4 April 2023

Saga plc

Unaudited preliminary results for the year ended 31 January 2023

Saga reports significant revenue growth and return to underlying profit

Saga plc (**Saga** or the **Group**), the UK's specialist in products and services for people over 50, announces its unaudited preliminary results for the year ended 31 January 2023.

	31 January 2023 (unaudited)	31 January 2022	**Change**
Revenue	£581.1m	£377.2m	54%
Underlying Profit/(Loss) Before Tax[1]	£21.5m	(£6.7m)	421%
Loss before tax	(£254.2m)	(£23.5m)	
Available Operating Cash Flow[1]	£54.9m	£75.8m	(28%)
Net Debt[1]	£711.7m	£729.0m	(2%)
Leverage ratio	7.5x	11.7x	(4.2x)

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

"Over the past year, through what continued to be a particularly challenging external backdrop, Saga made progress against its strategy while achieving significant revenue growth and returning to underlying profit.

"Our Ocean Cruise business continued to see strong customer demand and bookings for 2023/24 are on track to meet our targets. In Travel, bookings are significantly ahead of the same point last year and that business will return to profit this year.

"Our Insurance Underwriting business took pricing action to reflect the rise in claims inflation, while our Insurance Broking business navigated a challenging landscape, adjusting to significant regulatory changes and increased competitive pressure.

"We also took a number of key steps to reposition the business, consistent with the strategy we set out 12 months ago to create 'The Superbrand' for older people. Our top priorities for the next 12 months are to strengthen our financial position and continue to build Saga into the largest and fastest-growing business for older people in the UK, delivering long-term, sustainable growth for our stakeholders."

Operational and financial highlights

- The Group reports an Underlying Profit Before Tax[1] of £21.5m, within the guided range of £20m to £30m.
- Revenue growth, when compared to the prior year, was 54% due to continued Cruise and Travel recovery following the pandemic.
- The reported loss before tax of £254.2m reflects the £269.0m impairment of Insurance goodwill reported within our interim results.
- Available Cash[1], at 31 January 2023, was £157.5m with Net Debt[1] of £711.7m, £17.3m lower than the year before.
- The Group remains in discussions in relation to the possible sale of its Insurance Underwriting business, consistent with the ambition to move towards a capital-light model and reduce debt.

Divisional performance

Cruise – Strong Ocean bookings on track to meet our targets with River set to return to profit

- Ocean Cruise reported an Underlying Loss Before Tax[1] of £0.7m for the full year but with considerable improvement in the second half, when the business reported an Underlying Profit Before Tax[1] of £6.2m.
- Ocean Cruise revenue, of £168.3m, was more than 100% ahead of 2021/22, supported by a full year load factor of 75% and per diem of £318. This compares with 68% and £299 in the prior year.
- Ocean bookings for 2023/24 are strong, representing a load factor of 72%, and per diem of £339 at 26 March 2023. This places us on track to achieve our target of £40m EBITDA (excluding overheads) per ship.
- Our River Cruise business, which we now report separately from our Travel business, reported revenue of £28.8m compared with £1.7m in the prior year, and an Underlying Loss Before Tax[2] of £5.1m.

[1] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

- River Cruise bookings for 2023/24 are very positive with the number of booked guests 23% ahead of the same point last year, reflecting a load factor of 63% and per diem of £298 at 26 March 2023.
- Customer satisfaction across both Ocean and River Cruise remains exceptional at 9.0 and 8.2 out of 10, respectively at 31 January 2023.

Travel – Launch of new products boosting bookings position

- Our Travel business reported revenue of £108.4m, more than 10 times that in the previous year, and a small Underlying Loss Before Tax[2] of £4.1m, in line with previous guidance.
- Building from a recovery in touring revenues, in addition to the launch of new products including our private jet tours and 'Tailor-Made by Saga' proposition, total booked revenue for 2023/24, at 26 March 2023, was £136.6m, 32% ahead of the £103.7m booked at the same point in the prior year.

Insurance Broking – Underlying Profit Before Tax[2] in line with the prior year

- Overall, the business reported a written Underlying Profit Before Tax[2] of £67.7m, in line with the £66.6m in the previous year.
- Total policies in force across all products, at 31 January 2023, was 1.7m, 3% behind the prior year, with total policy sales 2% behind.
- The number of travel insurance policies sold was 103% ahead of the prior year, achieving revenue growth of more than 200%.
- Customer retention across motor and home insurance strengthened further, now at 83.8% and 1.0ppt ahead of the prior year.
- As a result of significantly lower new business sales, the total number of motor and home insurance policies sold was 7% behind the prior year with an average margin of £71 per policy, compared with £74 in the year before. The direct share of new business was 49%, compared with 59% in the prior year, reflecting challenging market conditions.

Insurance Underwriting – Material pricing increases applied to offset the rise in claims inflation

- Our Underwriting business reported an Underlying Profit Before Tax[2] of £19.1m for the year ended 31 January 2023, including underlying prior year reserve releases of £25.1m.
- As indicated within our January Trading Update, the current year underlying combined operating ratio (excluding the impact of our quota share reinsurance arrangements) was 125.8% compared with 96.3% in the prior year. This reflects the unwind of COVID-19 frequency benefits, a sharp rise in claims inflation and an above-average level of current year large losses.
- This is largely offset within our result by recoveries under our quota share reinsurance arrangements and favourable development on prior year large losses.
- We continued to apply material price increases to the motor book, reflecting not only retrospective, but also our prospective view of inflation.

Wider strategic progress – Positioning Saga for growth

- Saga Money reported an Underlying Profit Before Tax[2] of £2.3m and top line growth across our equity release and savings products.
- Following the launch of Saga Media in late January, our brand-new website, Saga Exceptional, has exceeded our initial expectations and attracted more than 500,000 visitors to date.
- In the fourth quarter of 2022, the Group reported its highest ever net promoter score. The score of 51 was 2 points higher than the same point in the prior year and reflects improvements within our contact centres which reduced wait times and improved the customer journey.
- Following the pandemic, and the move to our hybrid working approach, far fewer colleagues are choosing to work regularly from the office. We, therefore, made the decision to close our Enbrook headquarters in Folkestone in favour of two smaller hubs in Kent, in addition to our existing London hub. This will reduce operating expenses while we explore longer-term options for the site.
- To allow us to reach a wider audience, our aim is to grow our database. In support of this we set a target to achieve three million new customer marketing consents by 31 January 2023, which we met.

[2] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

- Following the acquisition of the Big Window at the start of the year, we further developed our insights through the creation of our customer segmentation, expansion of our Experienced Voices customer panel and, most recently, the release of our 'Generation Experience' economic study which dispels some of the myths around ageing and the contribution that people over 50 make to the economy.

Financial position

The Group continues to focus on reducing leverage, with Net Debt[3] decreasing by £17.3m in 2022/23. To further reduce debt and increase liquidity ahead of the £150m bond maturity in May 2024, and consistent with the ambition to move to a more capital-light model, the Group has initiated a sale process for the Insurance Underwriting business that is continuing.

To provide additional financial flexibility ahead of the May 2024 bond maturity, the Group has agreed a loan facility with Sir Roger De Haan, on normal commercial terms, that enables the business to draw down up to £50m of cash, if required, with 30 days' notice. The facility will be effective from 1 January 2024 and will expire on 30 June 2025, with interest incurred at 10% and with draw down and milestone fees of up to a maximum of 6% of the facility.

Outlook

The progress made in 2022/23 places us in good stead as we enter 2023/24. We expect to see customer demand continue to build for our Ocean Cruises and we are aiming to achieve a load factor of at least 80% and our targeted £40m EBITDA per ship, excluding overheads. We expect both our River Cruise and Travel businesses to significantly increase the number of passengers that travel with us and return to profit.

While the UK insurance market remains very challenging, our disciplined approach is the right one. We expect lower sales in motor and home insurance but with a margin in line with previous indications, trending towards £60 per policy. We expect Insurance Underwriting to report a broadly break-even result in the current year with material rate increases fully benefiting future years.

Subsequent to the launch of new products planned for the second half of 2023/24, the contribution from Saga Money is expected to grow when compared with 2022/23 levels.

We remain focused on reducing our debt through the continued repayment of our ocean cruise ship debt and the £150m bond on maturity in May 2024 which, following actions taken to improve our financial flexibility, we expect to repay from Available Cash[3].

We will also continue our strategic pivot to become a capital-light, direct-to-customer marketing, content and distribution business through investment in Media, data and insight. As we increase the frequency and depth of our customer relationships, we will transform Saga into the largest and fastest-growing business for older people in the UK.

