Group's policy to comply with the requirements of these regulators in respect of capital adequacy or other similar tests at all times.

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

The Group (and its subsidiaries) has complied with externally imposed capital requirements during the year.

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

The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2021, having previously received approval from the FSC for the Undertaking of Specific Parameters when applying the standard formula to measure capital requirements for this business under Solvency II rules. Under Solvency II, AICL remained well capitalised, and at 31 January 2021 available capital was £123.9m against a Solvency Capital Requirement of £77.0m, giving 161% coverage which has been adjusted to reflect the economic view by removing the benefit of the out of the money quota share arrangement. As at 31 January 2020, available capital was £86.2m against a Solvency Capital Requirement of £53.8m, giving 160% coverage, which did reflect the benefit of the quota share arrangement at that time.

The Group's regulated insurance distribution business is based in the UK and regulated by the FCA. Due to the nature of the business, the capital requirements are significantly less than the underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 2.4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of capital in respect of the insurance distribution business. The Minimum Regulatory Capital requirement of these businesses at 31 January 2021 was £5.3m (2020: £5.3m). Please refer to note 41 for events occurring after the reporting period which will impact this balance.

The regulated Travel businesses are required to comply with a main test based on liquidity. As of 31 January 2020 the CAA changed the liquidity test requirement to a fixed 70% coverage rate on the last day of each month, whereas previously it was a variable coverage rate from month to month, and has removed the leverage test requirement. The Group monitors its compliance with this test on a monthly basis including forward-looking compliance using budgets and forecasts. At 31 January 2021 and 31 January 2020, the Travel businesses had sufficient coverage against this covenant.

36 SHARE-BASED PAYMENTS

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

a. Share options and free shares offer granted at the time of the IPO

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

b. Restricted Share Plan (RSP)

- The RSP is a discretionary executive share plan under which the Board may grant options over shares in Saga plc.
- On 24 June 2020, options over 12,134,706 shares were issued under the RSP to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.
- On 15 December 2020, options over 26,225 shares were issued under the RSP to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

c. Long-Term Incentive Plan (LTIP)

- The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc.
- Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, Total Shareholder Return (TSR).
- From 1 February 2017 to 31 January 2018, these options were 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR.
- From 1 February 2018, these options were 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to return on capital employed (ROCE)) and 40% linked to a market vesting condition, TSR.
- From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.

d. Deferred Bonus Plan (DBP)

- On 28 May 2020, share options over 1,337,581 shares were issued under the DBP to the Executive Directors reflecting their deferred bonus in respect of 2019/20, which vest and become exercisable on the third anniversary of the grant date. Under the DBP scheme, executives receive two-thirds of the bonus award in cash and one-third in the form of rights to shares of the Company.

e. Other share options

- On 2 December 2015, share options over 99,552 shares were issued to the Chief Marketing Officer at the time which were to vest on the second anniversary of his appointment, subject to continuing employment. Following the cessation of his employment, the vesting period was extended to 1 May 2020.

f. Employee Free Shares

- On 23 November 2020, 253,458 shares were awarded to eligible staff on the sixth anniversary of the IPO and allocated at nil cost; these shares become beneficially owned over a three-year period from allocation, subject to continuing service.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. With the exception of share options granted at the time of the IPO, if an employee ceases to be employed by the Group, the option rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis

Notes to the consolidated financial statements continued

36 SHARE-BASED PAYMENTS (CONTINUED)

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

	IPO options	RSP	LTIP	DBP	Other options	Employee Free Shares	Total
At 1 February 2020	194,133	–	18,835,712	1,003,882	99,552	3,371,966	23,505,245
Granted	–	12,134,706	–	1,337,581	–	–	13,472,287
Forfeited	–	(333,567)	(5,552,624)	–	–	(187,513)	(6,073,704)
Exercised	(67,567)	–	(649,039)	(380,330)	–	(727,471)	(1,824,407)
Sub-total before share consolidation	126,566	11,801,139	12,634,049	1,961,133	99,552	2,456,982	29,079,421
Share consolidation – 13 October 2020 (note 33)	(118,129)	(11,014,397)	(11,791,781)	(1,830,393)	(92,916)	(2,293,185)	(27,140,801)
Granted	–	26,225	–	–	–	253,458	279,683
Forfeited	–	–	–	–	–	(2,322)	(2,322)
Exercised	–	–	(1,033)	–	–	(5,004)	(6,037)
At 31 January 2021	8,437	812,967	841,235	130,740	6,636	409,929	2,209,944
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Exercisable at 31 January 2021	8,437	–	11,585	5,168	–	61,174	86,364
Average remaining contractual life	0.0 years	2.4 years	1.2 years	2.0 years	0.0 years	2.0 years	1.8 years
Average fair value at grant	£27.75	£2.71	£10.27	£5.23	£30.33	£7.87	£6.87

