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

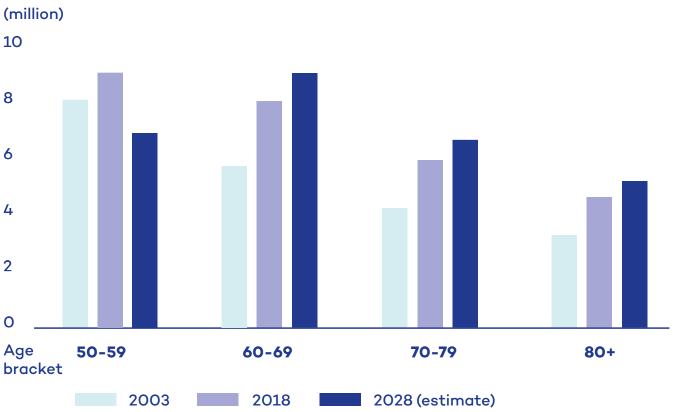
Saga operates in a dynamic environment across multiple sectors to meet the needs of its target demographic.

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.

1 Office for National Statistics – 2018-based principal projections

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.

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

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

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

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

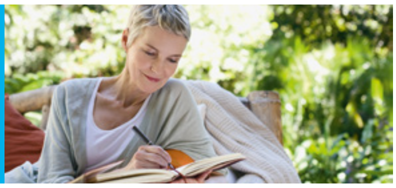
- Continued differentiation with 610,000 three-year fixed-price policies sold and implementation of enhanced travel insurance to include COVID-19 cover.
- 59% of new business acquired directly, 2ppts ahead of prior year. Growth in motor and home policies of 1.1%, despite the competitive environment.
- 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.

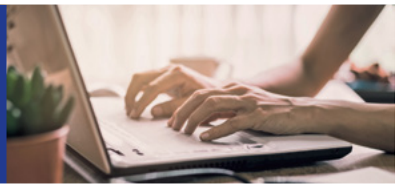
Performance indicators

£

- 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)

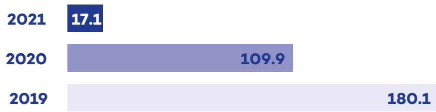
Reference to strategic priority from pages 14 -15

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

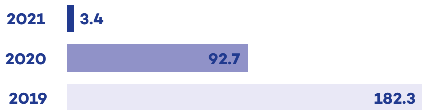
In order to protect the Group's financial position in light of the COVID-19 pandemic, the Board announced on 2 April 2020 that it had suspended dividend payments. The Board does not expect to pay dividends until 2023 at the earliest, given the restrictions under current financing arrangements.

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

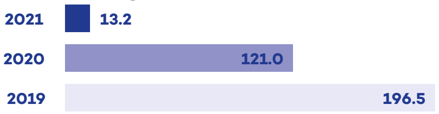
Reduction in available cash flow largely due to the cash support provided to the Travel businesses throughout the period of suspension. Refer to the Operating and Financial Review on pages 38-40 for full details.

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.

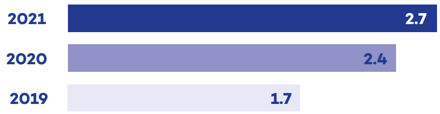
Purpose
Underlying EPS is linked to Underlying Profit Before Tax, the Group's primary KPI, and represents what management considers to be the underlying shareholder value generated in the period.

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.

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'.

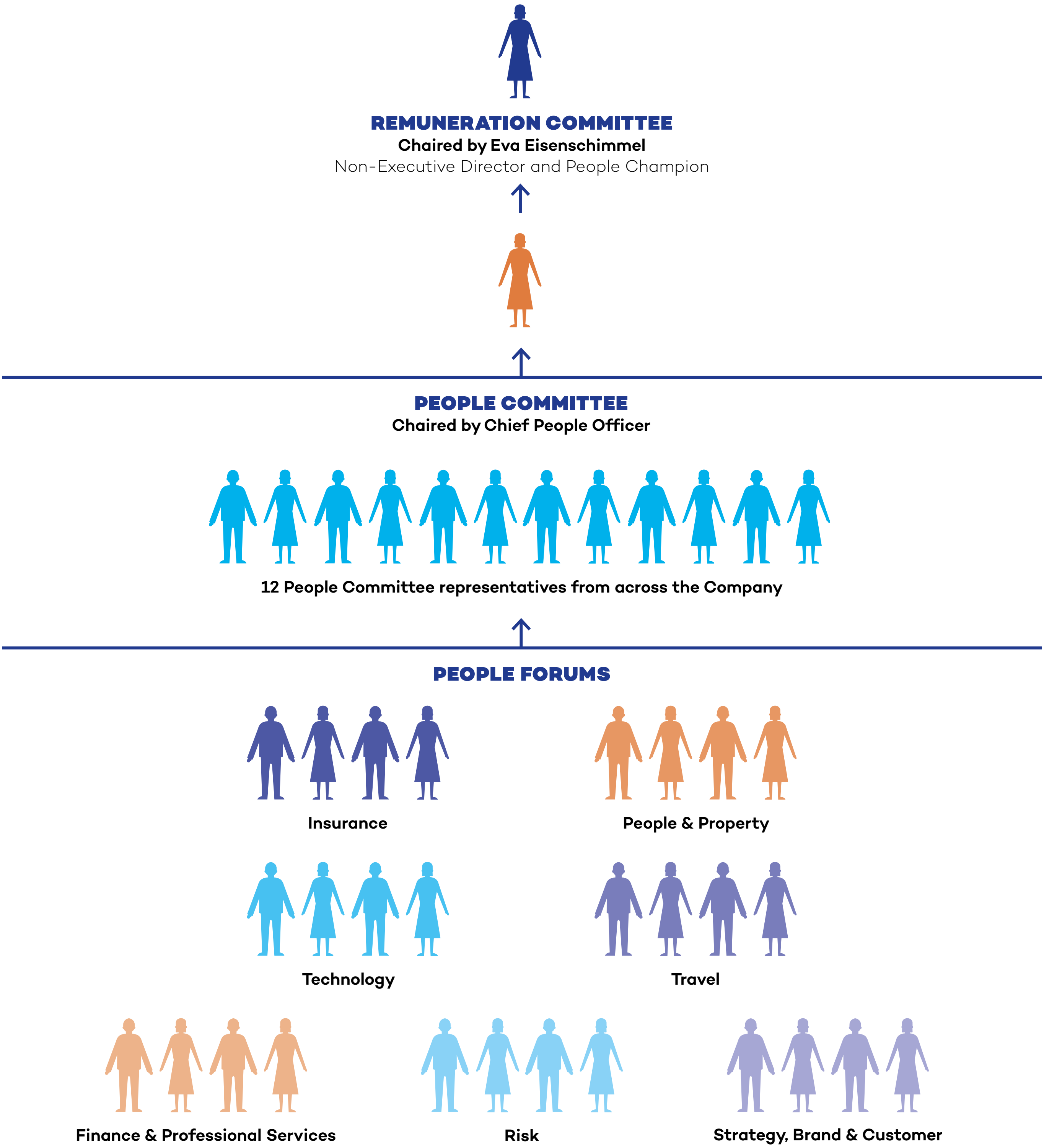
Leadership communications

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