END

Management will hold a presentation for analysts and investors at 9.30am today. The webcast can be accessed by registering at https://www.investis-live.com/saga-group/6419aee93e92bb0c006728f0/dsgh and a copy of the presentation slides is available at www.corporate.saga.co.uk/investors/results-reports-presentations/.

Audited results for the year ended 31 January 2023 will be published within the 2023 Annual Report and Accounts later in April.

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Notes to editors

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

[3] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Chairman's Statement

I am pleased to report that last year the performance of our core Cruise, Travel and Insurance businesses enabled us to return to underlying profitability whilst we also made good progress in relation to the strategy we set out 12 months ago.

Saga continued to build on the progress reported at the half year, with revenue for the Group increasing by over 50% when compared with the previous year, following the return to more normal Cruise and Travel operations post the pandemic.

Our Ocean Cruise business, with its new ships, performed well in the second half of the year, sailing with an average 84% occupancy, testament to the exceptional service we provide on board, the model that we are now mirroring on board our River Cruise vessels. Looking ahead, the level of revenue booked for the 2023/2024 financial year is very encouraging and we are now in a good position to generate our targeted levels of EBITDA, £80m excluding overheads, from the two ships.

There have been exciting new developments in our Travel business in the past year, including the move to a more agile, more digital operation, and the launch of our new "Tailor-Made by Saga" holidays. Currently, demand for our holidays is strong, particularly for our touring programmes.

Our Insurance business operated in the highly competitive market last year following continued disruption and uncertainty created by the regulatory changes to the industry's pricing and the high cost of settling insurance claims. We continued to take a disciplined approach to our pricing.

As we have indicated previously, we have decided to focus on Insurance Broking and to sell our Insurance Underwriting business, a move that will reduce the risk we take and release capital and allow us to further reduce our debt. With this in mind, I was pleased to be able to provide a £50m facility to give the Company additional flexibility .

In order to increase the products and services we offer and the frequency of our customer interactions and the understanding we have of them, I am delighted that we strengthened our leadership team during the year. Three very experienced and talented executives were appointed to set up and lead our new Media business, our Personal Finance operations, Saga Money and our Data team. Each of these areas has great potential.

As I set out in my statement last year, Saga has always had a strong sense of purpose and we have embraced our Environmental, Social and Governance (**ESG**) responsibilities. During the year, we conducted an assessment to understand fully the ESG factors that are most material to our business. Our new sustainability strategy will be published in our 2023 Annual Report and Accounts, and in due course we will set out further details of the key metrics that we will use to track our performance.

I am very positive about the future potential of Saga. We have managed our way through three difficult years and, in 2023/24, we expect all of our three main businesses to be profitable. I am confident that our strategy is the right one and will lead to growth and a significant reduction in our levels of debt.

Finally, I'd like to thank the team at Saga for their hard work over the past year. It is evident to me that there is a tremendous opportunity for Saga to broaden its services to its customers, reduce its debt, enlarge its business and increase its profitability and that the Company is now well placed to take advantage of this.

Group Chief Executive Officer's Statement

Continued pandemic recovery

During 2022/23, we made strong progress against the growth plan that we set out in March 2022, as our Cruise and Travel businesses continued to recover from the pandemic, and we navigated a particularly challenging motor insurance market as it adjusted to regulatory changes, a sharp rise in claims inflation and a highly competitive environment in light of those changes. This was achieved alongside the launch of our new Media business, significant enhancements to our data capabilities and the strengthening of our leadership team.

Return to underlying profit

I am pleased to report that, for the year ended 31 January 2023, Saga generated an Underlying Profit Before Tax[1] of £21.5m, compared with an Underlying Loss Before Tax[1] of £6.7m in the prior year. This reflects significant improvements across Cruise and Travel as those businesses returned to more normal operations, and consistent Insurance Broking performance, which was partially offset by reduced earnings from our Insurance Underwriting business.

After reflecting the £269.0m Insurance goodwill impairment that we reported within our interim results, alongside other smaller one-off below-the-line items, we report a loss before tax of £254.2m. This compares to a loss before tax of £23.5m in the prior year.

In addition, we reduced our level of Net Debt[1] which, at 31 January 2023, was £711.7m and continued to hold significant Available Cash[1] of £157.5m at the same date. Net Debt[1] and Available Cash[1], at 31 January 2022, were £729.0m and £186.6m respectively.

To further reduce debt and increase liquidity ahead of the maturity of our £150m bond in May 2024, we have taken a series of actions which include the initiation of a sales process in relation to our Insurance Underwriting business and the agreement of a £50m loan facility with Sir Roger De Haan.

The progress made throughout the course of the year demonstrates that Saga is on the right track to, in time, deliver long-term sustainable growth for our stakeholders.

Our growth plan

In March 2022, we set out our ambition to become the largest and fastest-growing business for older people in the UK which we will achieve through delivery of our three-step growth plan. This plan is focused on the following three priorities:

1. Maximising our existing businesses
2. Step-changing our ability to scale while reducing debt
3. Creating 'The Superbrand' for older people

An update on our progress, during the past year, in each of these areas is set out below.

1. Maximising our existing businesses

Cruise

Our Ocean Cruise business reported an Underlying Loss Before Tax[1] of £0.7m for the year ended 31 January 2023. This comprises an underlying loss of £6.9m in the first half and a profit of £6.2m in the second half as the impact of COVID-19 lessened. This compares to an Underlying Loss Before Tax[1] of £47.7m in the prior year.

For the 2022/23 financial year, Ocean Cruise achieved a load factor of 75%, made up of 66% in the first half of the year and 84% in the second, accompanied by a per diem of £318. This compares with a 68% load factor and £299 per diem in the prior year. These factors, when combined, result in Ocean Cruise year-on-year revenue growth in excess of 100%.

Looking ahead to the 2023/24 financial year, our booked load factor positions us well to meet our target of at least 80%. At 26 March 2023, we had secured bookings equivalent to a 72% load factor and £339 per diem. This positions us well to deliver our target of £40m EBITDA per ship, excluding overheads, in the year ending 31 January 2024.

[1] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

As our Ocean and River Cruise businesses are now managed by the same team, we have taken steps to not only ensure that our River Cruise guests experience the same exceptional service as within Ocean Cruise, but also provide more visibility over the performance of our River Cruise operation.

Our River Cruise business, in line with the guidance within our January Trading Update, reported an Underlying Loss Before Tax[2] of £5.1m which compares with a £6.4m loss in the prior year. This improvement was largely driven by significantly more guests sailing with us, being 12,000 in 2022/23 compared with just 1,000 in the prior year.

For the 2023/24 financial year, the River Cruise business is expected to generate a small Underlying Profit Before Tax[2] before becoming a more meaningful proportion of the Group's earnings over time. In support of this, bookings for the year ending 31 January 2024 are strong and, at 26 March 2023, we had already secured bookings from more than 12,500 guests which equated to a load factor of 63% and per diem of £298.

We actively encourage our guests to openly express their views and provide feedback in relation to our Cruise offering as it is this that allows us to continuously enhance our guest experience. We are exceptionally proud that, at 31 January 2023, our guest satisfaction score was 9.0 out of 10 for Ocean Cruise and 8.2 for River Cruise.

Travel

Our Travel business returned to more normal operations following the COVID-19 pandemic and, as such, revenue for the year ended 31 January 2023 increased by more than 10 times when compared with the year before. The business reported a small Underlying Loss Before Tax[2] of £4.1m.

2022/23 was a year of transformation for our Travel business, moving from a largely traditional paper-based business to one that offers awe-inspiring holidays through a more digital and agile operating model.

As part of the move, we developed a series of exciting new products, including 'Tailor-Made by Saga', which offers customers a truly personalised travel experience, and our private jet tours which represent our most luxurious holidays yet with a succession of unforgettable encounters and travel exclusively by chartered plane. In addition, all bookings now benefit from our Saga Deluxe and Titan VIP Travel Services which include home-to-airport pick up, airport lounge access and fast-track security clearance at selected UK airports.

Customer feedback received to date in relation to our revamped Travel offering has been incredibly positive and is reflected in our forward bookings. At 26 March 2023, booked revenue totalled £136.6m which is 32% ahead of the same point in the prior year. This level of bookings places the business firmly on track to return to profit in 2023/24.

Insurance

The UK insurance market has faced particularly challenging times over the past year as insurers adjusted to market-wide regulatory changes and high levels of claims inflation.

Overall, Insurance Broking reported an Underlying Profit Before Tax[2], on a written basis, of £67.7m which compares to £66.6m in the previous year.

The number of policies in force across all products, at 31 January 2023, was 1.7m or 3% behind the position at 31 January 2022. Total policy sales for the year as a whole were 2% behind the prior year, reflecting a 103% increase in the number of travel insurance policies sold, broadly stable sales of private medical insurance and motor and home sales that were 7% behind the prior year.