The average fair values at grant date have been restated to reflect the impact of the share consolidation.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 January 2021 was £2.42 (2020: £11.38).

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

	RSP	DBP	Employee Free Shares
Model used	Black-Scholes	Black-Scholes	Black-Scholes
Expected life of share option	3 years	3 years	3 years
Weighted average share price (£)	£2.71	£3.34	£2.77

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

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

The total amount charged to the income statement in the year ended 31 January 2021 is £2.4m (2020: £2.1m). This has been charged to administrative and selling expenses £2.4m (2020: £2.1m).

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

37 COMMITMENTS AND CONTINGENCIES

a. Lease commitments

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

	2021 £'m	2020 £'m
Within one year	**2.3**	9.8
Between one and five years	**2.2**	10.8
After five years	**0.1**	45.5
Total minimum lease payments	**4.6**	66.1
Less amounts representing finance charges	**(0.2)**	(37.5)
Present value of minimum lease payments	**4.4**	28.6

Please refer to note 18 for further details on modification of lease terms during the year.

As at 31 January 2021, the value of lease liabilities contracted for but not provided for in the financial statements in respect of right-of-use assets amounted to £92.7m (2020: £88.1m). These lease commitments relate to the river cruise vessels, Spirit of the Rhine and Spirit of Danube.

b. Commitments

As at 31 January 2021, the capital amount contracted for but not provided for in the financial statements, amounted to £nil (2020: £271.9m). For the year ended 31 January 2020 the capital amount contracted but not provided for, related to the purchase of the cruise ship, Spirit of Adventure, which the Group took delivery of on 29 September 2020.

c. Contingent liabilities

The CAA and ABTA regulate the Group's UK Tour Operations business. IATA and ABTA require the Group to put in place bonds to provide customer protection. At 31 January 2021, the Group had £21.0m (2020: £48.0m) of tour operating-related bonds in place.

38 ASSETS HELD FOR SALE

At the end of the year, the Group made the decision to initiate an active programme to locate buyers for a number of its freehold properties. Immediately before the classification of the properties to held for sale, their recoverable amounts were ascertained and this resulted in an impairment charge of £4.5m being recognised against the Group's freehold land and buildings assets (note 17a). At the point of reclassification to held for sale, the carrying values were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required. These properties are presented within the Insurance segment of the Group, are being actively marketed and the disposals are expected to be completed within 12 months of the end of the financial year. No gains or losses have been recognised with respect to the properties.

During the prior year, the Group made the decision to initiate an active programme to locate a buyer for its insurance biking brand, Bennetts, and its Healthcare segment. As at 31 January 2020, the requirements of IFRS 5 were met and accordingly Bennetts and the Healthcare segment 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.
During the current year the Group completed the sale of these two operations. Further information on the completed disposals can be found in note 13.

39 SUBSIDIARIES

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

Name	Country of registration	Nature of business
Saga Personal Finance Limited	England	Delivery of regulated investment products
Saga Services Limited	England	Regulated Insurance distribution
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
CHMC Limited	England	Motor accident management

Notes to the consolidated financial statements continued

39 SUBSIDIARIES (CONTINUED)

Name	Country of registration	Nature of business
PEC Services Limited	England	Repairer of automotive vehicles
ST&H Limited	England	Tour operating
Titan Transport (UK) Limited	England	Tour operating
Titan Travel (UK) Limited	England	Tour operating
Saga Transport Limited	England	Tour operating
Saga Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saga Crewing Services Limited	England	Cruising
Saffron Maritime Limited	Guernsey	Cruising
MetroMail Limited	England	Mailing house
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited	England	Publishing
Saga Membership Limited	England	Customer loyalty scheme
Driveline Group Limited	England	Holding company
CHMC Holdings Limited	England	Holding company
Saga 200 Limited	England	Holding company
Saga 300 Limited	England	Holding company
Saga 400 Limited	England	Holding company
Saga Group Limited	England	Holding company
Saga Holdings Limited	England	Holding company
Saga Leisure Limited	England	Holding company
Saga Properties Limited	England	Holding company
ST&H Group Limited	England	Holding company
Confident Services Limited	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Enbrook Cruises Limited	Enbrook	Dormant company
Saga 500 Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Cruises I Limited	England	Dormant company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Funding Limited	England	Dormant company
Saga Healthcare Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Retirement Villages Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit of Adventure Limited	England	Dormant company
ST&H Transport Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

40 RELATED PARTY TRANSACTIONS

Roger De Haan was appointed as non-executive chairman of Saga plc on 5 October 2020, following his purchase of 36,855,555 shares in the Company (constituting 26.4% of issued share capital immediately after the capital raise and 26.31% of total issued capital as at 31 January 2021). The Company entered into a relationship agreement with Roger De Haan on 10 September 2020, which regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements with the shareholder will be conducted on an arm's length basis and on normal commercial terms.

On 6 April 2021, the Company entered into a working capital facility agreement with Roger De Haan, which allows the Company to draw down up to £10m with 20 days' notice to fund the short-term liquidity needs of its Cruise business. The agreement allows the Company to select a loan period of one, two, three or six months, or any other period agreed with Roger De Haan. Interest on the working capital facility agreement is incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio. Interest accrues on the facility and is payable on the last day of the period of the loan. The facility matures on 9 May 2023, at which point any outstanding amounts, including interest, must be repaid.

41 EVENTS AFTER THE REPORTING PERIOD

a. Regulated insurance distribution business – TC2.4 balance

The Group is in discussion with the FCA regarding the magnitude of the Threshold Condition 2.4 balance that the Retail Broking business holds as restricted cash and the potential need to hold an additional amount on a temporary basis as a result of COVID-19. Any additional temporary liquidity provision is not expected to be significant in a Group context and allowance has been made for this in going concern and viability assessments on a prudent basis.

b. Corporate and cruise ship facilities

In March 2021 the Group reached agreement to amend covenants on the term loan and RCF, and the agreement of a one-year extension to the debt deferral on its cruise ship facilities.

Term loan and RCF

The covenants within the Group's term loan and RCF have been amended as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 January 2022 from 4.00x to 4.25x;
- Reduction in the Group interest cover covenant at 31 July 2021 from 1.5x to 1.25x, at 31 October 2021 from 1.75 x to 1.25x and at 31 January 2022 from 2.5x to 1.5x.

In addition, the following amendments have also been made:

- The Group is subject to a minimum liquidity requirement of £40 million, which can be met either through cash or undrawn and committed facilities;
- The permitted indebtedness to the Cruise Group is £55m until September 2022, and then reduces to £30m (being £50m and £25m respectively permitted indebtedness in addition to the level of borrowing that was in place when the facility was originally agreed of £5m);
- Dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

Cruise ship debt deferral

As part of an industry-wide package of measures to support the cruise industry, an extension of the existing debt deferral has been agreed to 31 March 2022. The key terms of this deferral are:

- All principal payments to 31 March 2022 (£51.8 million) are deferred and repaid over 5 years;
- All financial covenants until 31 March 2022 are waived;
- Dividends remain restricted while the deferred principal is outstanding;
- The Group is now subject to a minimum liquidity requirement of £40 million, which can be met through either cash or undrawn and committed facilities.

Company financial statements of Saga plc
Balance sheet

	Note	2021 £'m	2020 £'m
Non-current assets			
Investment in subsidiaries	2	**552.3**	552.3
Current assets			
Debtors – amounts falling due after more than one year	4	**412.5**	284.6
Debtors – amounts falling due within one year	4	**2.2**	3.0
Cash and short-term deposits		**0.1**	–
		414.8	287.6
Creditors – amounts falling due within one year	5	**(4.8)**	(4.0)
Net current assets		**410.0**	283.6
Creditors – amounts falling due after more than one year	6	**(248.9)**	(248.6)
Net assets		**713.4**	587.3
Capital and reserves			
Called up share capital	7	**21.0**	11.2
Share premium account		**648.3**	519.3
Profit and loss reserve		**38.2**	48.8
Share-based payment reserve		**5.9**	8.0
Total shareholders' funds		**713.4**	587.3

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the 'Act'). The loss included in the financial statements of the Company, determined in accordance with the Act, was £14.2m (2020: £532.7m).