While the level of new motor and home policies sold was significantly behind the prior year at 50% and 17% respectively, customer retention improved to 83.8%, or 1.0ppt ahead of the prior year. The average margin per policy was £71, compared with £74 in the year before.

The proportion of customers coming to Saga directly, rather than through price-comparison websites, was 49%, compared with 59% in the prior year, reflecting the competitive nature of the market.

Our Insurance Underwriting business reported an Underlying Profit Before Tax[2] of £19.1m for the year, supported by £25.1m of underlying prior year reserve releases.

Excluding the impact of these reserve releases, and our quota share reinsurance arrangements, our current year underlying combined operating ratio was 125.8% which compares with 96.3% in the prior year. This reflects the expected unwind of the prior year COVID-19 frequency benefits, a sharp rise in inflation to the cost of settling claims and an above-average level of current year large claims.

[2] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

In response to the rise in claims inflation, throughout the year, we applied material increases to our pricing which incorporated both the level of inflation already observed, and the expected inflation in the coming year.

Money

Our personal finance business, Saga Money, reported an Underlying Profit Before Tax[3] of £2.3m for the 2022/23 financial year, broadly in line with that of the prior year.

In equity release, which was supported by the launch of our new television advertising, total loan volumes were 29% ahead of the prior year, with the average loan value also 19% higher.

Our savings product, provided in partnership with Goldman Sachs, secured 17% more accounts than in the year ended 31 January 2022, with assets under management of around £3.5bn.

2. Step-changing our ability to scale while reducing debt

The second focus within our growth plan is on reducing our level of debt and step-changing our ability to scale the business. At 31 January 2023, Net Debt[3] was £711.7m, £17.3m lower than at 31 January 2022. This represents the Group's gross debt at that date, less £157.5m of Available Cash[3].

Following two years of agreed deferrals, we re-commenced payments on our two ocean cruise ship facilities and a total of £46.4m was repaid during 2022/23. Future Cruise bookings are encouraging and, over time, we expect to generate sufficient cash from Ocean Cruise to meet interest and capital repayments, including catch-up payments on elements deferred during the pandemic.

To maintain flexibility in relation to our short-term liquidity needs, we concluded discussions with the lending banks behind our revolving credit facility and agreed a series of amendments, including changes to the leverage and interest cover covenants attached to the facility. Full details of the changes and revised covenant levels can be found on page 24.

As part of our property strategy, we are continuously assessing our ways of working and how best to support colleagues. Following the pandemic, and in line with our hybrid working approach, we saw that far fewer colleagues were choosing to work regularly from our Enbrook Park headquarters in Folkestone. We made the decision to close the site in favour of two smaller hubs in Kent, in addition to our existing London hub. This will reduce operating expenses while we explore longer-term options for the site.

As part of our plan to reduce debt and move towards a more capital-light model, we are continuing to evaluate our options in relation to our Insurance Underwriting business and an active sales process is ongoing.

3. Creating 'The Superbrand' for older people

The final step in our growth plan is to create 'The Superbrand' for older people through focus on our brand, data, insights and customer interactions.

Saga is a brand that has exceptionally high awareness amongst people over 50, however, historically too many have seen Saga as something that 'isn't for them'. Over the past couple of years, our mission has been to reframe the conversation with a focus on experience as opposed to age. The brand relaunch in 2021 was only the start and, since then, we have expanded our new marketing campaigns to cover more products, and increased our customer net promoter score (**NPS**) to its highest ever level. When compared to 2021, NPS in the fourth quarter was two points higher, at 51. This reflects improvements within our contact centres which reduce wait times and improve the customer journey.

As we highlighted at our Capital Markets Event in January 2023, the data we hold and the way that we use it, will be key to our success in becoming a superbrand. At the beginning of the year, we set a target to achieve three million new consents by 31 January 2023 which would allow us to communicate our products and services to a wider audience than before. I am pleased to confirm that we achieved this, and more.

The insights we hold about 'Generation Experience' are crucial as they allow us to develop products and services that meet the specific needs of our customers. Following the acquisition of The Big Window Consulting Limited at the start of the year, we have taken great strides in this space. These include developing our detailed customer segmentation, building our Experienced Voices panel which now consists of more than 10,000 of our customers and championing a conversation on positive ageing, most recently supported by the release of our 'Generation Experience' economic study.

[3] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

In addition, increasing the depth, and frequency, of our interactions with customers is a key part of our superbrand plan. Through this, we are able to learn more about their specific interests and viewpoints, enabling us to continuously improve the products and services we offer. Saga Media, which was launched in January 2023, is pivotal to this process. Through Saga Media, and our brand-new Saga Exceptional website, we are providing people over 50 with an online home and a corner of the internet that is designed specifically for them. Not only does this allow us to become part of our customers' lives and learn more about what they want, but it will also become a profit-generative business in its own right within five years, through advertising and affiliate partnerships.

In order to transform Saga into 'The Superbrand' for older people, we need to create an exceptional colleague experience, giving each and every colleague the opportunity to do the best work of their lives. During 2022/23, we made great progress in this space, providing colleagues with access to a new reward platform and enhancing the financial support available through acceleration of our annual pay review cycle and two additional cost of living support payments for our colleagues with lower earnings.

The engagement of our colleagues, measured through a survey hosted by an independent third party, remains high at 8 out of 10.

Building Saga into the largest and fastest-growing business for older people

We are continuing with the delivery of our three-step growth plan, focused on maximising our existing businesses, reducing debt while step-changing our ability to scale and creating 'The Superbrand' for older people. We will continue to pay down our ocean cruise ship debt, and we expect to repay the £150m bond maturing in May 2024 from Available Cash[4].

Overall, I am pleased with the progress made during the year as we began to make the strategic pivot towards becoming a capital-light marketing, content and distribution business. We now have the right team, strategy and structure in place that will return Saga to sustainable long-term growth.

Finally, I would like to pass my thanks on to our colleagues for their relentless efforts during this period of change. I recognise that any business is only as strong as its colleagues and, looking at the team around me, that fills me with confidence.

[4] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Group Chief Financial Officer's Review

Although the last 12 months have been challenging in both Insurance and Travel, in 2022/23 the Group returned to an Underlying Profit Before Tax[1] of £21.5m compared to an Underlying Loss Before Tax[1] of £6.7m in the prior year. This was mainly due to a £69.4m improvement in the results of our Cruise and Travel operations, offset by a £35.0m reduction in the results from Insurance Underwriting.

For Cruise and Travel, the first half of 2022/23 was far from 'plain sailing'. The Cruise business was affected by ongoing impacts from COVID-19, which led to the curtailing of two ocean cruises and higher cancellations on other departures. The Travel business was impacted by lower demand and also experienced higher-than-normal cancellations, in part due to the operational issues impacting the industry. These factors were much less of an issue in the second half, although revenues and profitability have yet to recover to levels anticipated pre-pandemic.

Insurance Broking has been under pressure from a combination of pricing reforms, inflation squeezing distribution margins and from a generally highly competitive environment. This led to a significant decline in new business sales for motor and home. The overall Insurance Broking result was at a similar level to the prior year, with lower motor and home profits offset by improved results on other products, especially travel insurance.

Results for Insurance Underwriting were, however, much lower than in the prior year. Part of this was expected, with the prior year benefiting from reduced motor claims frequency during periods of lockdown. This reduction in claims frequency reversed as we expected, but results for the second half of the year were adversely impacted by a sharp increase in claims inflation and an increase in large losses. This resulted in us reporting an underlying current year combined operating ratio (**COR**) of 125.8% for the full year, considerably adverse to expectations, albeit with a significant portion of the lower result ceded to our reinsurers.

While the Group generated an Underlying Profit Before Tax[1], we reported a loss before tax of £254.2m, mainly due to a £269.0m impairment of the goodwill related to our Insurance business, included in our interim results. As reported at the half year, the combination of a very competitive motor market and regulatory changes equalising new business and renewal pricing are adversely impacting motor and home new business sales and pricing, which in turn has led to a reduction in the discounted cash flows that underpin the carrying value of Insurance goodwill.

For the 2023/24 financial year, we expect to see a further recovery in the Cruise and Travel businesses. Ocean Cruise bookings are positive, and we expect our load factors for the current year to be in line with the levels expected pre-pandemic. The River Cruise and Travel businesses are also starting to see much better booking momentum and we are on track to return to profit in 2023/24. In Insurance Broking, we expect policy sales to continue to reduce, as lower new business in 2022/23 translates into lower renewals in 2023/24, with motor and home margins of around £60 per policy, as previously indicated. For Insurance Underwriting, we expect a broadly break-even result; while underlying performance should be considerably better than in 2022/23, significant rate increases will not be fully reflected in earned premiums until the second half and improvement in results will, in the first instance, go towards reducing reinsurer losses. In addition, we also expect only limited reserve releases in future years.