Company number: 08804263

The notes on pages 206 to 211 form an integral part of these financial statements.

Signed for and on behalf of the Board on 6 April 2021 by

E A SUTHERLAND
Group Chief Executive Officer

J B QUIN
Group Chief Financial Officer

Company financial statements of Saga plc

Statement of changes in equity

	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Share-based payment reserve £'m	Total equity £'m
At 31 January 2019	11.2	519.3	600.2	13.6	1,144.3
Loss for the financial year	–	–	(532.7)	–	(532.7)
Dividends paid	–	–	(25.8)	–	(25.8)
Share-based payment charge	–	–	–	2.1	2.1
Exercise of share options	–	–	7.1	(7.7)	(0.6)
At 31 January 2020	11.2	519.3	48.8	8.0	587.3
Loss for the financial year	**–**	**–**	**(14.2)**	**–**	**(14.2)**
Dividends paid	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Issue of share capital (note 7)	**9.8**	**140.6**	**–**	**–**	**150.4**
Transaction costs associated with issue of share capital	**–**	**(11.6)**	**–**	**–**	**(11.6)**
Share-based payment charge	**–**	**–**	**–**	**2.3**	**2.3**
Exercise of share options	**–**	**–**	**3.7**	**(4.4)**	**(0.7)**
At 31 January 2021	**21.0**	**648.3**	**38.2**	**5.9**	**713.4**

Notes to the Company financial statements

1.1 ACCOUNTING POLICIES

a. Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, and are prepared on a going concern basis (please refer to note 2.1 of the Saga plc consolidated accounts on pages 136 to 138 for assessment of the going concern basis for the Group and the Company).

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2021.

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

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

b. Investment in subsidiaries

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

c. Debtors

Trade and other debtors are initially recognised at fair value and, where the time value of money is material, subsequently measured at amortised cost using the effective interest rate method. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Amounts due from Group undertakings are classified as debtors. They have no fixed date of payment and are payable on demand. The amounts due from Group undertakings are disclosed at fair value.

1.1 ACCOUNTING POLICIES (CONTINUED)

d. Deferred tax

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

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

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

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

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

e. Share-based payments

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

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

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

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

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

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

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

f. Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, FVOCI or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

The Company's financial assets at amortised cost include amounts due from Group undertakings. The Company does not hold any financial assets classified as FVOCI or FVTPL.

Notes to the Company financial statements continued

1.1 ACCOUNTING POLICIES (CONTINUED)

f. Financial instruments (continued)

Financial assets at amortised cost

Initial recognition and measurement

A financial asset is classified at amortised cost if it meets both of the following conditions and is not elected to be designated as a FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

These assets are subsequently measured at amortised cost using the EIR method. The amortised cost is reduced by impairment losses (see (ii) below). Impairment losses are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

Derecognition

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

ii) Impairment of financial assets

The ECL impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Company measures loss allowances at an amount equal to 12 month ECLs, except for trade receivables and contract assets that result from transactions within the scope of IFRS 15.

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition.

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

The Company's financial liabilities comprise loans and borrowings.

Subsequent measurement

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

Derecognition

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

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

g. Audit remuneration

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

1.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3h	Investment in subsidiaries impairment testing	The Company determines whether investment in subsidiaries needs to be impaired when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 2 on pages 209 and 210.

2 INVESTMENT IN SUBSIDIARIES

	£'m
Cost	
At 31 January 2019	4,132.2
Capital contributions arising from share-based payments	0.5
At 31 January 2020	4,132.7
Capital contributions arising from share-based payments	–
At 31 January 2021	**4,132.7**
Amounts provided for	
At 31 January 2019	3,062.4
Amounts provided in the year	518.0
At 31 January 2020	3,580.4
Amounts provided in the year	–
At 31 January 2021	**3,580.4**
Net book value	
At 31 January 2021	**552.3**
At 31 January 2020	552.3

See note 39 to the consolidated financial statements for a list of the Company's investments.

The Company has tested the investment in subsidiaries balance for impairment at 31 January 2021 due to the carrying value being in excess of the Company's market capitalisation and this constituting an indicator of impairment. The impairment test compares the recoverable amount of investment to its carrying value.

The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections from the Group's Board approved five-year plan to 2025/26. Terminal values have been included using 2.0% as the expected long-term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate derived from the Group's weighted average cost of capital, and risk adjusted for each of the Group's businesses based on relative industry betas and cost of debt levels. The recoverable amount is the value-in-use, being the sum of the value-in-use of the Group's CGUs and the present value of central costs less the market value of external debt and the net assets of the Company (excluding the carrying value of the investment in subsidiaries).

Notes to the Company financial statements continued

2 INVESTMENT IN SUBSIDIARIES (CONTINUED)

In the current year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in headroom of £342.0m in a central scenario. When considering an array of stress tests to the Group's projected cash flows in line with the reasonable worse-case assumptions outlined in note 2.1 of the Saga plc consolidated accounts on pages 136 to 138, combined with a lower terminal growth rate of 1.5%, the level of headroom reduced to £12.0m. Management therefore concluded that is was not necessary to impair the investment in subsidiaries, nor would it be appropriate to reverse any impairment already recognised in previous years at this point in time.

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

The surplus calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2021 and its impact on the headroom/(deficit) against the carrying value of investment in subsidiaries is as follows:

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £'m	−1.0ppt £'m	+1.0ppt £'m	−1.0ppt £'m
Impact	(199.5)	253.7	192.5	(151.3)

3 DIVIDENDS

The Company did not receive any dividends during the current year (2020: £nil).

4 DEBTORS

	2021 £'m	2020 £'m
Amounts falling due after more than one year		
Amounts due from Group undertakings	**412.5**	284.6
	412.5	284.6

	2021 £'m	2020 £'m
Amounts falling due within one year		
Deferred tax asset	**1.0**	1.2
Other debtors	**1.2**	1.8
	2.2	3.0

5 CREDITORS – AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2021 £'m	2020 £'m
Other creditors	**3.0**	2.2
Accrued interest payable	**1.8**	1.8
	4.8	4.0

6 CREDITORS – AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2021 £'m	2020 £'m
Bond	**250.0**	250.0
Unamortised issue costs	**(1.1)**	(1.4)
	248.9	248.6

Please refer to note 30 of the Saga plc consolidated accounts on pages 194 and 195 for further details relating to the bond.

7 CALLED UP SHARE CAPITAL

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 31 January 2019 and 31 January 2020	1,122,003,328	0.01	11.2
Issue of shares – 5 October 2020			
– First Firm Placing	224,400,000	0.01	2.2
– Second Firm Placing	124,183,026	0.01	1.2
– Placing and Open Offer	623,335,182	0.01	6.3
	971,918,208	0.01	9.7
Sub-total before share consolidation	2,093,921,536	0.01	20.9
Share consolidation – 13 October 2020	(1,954,326,767)		
Issue of shares – 18 November 2020	507,458	0.15	0.1
As at 31 January 2021	**140,102,227**	0.15	21.0

On 30 August 2020 the Company announced that it was at the advanced stage of a prospective £150m equity capital raise in order to strengthen the Group's statement of financial position, improve liquidity and support the execution of its strategy plan. The prospective £150m equity raise was launched on 10 September 2020, structured as a Firm Placing and Open Offer.

Under the Firm Placing and Open Offer, on 5 October 2020 the Company issued 971,918,208 new ordinary shares, raising £150.3m of funds which were utilised to repay part of the Group's term loan and repay in full the drawn RCF, with the balance of the proceeds raised increasing available cash. The issue was fully subscribed.

The share premium arising on the issue of the new ordinary shares was £140.6m. Transaction costs associated with the issue the share capital of £11.6m were deducted from share premium.

On 13 October 2020 the Company undertook a consolidation of its shares, whereby for every 15 ordinary shares held of 1p nominal value, shareholders received 1 new consolidated share of 15p nominal value.

On 18 November 2020, Saga plc issued 507,458 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an EBT to satisfy employee incentive arrangements.

Please refer to note 33 of the Saga plc consolidated accounts on page 197 for further details on the movements in share capital during the year.