In terms of our financial position, in 2022/23, our Net Debt[1] reduced from £729.0m to £711.7m with gross debt reducing by £46.4m, all relating to the debt financing of our two ocean cruise ships, of which £29.1m was financed from a reduction in Available Cash[1]. While this was a lower pace of reduction than we had anticipated, reflecting the challenges we faced in 2022/23, we continue to have significant liquidity, with £157.5m of Available Cash[1] at 31 January 2023.

Over the course of the past year, we have taken a series of actions which increase our financial flexibility. These include amendments in relation to our revolving credit facility, the initiation of a sales process for our Insurance Underwriting business and, most recently, the agreement of a loan facility with Sir Roger De Haan. This facility, which was provided on an arm's-length basis, commences on 1 January 2024 and would allow the Group to draw down up to £50m, as required, to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024.

Our focus now is on growing earnings and significantly reducing leverage as our Cruise and Travel businesses continue their positive momentum and as we capitalise on investment in Media, Money and data.

[1] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Operating performance

Group income statement

£m	12m to Jan 2023 (unaudited)	Change	12m to Jan 2022
Revenue[2]	**581.1**	*54.1%*	**377.2**
Underlying Profit/(Loss) Before Tax[3]			
Cruise and Travel	(9.9)	*87.5%*	(79.3)
Insurance Broking (earned)	69.1	*4.1%*	66.4
Insurance Underwriting	19.1	*(64.7%)*	54.1
Total Insurance	88.2	*(26.8%)*	120.5
Other Businesses and Central Costs	(34.9)	*(19.1%)*	(29.3)
Net finance costs[4]	(21.9)	*(17.7%)*	(18.6)
Underlying Profit/(Loss) Before Tax[3]	**21.5**	*420.9%*	**(6.7)**
Impairment of Insurance goodwill	(269.0)		-
Other exceptional items	(6.7)		(16.8)
Loss before tax	**(254.2)**	*(981.7%)*	**(23.5)**
Tax expense	(5.0)	*(11.1%)*	(4.5)
Loss after tax	**(259.2)**	*(825.7%)*	**(28.0)**
Basic earnings per share:			
Underlying Earnings/(Loss) Per Share[3]	11.9p	*207.2%*	(11.1p)
Loss per share	(185.8p)	*(824.4%)*	(20.1p)

The Group's business model is based on providing high-quality and differentiated products to its target demographic, predominantly focused on cruise, travel and insurance. The Cruise and Travel business comprises Ocean Cruise, River Cruise 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. Other Businesses comprises Saga Money, Saga Media, Saga Insight and CustomerKNECT (formerly MetroMail), a mailing and printing business.

Revenue[2]

Revenue[2] increased by 54.1% to £581.1m (2022: £377.2m) due to increased trading in the Cruise and Travel businesses. The current year has a full year of trading in Cruise and Travel compared to a suspension of these businesses for the majority of the first half of the prior year.

Underlying Profit/(Loss) Before Tax[3]

The Group generated a total Underlying Profit Before Tax[3] of £21.5m in the current year compared to an Underlying Loss Before Tax[3] of £6.7m in the prior year. This is primarily due to a £69.4m reduction in Cruise and Travel losses, of which £47.0m relates to the Ocean Cruise business. This was partially offset by a reduction in Insurance Underwriting profitability due to lower reserve releases and an increased current year loss ratio.

Net finance costs[4] in the year were £21.9m (2022: £18.6m), which excludes finance costs that are included within the Cruise and Travel businesses of £19.2m (2022: £19.5m). The increase of 17.7% was due to the higher bond interest costs following the completion of the new bond issue in July 2021. This was partially offset by a reduction in debt issue costs in current year compared with the prior year.

Loss before tax

Loss before tax for the year of £254.2m includes a £269.0m impairment to Insurance goodwill and other exceptional items of £6.7m. Other exceptional items are made up of £1.1m of impairments to assets (net of amounts recoverable under quota share arrangements), £3.7m of restructuring costs, a £2.0m foreign exchange loss on river cruise ship leases, £0.6m IFRS 16 adjustment loss on river cruise ships, £0.7m acquisition costs on the purchase of The Big Window Consulting Limited and a £1.4m fair value gain on derivatives de-designated in the year.

[2] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £111.3m (2022: £123.8m)
[3] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation
[4] Net finance costs exclude Cruise and Travel finance costs, net fair value gains/(losses) on derivatives and IAS 19R pension interest costs

The loss before tax in the prior year of £23.5m includes a £2.7m fair value loss on derivatives de-designated in the year due to the suspension of Travel operations, £6.3m of restructuring costs, mainly relating to the Travel business, a £2.0m charge due to the closure of the defined benefit pension scheme and £2.4m of costs incurred on the ship debt holiday, partially offset by £0.9m foreign exchange gains on river cruise ship leases.

The prior year also includes a net impairment of assets of £4.3m that represents £10.2m and £0.5m of impairments and loss on disposals of software and property, plant and equipment respectively, mainly relating to the Travel business, £1.0m of impairment on assets held for sale, a £7.1m profit on disposal of assets, after costs of £0.1m in relation to a sale of property and a £0.3m gain on a lease modification within right-of-use assets.

Tax expense

The Group's tax expense for the year was £5.0m (2022: £4.5m), representing a tax effective rate of 33.8% (2022: negative 19.1%), excluding the Insurance goodwill impairment charge. In the prior year, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19%, was mainly due to the Group's Ocean Cruise business being in the tonnage tax regime.

There was also an adjustment in the current year for the under-provision of prior year tax of £0.8m (2022: £1.0m). In the prior year, there was an adjustment for the impact of the change in the tax rate on opening deferred tax balances of a £2.6m credit. Excluding the impact of the Ocean Cruise business being in the tonnage tax regime, Insurance goodwill impairment and adjustments to prior year tax, the tax effective rate for the current period is 28.4%.

Earnings/(loss) per share

The Group's Underlying Basic Earnings Per Share[5] was 11.9p (2022: Loss of 11.1p). The Group's reported basic loss per share was 185.8p (2022: loss of 20.1p).

[5] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Cruise and Travel

£m	12m to Jan 2023 (unaudited) Ocean Cruise	River Cruise	Travel	Total Cruise and Travel	*Change*	12m to Jan 2022 Ocean Cruise	River Cruise	Travel	Total Cruise and Travel
Revenue	**168.3**	**28.8**	**108.4**	**305.5**	*222.6%*	**82.5**	**1.7**	**10.5**	**94.7**
Gross profit/(loss)	**40.2**	**1.5**	**20.9**	**62.6**	*863.4%*	**(7.7)**	**0.2**	**(0.7)**	**(8.2)**
Marketing expenses	(11.0)	(3.2)	(10.2)	(24.4)	*(17.3%)*	(12.1)	(2.2)	(6.5)	(20.8)
Other operating expenses	(10.7)	(3.4)	(14.8)	(28.9)	*6.5%*	(9.2)	(3.8)	(17.9)	(30.9)
Investment return	-	-	-	-	*(100.0%)*	0.1	-	-	0.1
Finance costs	(19.2)	-	-	(19.2)	*1.5%*	(18.8)	(0.6)	(0.1)	(19.5)
Underlying Loss Before Tax[6]	**(0.7)**	**(5.1)**	**(4.1)**	**(9.9)**	*87.5%*	**(47.7)**	**(6.4)**	**(25.2)**	**(79.3)**
Average revenue per passenger (£)	4,675	2,400	2,306	3,216	*5.3%*	3,750	1,700	1,313	3,055
Ocean Cruise passengers ('000)	36			36	*63.6%*	22			22
Ocean Cruise load factor	75%			75%	*7ppts*	68%			68%
Ocean Cruise per diem (£)	318			318	*6.4%*	299			299
River Cruise passengers ('000)		12		12	*1,100.0%*		1		1
Travel passengers ('000)			47	47	*487.5%*			8	8

Ocean Cruise

Ocean Cruise returned to more normal operating conditions and achieved a load factor of 75% (2022: 68%) and a per diem of £318 (2022: £299). These two factors, when combined, equate to year-on-year revenue growth in excess of 100% and have resulted in a significantly reduced Underlying Loss Before Tax[6] from £47.7m to £0.7m. The first half of the prior year only included a month of Spirit of Discovery trading and a few days of Spirit of Adventure trading, at a government-enforced load factor restriction of 50% that was removed towards the end of July 2021.