8 COMMITMENTS

The Company has provided guarantees for the Group's bond, term loan, ship debt, RCF and bank overdraft (please refer to notes 25 and 30 of the Saga plc consolidated accounts on pages 185, and 194 to 195, respectively for further details).

Alternative Performance Measures (APM) Glossary

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

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

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

UNDERLYING PROFIT BEFORE TAX

Underlying Profit Before Tax represents loss before tax excluding unrealised fair value gains and losses on derivatives, the net 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. It is reconciled to statutory loss before tax within the Operating and Financial Review on page 31.

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, Trading EBITDA in relation to businesses disposed of in the period and Trading EBITDA relating to the two new cruise ships, Spirit of Discovery and Spirit of Adventure in line with the Group's debt covenants. It is reconciled to Underlying Profit Before Tax within the Operating and Financial Review on page 40. Underlying Profit Before Tax is reconciled to statutory loss before tax within the Operating and Financial Review on 31.

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 net 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. Prior year figures have been restated to reflect the effect of the share consolidation that was completed in October 2020. This measure is reconciled to the statutory basic earnings per share in note 12 to the accounts on pages 164-165.

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 25 to the accounts on page 185.

AVAILABLE OPERATING CASH FLOW

Available operating cash flow is net cash flow 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 40.

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 43.

Glossary

Asset beta measures the market risk of the company excluding the impact of debt

Association of British Insurers General Terms of Agreement (ABI GTA)

Accident year the financial year in which an insurance loss occurs

Acromas Insurance Company Limited (AICL) the Group's underwriting business

Add-on an insurance policy that is actively marketed and sold as an addition to a core policy

Air Travel Organiser's Licence (ATOL) government-run financial protection scheme operated by the Civil Aviation Authority

Annual General Meeting (AGM)

Association of British Travel Agents (ABTA) the trade association for tour operators and travel agents in the UK

Available cash cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries

Board Saga plc Board of Directors

Bordereau a report prepared periodically and submitted to our reinsurers detailing premium or loss data with respect to identified specific risks

Carbon Disclosure Project (CDP) charity that manages companies' disclosure of their environmental impacts

Care Quality Commission (CQC) the independent regulator of all health and social care services in England

Cash Generating Unit (CGU) group of assets that generate cash inflows

Chartered Institute of Internal Auditors (CIIA) body representing internal auditors in the UK

Chief Executive Officer (CEO)

Chief Financial Officer (CFO)

Chief People Officer (CPO)

Civil Aviation Authority (CAA) one of the bodies that regulates the Group's Travel business, responsible for the management of the Air-Travel Organisers Licence scheme

Claims frequency the number of claims incurred divided by the number of policies earned in a given period

Claims reserves accounting provisions that have been set to meet outstanding insurance claims, incurred but not reported and associated claims handling costs

Code the UK Corporate Governance Code published by the UK Financial Reporting Council setting out guidance in the form of principles and provisions to address the principal aspects of corporate governance

Combined operating ratio (COR) the ratio of the claims costs and expenses incurred to underwrite insurance (numerator), to the revenue earned by AICL (denominator) in a given period. Can otherwise be calculated as the sum of the loss ratio and expense ratio

Companies Act the UK Companies Act 2006, as amended from time to time

Company Saga plc

Core policy an insurance policy that is actively marketed and sold on its own, irrespective of any add-ons purchased

Corporate social responsibility (CSR)

Cruise passenger days the total number of days passengers have travelled on a ship, or ships, in a given period

Cruise passengers the number of passengers that have travelled on a Saga cruise in a given period

Deferred Bonus Plan (DBP) reward scheme used to incentivise colleagues over the longer-term, ensuring alignment with company goals

Diems the total amount of cruise revenue earned per cruise passenger per day

Discontinued operations operations divested or those that have been classified as held for sale whose trading activities relate to a separate line of business or geographical area

Diversity, Inclusion and Belonging (DI&B)

Debt ratio (leverage) the ratio of adjusted net debt to Adjusted Trading EBITDA

Disclosure and Transparency Rules (DTRs) rules published by the UK Financial Conduct Authority relating to the disclosure of information by a company listed in the UK

Earned premium insurance premiums that are recognised in the income statement over the period of cover to which the premiums relate, deferred on a 365ths basis

Earnings Per Share (EPS) represents underlying shareholder value generated in a given period

EBITDA earnings before interest, tax, depreciation and amortisation of acquired intangibles, non-trading costs and impairments

Effective Interest Rate (EIR) annual interest rate after taking into account the compounding over time

Employee Benefit Trust (EBT) trust established to hold assets to provide benefits for employees

Environmental, Social and Governance (ESG) central factors in measuring the sustainability and societal impact of the business

Glossary continued

European Union (EU)

Executive Director of Saga plc (unless otherwise stated)

Executive Leadership Team (ELT) the first layer of management below Board level

Expected Credit Loss (ECL) impairment model applied to financial assets

Expense ratio the ratio of expenses incurred to underwrite insurance (numerator) to the revenue earned by AICL (denominator) in a given period

Fair Value Through Other Comprehensive Income (FVOCI) one of three classification categories for financial assets under IFRS 9

Fair Value Through Profit and Loss (FVTPL) one of three classification categories for financial assets under IFRS 9

Federation of Tour Operators (FTO) body that regulates the Group's Tour Operations business

Financial Conduct Authority (FCA) the independent UK body that regulates the financial services industry, which includes general insurance

Financial Reporting Council (FRC) the independent body that regulates auditors, accountants and actuaries in the UK

Gibraltar Authorisation Regime (GAR)

Generally Accepted Accounting Principles (GAAP) a common set of accounting principles, standards and procedures issued by the Financial Accounting Standards Board

Gibraltar Financial Services Commission (GFSC) independent Gibraltar body that regulates the Group's underwriting business

Greenhouse gas (GHG)

Gross Written Premiums (GWP) the total premium charged to customers for a core insurance product, excluding Insurance Premium Tax but before the deduction of any outward reinsurance premiums, measured with reference to the cover start date of the policy

Group the Saga plc group

Her Majesty's Revenue and Customs (HMRC)

Holidays passengers the number of passengers that have travelled on a Saga or Titan holiday in a given period

Incurred but not reported (IBNR) a claims reserve provided to meet the estimated cost of claims that have occurred, but have not yet been reported to the insurer

Initial Public Offering (IPO) the first sale of shares by a previously unlisted company to investors on a securities exchange

International Accounting Standards (IAS) accounting standards issued by the International Accounting Standards Committee

International Accounting Standards Board (IASB) independent body that sets accounting standards

International Air Transport Associations (IATA) trade association of the world's airlines

International Financial Reporting Standards (IFRS) accounting standards issued by the International Accounting Standards Board

Investor code (IVC) a unique reference code issued to investors of Saga plc

Investor Relations (IR) team responsible for facilitating communication between Saga plc and its shareholders

Key Performance Indicator (KPI) quantifiable measure used to evaluate performance

Leverage ratio the ratio of adjusted net debt to Adjusted Trading EBITDA

Limited Liability Partnership (LLP)

Listing Rules (LRs) a set of mandatory regulations of the UK Financial Conduct Authority and applicable to a company listed on the London Stock Exchange

Load factor the total number of cruise passengers booked in proportion to the total cruise ship capacity

London inter-bank offered rate (LIBOR) benchmark interest rate estimated from leading London banks

London Stock Exchange (LSE) the stock exchange upon which Saga plc are listed

Long-term incentive plan (LTIP) reward scheme used to incentivise colleagues over the longer-term, ensuring alignment with company goals

Loss ratio a ratio of the claims costs (numerator) to the net earned premium (denominator) in a given period

Malus an arrangement that permits the forfeiture of unvested remuneration awards in circumstances the Company considers appropriate

Mental Health First Aider (MHFA) a specialist group of first aiders within Saga plc

Net claims the cost of claims incurred in the period less any claims costs recovered under reinsurance contracts and after the release of any claims reserves

Net earned premium earned premium net of any outward earned reinsurance premium paid

Net interest expense finance costs less finance income

Net promoter score (NPS) percentage of customers rating their likelihood to recommend Saga plc

Ogden discount rate the discount rate set by the relevant government bodies, the Lord Chancellor and Scottish

Ministers, and used to calculate lump sum awards in bodily injury cases

Open Offer the offer that took place in October 2020 as part of the capital raise, allowing qualifying shareholders to subscribe for new shares at a ratio of five new shares for every nine existing shares held