In the first half of the current year, there were some adverse impacts on a small number of cruises due to COVID-19, while the conflict in Ukraine dampened customer demand for departures to the Baltics and Black Sea, resulting in late itinerary changes and some limited cancellations, which led to a first half load factor of 66%.

In the second half of the year, as impacts from the pandemic lessened and customer demand continued to build, a load factor of 84% was achieved.

River Cruise

The River Cruise business has long-term leases in place for two boutique river cruise ships, Spirit of the Rhine and Spirit of the Danube, alongside other charters which are managed on an annual basis. Although the business is now operating, both the Omicron variant of COVID-19 and the conflict in Ukraine impacted the number of passengers travelling in the current year, especially in the first half, due to continued customer caution in relation to Central Europe. The River Cruise business did not operate for the majority of the prior year due to the travel restrictions that were in place at the time.

This resulted in a reduced Underlying Loss Before Tax[6] from £6.4m to £5.1m.

Travel

The Travel business, which includes both the Saga Holidays and Titan brands, has seen much increased volumes compared to the prior year, with passenger numbers increasing from 8k to 47k. The recovery in volumes has been impacted by a level of disruption from a variety of factors, including operational challenges faced by airlines and airports, particularly in the first half.

The recovery in passenger volumes led to an improvement in the Underlying Loss Before Tax[6] from £25.2m to £4.1m.

In the second half of the year, we saw customer cancellations returning closer to pre-pandemic levels, with multiple initiatives underway to return to growth, including the recently launched 'Tailor-Made by Saga' proposition.

[6] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Forward Cruise and Travel sales

Ocean Cruise load factors for 2023/24 are behind the same point last year for 2022/23 by 3ppts. This is partly due to the release of itineraries in the prior year being earlier than usual as we emerged from COVID-19 lockdowns, and partly due to the prior year including bookings which had been postponed during the period of COVID-19 suspension. The per diem for 2023/24 is 6.3% higher than the same point last year for 2022/23 as the Group has reflected the inflationary impact on operating costs in customer pricing.

River Cruise revenue and passengers booked for 2023/24 are ahead of the same point last year for 2022/23 by 29.8% and 22.5% respectively. This is due to increased customer demand for 2023/24 compared to customer caution in respect of Central Europe in 2022/23. For 2023/24, the Cruise team have aligned management information for the River Cruise business to the Ocean Cruise business so load factor and per diems are now key performance indicators for River Cruise.

Travel bookings for 2023/24 are ahead at the same point last year for 2022/23 by 31.7% and 17.1% for revenue and passengers respectively. The increased revenue is due in part to higher passengers but also increases in operating costs being incorporated in customer pricing and a move towards a higher revenue, higher margin product range. The increase in passengers is due to higher uptake of long-haul travel within our Titan brand as customer confidence returns.

	Current year departures		
	26 March 2023 (unaudited)	Change	27 March 2022
Ocean Cruise revenue (£m)	175.1	6.6%	164.2
Ocean Cruise load factor	72%	(3ppts)	75%
Ocean Cruise per diem (£)	339	6.3%	319
River Cruise revenue (£m)	34.0	29.8%	26.2
River Cruise passengers ('000)	12.5	22.5%	10.2
River Cruise load factor	63%	n/a	n/a
River Cruise per diem (£)	298	n/a	n/a
Travel revenue (£m)	136.6	31.7%	103.7
Travel passengers ('000)	49.2	17.1%	42.0

Insurance

Insurance Broking

The Insurance 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, 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 manages the customer relationship.

	12m to Jan 2023 (unaudited)					12m to Jan 2022			
£m	Motor Broking	Home Broking	Other Broking	Total	*Change*	Motor Broking	Home Broking	Other Broking	Total
Gross written premiums (**GWP**):									
Broked	105.0	150.1	123.9	379.0	*6.9%*	105.0	153.2	96.5	354.7
Underwritten	180.9	-	3.2	184.1	*(11.9%)*	205.5	-	3.4	208.9
GWP	285.9	150.1	127.1	563.1	*(0.1%)*	310.5	153.2	99.9	563.6
Broker revenue	31.4	26.5	42.1	100.0	*(5.1%)*	43.2	29.0	33.2	105.4
Instalment revenue	6.4	3.0	-	9.4	*(4.1%)*	6.6	3.2	-	9.8
Add-on revenue	9.2	10.4	-	19.6	*(10.5%)*	11.0	10.9	-	21.9
Other revenue	26.1	17.7	3.2	47.0	*0.9%*	27.4	17.1	2.1	46.6
Written revenue	**73.1**	**57.6**	**45.3**	**176.0**	***(4.2%)***	**88.2**	**60.2**	**35.3**	**183.7**
Written gross profit	**70.4**	**57.6**	**48.6**	**176.6**	***(2.6%)***	**85.6**	**60.2**	**35.6**	**181.4**
Marketing expenses	(13.0)	(6.7)	(5.5)	(25.2)	*10.6%*	(17.5)	(7.1)	(3.6)	(28.2)
Written gross profit after marketing expenses	**57.4**	**50.9**	**43.1**	**151.4**	***(1.2%)***	**68.1**	**53.1**	**32.0**	**153.2**
Other operating expenses	(39.3)	(28.4)	(16.0)	(83.7)	*3.3%*	(38.0)	(27.9)	(20.7)	(86.6)
Written Underlying Profit Before Tax (PBT)[7]	**18.1**	**22.5**	**27.1**	**67.7**	***1.7%***	**30.1**	**25.2**	**11.3**	**66.6**
Written to earned adjustment	1.4	-	-	1.4	*800.0%*	(0.2)	-	-	(0.2)
Earned Underlying PBT[7]	**19.5**	**22.5**	**27.1**	**69.1**	***4.1%***	**29.9**	**25.2**	**11.3**	**66.4**
Policies in force	800k	645k	207k	1,652k	*(2.5%)*	884k	682k	129k	1,695k
Policies sold	849k	670k	206k	1,725k	*(2.4%)*	943k	696k	129k	1,768k
Third-party panel share[8]	32.7%				*2.6ppts*	30.1%			

Insurance Broking Underlying Profit Before Tax[7] on a written basis (which excludes the impact of the written to earned adjustment) increased slightly to £67.7m from £66.6m, and on an earned basis (which includes the impact of the written to earned adjustment), increased to £69.1m from £66.4m.

A key metric for the Insurance Broking business is written gross profit, after deducting marketing expenses, but before deducting overheads. This reduced from £153.2m in the prior year to £151.4m in the current year due to reduced new business volumes and lower renewal margins on motor and home business. The fall of £12.9m in written gross profits after marketing expenses in motor and home was partially offset by an £11.1m improvement in Other Broking, mainly due to a recovery in sales of travel insurance compared to the prior year.

For motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits increased by £9.5m, while there was a £22.4m reduction in renewal profits.

The changes in profitability of motor and home business are, in part, attributable to the equalisation of pricing between new business and renewals following the implementation of the General Insurance Pricing Practices (**GIPP**) review by the Financial Conduct Authority (**FCA**) from 1 January 2022. This led to an improvement in new business margins, partially offset by a 50% and 17% reduction in motor and home new business policies sold respectively compared to the prior year. The reduction in renewal profits is due to lower motor and home renewal margins, partially offset by a 7% increase in motor renewal policies sold.

The average gross margin per policy for motor and home combined, calculated as written gross profit less marketing expenses, divided by the number of policies sold, was £71.3 in the current year, compared with £73.9 in the prior year. Comparison of margins across the two years is impacted by a significant reduction in the sales of lower margin new business relative to the number of renewals. Based on the same mix of new business and renewals as in 2021/22, the average gross margin per policy in 2022/23 would have been £67.2.

[7] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation
[8] Third-party underwriter's share of the motor panel for policies

While the pricing implications of the FCA's review into GIPP have impacted Insurance Broking earnings in the year, it has also impacted some of the key metrics in the past 12 months:

- Motor and home policies in force decreased by 7.7% in the year.
- Increase in customer retention at 83.8% across motor and home from 82.8% in the prior year.
- 714k three-year fixed-price policies were sold in the year; 47% of total motor and home policies incepting, with 35% of direct new business taking the product.
- Direct new business sales for motor and home were 49% of the total, 10ppts lower than the prior year with the Group balancing volumes and renewals post the GIPP reforms across direct and price-comparison website distribution channels.

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, which is then recognised in profit or loss when the option to renew those policies at a predetermined fixed price is exercised or lapses, recognising inflation risk inherent in this product. As at 31 January 2023, £9.7m (2022: £8.7m) of income had been deferred in relation to three-year fixed-price policies, £7.9m (2022: £7.3m) of which related to income written in the year to 31 January 2023.