Periodic payment order (PPO) a court order prescribing settlement of an insurance claim through regular payments

Policies sold the number of core and add-on insurance policies sold to customers in a given period, measured by reference to the cover start date of the policy

Principal risks and uncertainties (PRUs) the most significant risks threatening Saga plc

Private Medical Insurance (PMI) one of the products offered within the Groups Retail Broking business

Profit Before Tax (PBT) one of the Group's primary key performance indicators

Public Limited Company (plc)

Reinsurance contractual arrangements where an insurer transfers part or all of the insurance risk written to another insurer, in exchange for a share of the customer premium

Restricted Share Plan (RSP) share scheme, and corresponding share awards used to incentivise colleagues over the longer-term, ensuring alignment with company goals

Return on capital employed (ROCE)

Revolving credit facility (RCF)

Saga Management Team (SMT) the third layer of management below Board level

Saga Services Limited (SSL) the Group's Retail Broking Business Saga Services Limited.

Senior Leadership Team (SLT) the second layer of management below Board level

Share Incentive Plan (SIP)

Simpler Saga Group-wide project launched in January 2020 with the goal of increasing the pace of execution and efficiency across the business. The project involves the review of all areas on the business with a focus on flattening our structures to become closer to our customers and ensuring we are being as efficient as possible.

Solvency capital/Solvency II insurance regulations designed to harmonise European Union insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk

Sustainable Development Goals set in 2015 by the United Nations General Assembly, the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice

tCO_2e tonnes of carbon dioxide equivalent, which is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO_2

Tell Euan About (TEA) a communications forum allowing colleagues to interact with the Group Chief Executive Officer

Total Shareholder Return (TSR) the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity

Tour Operating Membership Scheme (TOMS)

UK United Kingdom

Unearned premium an amount of insurance premium that has been written but not yet earned

Weighted Average Cost of Capital (WACC)

Working@Saga a collaborative initiative to design, refit and repurpose our office space to support new ways of working

Shareholder information

FINANCIAL CALENDAR
2021 Annual General Meeting – 14 June 2021

SHAREHOLDER INFORMATION ONLINE
The Company will publish annual reports, notices of shareholder meetings and other documents which we are required to send to shareholders (shareholder information) on our website. Consenting shareholders will be notified either by post or email, if preferred, each time the Company publishes shareholder information. This allows us to increase speed of communication, reduce our impact on the environment and keep costs to a minimum.

You can change your communication preference via the Saga Shareholder Services Portal www.sagashareholder.co.uk or by contacting Saga Shareholder Services. In order to register on the portal, you require your 11-digit investor code (IVC). You can find your IVC on communications such as your share certificate. The Saga Shareholder Services Portal allows you to manage your shareholding easily and securely online. You can also change your personal details; view your holding and get an indicative valuation; view dividend information; register proxy voting instructions; reinvest your dividends to buy additional Saga plc shares; buy and sell shares; and register bank details so that dividends can be paid directly to your account.

SHAREHOLDER FRAUD
Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If any such unsolicited communication is received; please check the company or person contacting you is properly authorised by the FCA before getting involved. Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way; you may lose your money. For more information, or if you are approached by fraudsters, please visit the FCA website www.fca.org.uk/consumers/scams, where you can report and find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters; you should contact Action Fraud on 0300 123 2040.

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Information for investors
Information for investors is provided on the internet as part of the Group's corporate website which can be found at www.corporate.saga.co.uk/investors

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Shareholder Helpline: 0800 015 5429 – calls to Freephone numbers will vary by provider. If you are outside the UK, call +44 (0)333 300 1581 – calls outside the UK will be charged at the applicable international rate. Lines are open 9am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

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Registered in England. Company Number: 08804263

CORPORATE WEBSITES
Information made available on the Group's websites does not, and is not intended to, form part of this annual report and accounts.

FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements with respect to Saga's expectations, including strategy, management objectives, future developments and financial position and performance. These statements are subject to assumptions, risks and uncertainties, many of which relate to factors that are beyond Saga's ability to control and which could cause actual results and performance to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made are based upon the knowledge and information available to Directors on the date of this annual report and are subject to change without notice. Shareholders are cautioned not to place undue reliance on the forward-looking statements. Nothing in this annual report should be construed as a profit estimate or forecast.

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SAGA

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