Motor Broking

Gross written premiums decreased by 7.9% due to a 10.0% decrease in core policies sold, partially offset by a 2.3% increase in average premiums. Gross written premiums from business underwritten by AICL decreased 12.0% to £180.9m (2022: £205.5m) due to a 13.0% decrease in core policies sold that were underwritten by AICL, offset by a 1.2% increase in average premiums.

Written gross profit minus marketing expenses was £57.4m (2022: £68.1m), contributing £67.6/policy (2022: £72.2/policy). The decrease in written gross profits and margin per policy is mainly due to lower renewal margins, partially offset by a 7% increase in renewal policies and higher new business margins.

Home Broking

Gross written premiums decreased by 2.0% due to a 3.7% reduction in core policies sold, partially offset by a 1.8% increase in average premiums.

Written gross profit minus marketing expenses was £50.9m (2022: £53.1m) and, on a per policy basis, this was £76.0/policy (2022: £76.3/policy). The decrease is due to lower renewal margins and a 17% decrease in new business policies sold, partially offset by higher new business margins.

Other Broking

The Other Insurance Broking business primarily comprises private medical insurance (**PMI**) and travel insurance.

Gross written premiums increased 27.2% as a result of higher sales of travel insurance, with policy sales increasing from 77k in the prior year to 158k as a result of increased customer confidence in the travel outlook and fewer restrictions on travel than in the prior year.

Gross profits after marketing costs relating to travel insurance products increased by £9.5m.

While sales of the PMI product were broadly stable, gross profit after marketing costs was £2.2m higher. This increase is a result of increased renewal margins, alongside a higher profit share.

Insurance Underwriting

£m		12m to Jan 2023 (unaudited) Reported	Quota share	Underlying[10]	*Change*	12m to Jan 2022 Reported	Quota share	Underlying[10]
Net earned premium		49.6	(98.7)	148.3	*(8.2%)*	51.5	(110.0)	161.5
Other revenue		25.6	22.9	2.7	*(38.6%)*	33.2	28.8	4.4
Revenue	a	**75.2**	(75.8)	151.0	***(9.0%)***	84.7	(81.2)	165.9
Claims costs	b	(79.0)	83.0	(162.0)	*(22.7%)*	(44.3)	87.7	(132.0)
Reserve releases	c	27.0	1.9	25.1	*(40.4%)*	18.3	(23.8)	42.1
Other cost of sales	d	(4.1)	12.7	(16.8)	*(1.2%)*	(3.9)	12.7	(16.6)
	e	**(56.1)**	97.6	(153.7)	***(44.3%)***	(29.9)	76.6	(106.5)
Gross profit		**19.1**	21.8	(2.7)	***(104.5%)***	54.8	(4.6)	59.4
Operating expenses	f	(3.7)	7.4	(11.1)	-	(4.2)	6.9	(11.1)
Investment return		3.7	(3.9)	7.6	*(2.6%)*	3.5	(4.3)	7.8
Quota share net income/(cost)		–	(25.3)	25.3	*1,365.0%*	–	2.0	(2.0)
Underlying Profit Before Tax[9]		**19.1**	–	19.1	***(64.7%)***	**54.1**	–	**54.1**
Reported loss ratio	(b+c)/a	69.1%		90.7%	*(36.5ppts)*	30.7%		54.2%
Expense ratio	(d+f)/a	10.4%		18.5%	*(1.8ppts)*	9.6%		16.7%
Reported COR	(e+f)/a	79.5%		109.1%	*(38.2ppts)*	40.3%		70.9%
Current year COR	(e+f-c)/a	115.4%		125.8%	*(29.5ppts)*	61.9%		96.3%
Number of earned policies				662k	*(6.9%)*			711k
Policies in force – Saga motor				535k	*(15.0%)*			629k

The Group's in-house underwriter, AICL, underwrites over 65% of the motor business sold by Insurance Broking. AICL also underwrites a portion of the home panel, although all home underwriting risk is passed to third-party insurance and reinsurance providers. AICL also has excess of loss and funds-withheld quota share reinsurance arrangements in place relating to its motor underwriting line of business, which transfer a significant proportion of motor insurance risk to third-party reinsurers.

Excluding the impact of the quota share reinsurance arrangements[10], net earned premiums decreased by 8.2% to £148.3m (2022: £161.5m) reflecting a 6.9% reduction in the number of earned policies underwritten by AICL coupled with a 1.6% decrease in average earned premiums. The reduction in the number of earned policies was due to lower volumes on non-Saga panels.

Also excluding the impact of the quota share arrangements[10], AICL saw an increase in the current year underlying COR to 125.8% (2022: 96.3%) and the current year reported COR to 115.4% (2022: 61.9%).

The first half of the prior year benefited from significantly reduced motor claims frequency due to customers driving fewer miles during the COVID-19 lockdown, with motor claims experience in the second half of the prior year broadly in line with pricing assumptions.

In the current year, motor attritional claims experience and claims inflation have been well in excess of pricing assumptions for the current accident year, with claims inflation estimated to have averaged around 13% for the year as a whole. In addition, there was a modest increase in claims frequency and an above-average level of current year large losses. In response to these trends, we have been taking significant actions to re-price the motor book, in line with technical pricing. These price increases will begin to flow through to earned premium in 2023/24 and will be reflected in full in the 2024/25 result.

[9] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation
[10] Underlying within Insurance Underwriting shows the commercial position of the business by removing the impact of the proportional line-item accounting of the quota share reinsurance arrangements

Underlying prior year reserve releases of £25.1m (2022: £42.1m) resulted in an underlying reported COR of 109.1% (2022: 70.9%). The Group retains an economic interest in motor reserve development with reserve releases on other lines typically having limited net impact on AICL profit. Reserve releases for the past two years can be analysed as follows:

	12m to Jan 2023 (unaudited)				12m to Jan 2022		
£m	Reported	Quota share	Underlying[11]	*Change*	Reported	Quota share	Underlying[11]
Motor insurance	23.8	(3.2)	27.0		16.0	(26.5)	42.5
Home insurance	1.2	0.7	0.5		-	0.1	(0.1)
Other insurance	2.0	4.4	(2.4)		2.3	2.6	(0.3)
	27.0	1.9	25.1	*(40.4%)*	18.3	(23.8)	42.1

Reserve releases reflect continued favourable experience on large bodily injury claims relating to prior accident years. Also, the final part of the additional component of reserve margin for the increased uncertainty over claims development held in respect of the 2020/21 accident year was released in the first half of this year.

While the Group remains prudently reserved and expects to see a level of reserve releases in 2023/24, these are expected to be at a much lower level than in 2022/23.

Excluding the impact of the quota share arrangement[11], the investment return decreased by £0.2m to £7.6m (2022: £7.8m) due to a reduced investment portfolio and lower reinvestment yields.

During 2022/23, the Group recorded a recovery from quota share reinsurance of £25.3m, compared to a cost of £2.0m in the prior year. The recovery is due to the high underlying current year COR of 125.8%, with 80% of current year losses in excess of an underlying current year COR of around 105% ceded to quota share reinsurers. The result for the last 12 months will be aggregated with the results of the next two financial years in determining the final outcome for the current quota share contract.

[11] Underlying within Insurance Underwriting shows the commercial position of the business by removing the impact of the proportional line-item accounting of the quota share reinsurance arrangements

Other Businesses and Central Costs

£m	12m to Jan 2023 (unaudited) Other Businesses	Central Costs	Total	*Change*	12m to Jan 2022 Other Businesses	Central Costs	Total
Revenue:							
Money	7.9	-	7.9	*33.9%*	5.9	-	5.9
Media and printing	10.3	-	10.3	*4.0%*	9.9	-	9.9
Insight	0.6	-	0.6	*100.0%*	-	-	-
Other	-	1.0	1.0	*(33.3%)*	-	1.5	1.5
Total revenue	**18.8**	**1.0**	**19.8**	***14.5%***	**15.8**	**1.5**	**17.3**
Gross profit	**8.1**	**2.6**	**10.7**	***17.6%***	**5.7**	**3.4**	**9.1**
Operating expenses	(8.9)	(37.7)	(46.6)	*(26.6%)*	(3.9)	(32.9)	(36.8)
Investment income	-	1.0	1.0	*100.0%*	-	-	-
IAS 19R pension charge	-	-	-	*100.0%*	-	(1.6)	(1.6)
Net finance costs	-	(21.9)	(21.9)	*(17.7%)*	-	(18.6)	(18.6)
Underlying (Loss)/Profit Before Tax[12]	**(0.8)**	**(56.0)**	**(56.8)**	***(18.6%)***	**1.8**	**(49.7)**	**(47.9)**

The Group's Other Businesses include Saga Money, Saga Media, Saga Insight and CustomerKNECT.

Underlying Profit Before Tax[12] for Other Businesses combined has decreased by £2.6m from £1.8m to an Underlying Loss Before Tax[12] of £0.8m, partly due to an investment in marketing in the Saga Money business of £2.7m above the prior year, which has been partially offset by a £2.0m increase in revenue. A further £1.9m of investment has been made in Saga Media and Saga Insight in the year.

Central operating expenses increased to £37.7m (2022: £32.9m). Administration costs, adjusted for transfers to local business units, decreased by £1.0m in the year, but net costs increased by £4.8m due to lower Group recharges to the business units, particularly Travel. The IAS 19R pension charge ceased following the closure of the defined benefit pension scheme in the second half of the prior year.

Net finance costs in the year were £21.9m (2022: £18.6m), which excludes finance costs that are included within the Cruise and Travel businesses of £19.2m (2022: £19.5m). The increase of 17.7% was due to the higher bond interest costs following the completion of the new bond issue in July 2021.

[12] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Cash flow and liquidity

Available Operating Cash Flow[13]

£m	12m to Jan 2023 (unaudited)	*Change*	12m to Jan 2022
Insurance Broking Trading EBITDA[13]	75.9	*4%*	73.2
Other Businesses and Central Costs Trading EBITDA[13]	(29.5)	*(37%)*	(21.5)
Trading EBITDA[13,14] from unrestricted businesses	**46.4**	***(10%)***	**51.7**
Dividends paid by Insurance Underwriting business	25.0	*(29%)*	35.0
Working capital and non-cash items[15]	(6.5)	*(143%)*	15.2
Capital expenditure funded with Available Cash[13]	(15.8)	*(26%)*	(12.5)
Available Operating Cash Flow[13] before cash injections to Cruise and Travel operations	**49.1**	***(45%)***	**89.4**
Cash injection into River Cruise and Travel businesses	(17.8)	*51%*	(36.4)
Ocean Cruise Available Operating Cash Flow[13]	23.6	*4%*	22.8
Available Operating Cash Flow[13]	**54.9**	***(28%)***	**75.8**
Restructuring costs	(1.4)	*18%*	(1.7)
Interest and financing costs	(38.0)	*10%*	(42.4)
Business and property (acquisitions)/disposals	(0.9)	*(120%)*	4.5
Tax receipts	2.4	*(58%)*	5.7
Other receipts/(payments)	0.3	*103%*	(10.7)
Change in cash flow from operations	17.3	*(45%)*	31.2
Change in bond debt	-	*(100%)*	150.0
Change in bank debt	-	*(100%)*	(70.0)
Change in ship debt	(46.4)	*(100%)*	-
Cash at 1 February	186.6	*148%*	75.4
Available Cash[13] at 31 January	**157.5**	*(16%)*	**186.6**

Available Operating Cash Flow[13] 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 Insurance Broking (excluding specific ring-fenced funds to satisfy FCA regulatory requirements), Other Businesses and Central Costs, and the Group's Ocean Cruise business. Restricted businesses include AICL, River Cruise and Travel.

Excluding cash transfers to and from the Cruise and Travel businesses, the Group continued to be cash generative in the year, with an Available Operating Cash Flow[13] of £49.1m compared with £89.4m in the prior year. Trading EBITDA[13,14] from unrestricted businesses reduced by £5.3m, mainly due to lower Group recharges from the Other Businesses and Central Costs segment. There was also a decrease in working capital which fell from a £15.2m inflow to a £6.5m outflow, mainly relating to the Insurance Broking segment, and a £10.0m reduction in dividends paid by AICL.

For River Cruise and Travel, the Group provided £17.8m of cash to the business to cover trading cash flows in the current year. This is a reduction of £18.6m when compared with the £36.4m funded in the prior year. The Group continues to provide additional liquidity into the River Cruise and Travel businesses, although at a lower level, to meet supplier and other trading payments as both businesses operate under a ring-fenced trust arrangement and so cannot access customer cash from the trust until they have returned from their river cruise or holiday. At 31 January 2023, the ring-fenced businesses held cash of £44.3m, of which £36.2m was held in trust. The Group must hold a minimum of £5.9m of cash outside of trust within the ring-fenced businesses as agreed with the Civil Aviation Authority.

The Ocean Cruise business reported an operating cash inflow of £23.6m (2022: £22.8m), with net trading income of £31.6m (2022: net trading costs of £2.7m), partially offset by a decrease in advance customer receipts of £4.1m (2022: increase of £28.5m), and capital expenditure of £3.9m (2022: £3.0m). Net of interest costs of £15.2m (2022: £15.2m), the Ocean Cruise business reported net cash inflow before any capital repayments on the ship debt of £8.4m for 2022/23 compared to £7.6m in the prior year.

As a result of a reduction in cash generation from unrestricted businesses, partially offset by a reduction in cash injections to the River Cruise and Travel businesses, Available Operating Cash Flow[13] decreased from an inflow of £75.8m in the prior year to £54.9m in the current year.

[13] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation
[14] 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
[15] Adjusted to exclude IAS 19R pension current service costs

Other cash flow movements

Interest and financing costs were higher in the prior year due to the debt issue costs associated with the new bond, the tender of the bond due in May 2024 and amendments to the revolving credit facility (**RCF**). This has been partially offset by higher interest costs on the new bond in the current year.

In the current year, business and property acquisitions and disposals relate to the purchase of The Big Window Consulting Limited. The prior year included cash received from the sale of property, 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 of £5.8m (2022: £4.2m). These are included within other receipts/(payments).

During the year, the Group released £5.0m of restricted cash to Available Cash[16] that it had previously agreed with the FCA to hold on a temporary basis. The Group has also released a further £1.1m in respect of the Threshold Condition 2.4 balance that the Insurance Broking business holds as restricted cash. Both of these are included within other receipts/(payments).

In the current year, the Group restarted capital repayments against its ship debt facilities, with two payments totalling £30.6m on Spirit of Discovery's debt facility and one payment totalling £15.8m on Spirit of Adventure's debt facility. In the prior year, the Group issued a five-year £250m fixed-rate unsecured bond. The proceeds of the bond were used to fund the settlement of £100m of the existing bond and to repay, in full, the £70m term loan.

[16] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Reconciliation between operating and reported metrics

Available Operating Cash Flow[17] reconciles to net cash flows from operating activities as follows:

£m	12m to Jan 2023 (unaudited)	12m to Jan 2022
Net cash flow from operating activities (reported)	(13.9)	46.5
Exclude cash impact of:		
Trading of restricted divisions	35.3	3.8
Non-trading costs	7.5	3.6
Interest paid	37.6	34.2
Tax paid	0.9	4.6
	81.3	46.2
Cash released paid to restricted divisions	7.2	(1.4)
Include capital expenditure funded from Available Cash[17]	(15.8)	(12.5)
Include Ocean Cruise capital expenditure	(3.9)	(3.0)
Available Operating Cash Flow[17]	**54.9**	**75.8**

Trading EBITDA[17] reconciles to Underlying Profit/(Loss) Before Tax[17] as follows:

£m	12m to Jan 2023 (unaudited)	*Change*	12m to Jan 2022
Insurance Broking Trading EBITDA[17]	75.9		73.2
Insurance Underwriting Trading EBITDA[17]	19.3		54.3
Ocean Cruise Trading EBITDA[17,18]	39.0		(12.7)
River Cruise and Travel Trading EBITDA[17]	(8.1)		(28.1)
Other Businesses and Central Costs Trading EBITDA[17]	(29.5)		(21.5)
Trading EBITDA[17]	**96.6**	*48.2%*	**65.2**
Depreciation and amortisation	(34.0)		(32.2)
Pension charge IAS 19R	-		(1.6)
Net finance costs (including Cruise and Travel)	(41.1)		(38.1)
Underlying Profit/(Loss) Before Tax[17]	**21.5**	*420.9%*	**(6.7)**

Adjusted Trading EBITDA[17] is used in the Group's leverage calculation for the RCF covenant and is calculated as follows:

£m	12m to Jan 2023 (unaudited)	*Change*	12m to Jan 2022
Trading EBITDA[17]	**96.6**	*48.2%*	**65.2**
Impact of IFRS 16 'Leases'	(1.3)		(3.1)
Spirit of Discovery and Spirit of Adventure Trading EBITDA[17,18]	(39.0)		11.5
Adjusted Trading EBITDA[17]	**56.3**	*(23.5%)*	**73.6**

[17] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation
[18] EBITDA includes central Ocean Cruise overheads

Statement of financial position

Goodwill

During the first half of the current year, the Group's new business sales of motor and home insurance were significantly lower than expected as a result of competitive market conditions and a challenging environment following the implementation of the FCA's review of GIPP from 1 January 2022. In order to remain competitive and to restore the business to policy growth in future years, the Group launched a new standard motor product. This product, and other actions taken to improve competitiveness, are expected to lead to materially lower margins per policy in future years, and lower overall profit before tax, compared to prior assumptions. Since the lower expected future cash flows represent a potential indicator of impairment, the Group conducted an impairment review of the £718.6m goodwill asset at 31 July 2022 relating to the Insurance business that was included on the statement of financial position at 31 January 2022.

The Group's revised five-year financial forecasts incorporated the modelled impact of the changes in the market environment, including also an expected reduction in margins from a switch to more standard products and lower sales of more feature-rich policies. Further stress tests were also considered including the continuation of the current competitive environment for an extended period and further downsides compared to revised base case assumptions. This resulted in management taking the decision to impair Insurance goodwill by £269.0m in the first half of 2022/23. Consistent with the approach taken in prior years, this impairment is not included within Underlying Profit Before Tax[19].

At 31 January 2023, the Group conducted a further impairment review of the remaining £449.6m goodwill asset relating to the Insurance business and concluded that its recoverable amount was above the carrying value, and no further impairment was considered necessary.

Carrying value of ocean cruise ships

At 31 July 2022 and 31 January 2023, the carrying value of the Group's ocean cruise ships was £612.5m and £607.0m respectively (31 January 2022: £621.3m). Due to the continued challenging operating environment in the first half of the year for the Ocean Cruise business, the Group carried out an impairment review of both of its vessels at 31 July 2022. The results of the review showed that there was headroom in the central and stress test scenarios for both Spirit of Discovery and Spirit of Adventure, with no impairment required.

In the second half of the year, further COVID-19 restrictions were lifted for cruise passengers and trading was in line with forecasts. Discount rates have risen, but not to the extent that they materially change the headroom in the impairment calculation. The Directors therefore concluded that there were no additional indicators of impairment at 31 January 2023 and, accordingly, no further impairment review was deemed necessary.

[19] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Investment portfolio

The majority of the Group's financial assets are held by its Insurance Underwriting entity and represent premium income received and invested to settle claims and meet regulatory capital requirements.

The amount held in invested funds decreased by £50.3m to £279.9m (31 January 2022: £330.2m), partly due to payment of £25.0m of dividends from AICL in the year. At 31 January 2023, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is in line with the prior period and reflects the relatively stable credit risk rating of the Group's investment holdings.

			Credit risk rating			
At 31 January 2023 (unaudited)	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Insurance Underwriting investment portfolio:						
Debt securities	23.5	74.9	64.2	91.8	-	254.4
Money market funds	19.6	-	-	-	-	19.6
Loan funds	-	-	-	-	5.9	5.9
Total invested funds	43.1	74.9	64.2	91.8	5.9	279.9
Derivative assets	-	-	2.5	-	-	2.5
Total financial assets	**43.1**	**74.9**	**66.7**	**91.8**	**5.9**	**282.4**

			Credit risk rating			
At 31 January 2022	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Insurance Underwriting investment portfolio:						
Deposits with financial institutions	-	-	14.0	-	-	14.0
Debt securities	20.2	94.4	68.0	98.2	-	280.8
Money market funds	29.2	-	-	-	-	29.2
Loan funds	-	-	-	-	6.2	6.2
Total invested funds	49.4	94.4	82.0	98.2	6.2	330.2
Derivative assets	-	-	1.8	0.1	-	1.9
Total financial assets	**49.4**	**94.4**	**83.8**	**98.3**	**6.2**	**332.1**

Insurance reserves

Analysis of insurance contract liabilities at 31 January 2023 and 31 January 2022 is as follows:

	At 31 January 2023 (unaudited)			At 31 January 2022 (restated)		
£m	**Gross**	**Reinsurance assets[20]**	**Net**	**Gross**	**Reinsurance assets[20]**	**Net**
Reported claims	231.1	(60.4)	170.7	227.4	(55.8)	171.6
Incurred but not reported[21]	47.3	(1.7)	45.6	57.5	(3.3)	54.2
Claims handling provision	6.8	-	6.8	7.9	-	7.9
Total claims outstanding	285.2	(62.1)	223.1	292.8	(59.1)	233.7
Unearned premiums	83.1	(6.7)	76.4	93.9	(6.3)	87.6
Total	**368.3**	**(68.8)**	**299.5**	**386.7**	**(65.4)**	**321.3**

The Group's total insurance contract liabilities, net of reinsurance assets, decreased by £21.8m in the year to 31 January 2023 from the previous year end, primarily due to a £11.2m reduction in unearned premiums, coupled with an £8.6m decrease in net incurred but not reported claims reserves. The reduction in net incurred but not reported claims reserves is due to reserve releases that reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, the final part of the additional component of reserve margin held in respect of the 2020/21 accident year was released in the current year. The 31 January 2022 position has been restated due to an incorrect classification between reported claims and incurred but not reported of £16.1m. The restatement had no net impact on total claims outstanding.

[20] Excludes funds-withheld quota share arrangement
[21] Includes amounts for reported claims that are expected to become periodical payment orders

Financing

At 31 January 2023, the Group's Net Debt[24] was £711.7m, £17.3m lower than at the beginning of the financial year.

In the first half of 2022/23, the RCF agreement was reduced from £100m to £50m and was simplified by the removal of certain clauses that were introduced during the pandemic, including:

- removal of the £40m minimum free liquidity requirement; and
- removal of the condition that the facility is terminated on 1 March 2024, should the 2024 bond not be repaid by that date.

In the second half of the year, we concluded discussions with our lending banks and agreed the following amendments to the facility which, in aggregate, provide us with increased financial flexibility:

- The introduction of a restriction whereby no utilisation of the facility is permitted prior to repayment of the 2024 bond if leverage exceeds 5.5x, or liquidity is below £170m.
- During 2023 and 2024, should the RCF be drawn, leverage covenant testing will be quarterly.
- Repayment of the 2024 bond, ahead of maturity, is restricted while leverage remains above 3.75x.
- Amendments to the leverage and interest cover covenants attached to the facility, as follows:

	Leverage (excl. Ocean Cruise)	Interest cover
31 January 2023	4.75x	2.5x
30 April 2023	6.75x	n/a
31 July 2023	6.75x	2.5x
31 October 2023	5.5x	n/a
31 January 2024	5.5x	2.75x
30 April 2024	5.5x	n/a
31 July 2024	5.5x	3.0x
31 October 2024	5.5x	n/a
31 January 2025	4.75x	3.0x

The Group's total leverage ratio was 7.5x as at 31 January 2023 (31 January 2022: 11.7x). Excluding the impact of debt and earnings relating to the ocean cruise ships, the Group's leverage ratio relating to the RCF was 4.3x as at 31 January 2023 (31 January 2022: 3.0x), within the 4.75x covenant.

The Group resumed repayments on its ship debt facilities with repayments made on its Spirit of Discovery ship facility in June 2022 and December 2022 and on its Spirit of Adventure ship facility in September 2022.

Net Debt[24] is analysed as follows:

£m	Maturity date[22]	31 January 2023 (unaudited)	31 January 2022
3.375% Corporate bond	May 2024	150.0	150.0
5.5% Corporate bond	July 2026	250.0	250.0
Revolving credit facility	May 2025[23]	-	-
Spirit of Discovery ship loan	June 2031	204.2	234.8
Spirit of Adventure ship loan	September 2032	265.0	280.8
Less Available Cash[24,25]		(157.5)	(186.6)
Net Debt[24]		**711.7**	**729.0**

[22] Maturity date represents the date that the principal must be repaid, other than the ship loans, which are repaid in instalments over the next 10 years

[23] At 31 January 2022, the terms also included a requirement to repay the RCF on 1 March 2024 if the remaining £150m of the 3.375% bond notes had not been redeemed prior to this date. This term has now been removed and does not apply at 31 January 2023

[24] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

[25] Refer to Note 13 of the financial statements for information as to how this reconciles to a statutory measure of cash

Adjusted Net Debt[26] is used in the Group's leverage calculation and reconciles to Net Debt[26] as follows:

£m	31 January 2023 (unaudited)	31 January 2022
Net Debt[26]	711.7	729.0
Exclude ship loans	(469.2)	(515.6)
Exclude Ocean Cruise Available Cash[26]	1.4	4.7
Adjusted Net Debt[26]	**243.9**	**218.1**

The Group entered into a £50m unsecured loan facility with Sir Roger De Haan on 3 April 2023. This facility can be drawn, on 30 days' notice, from 1 January 2024 and terminates on 30 June 2025. As is the case with the senior bonds in issue and with the RCF, the loan is guaranteed by Saga plc, Saga MidCo and Saga Services Limited. The Group is able to use the funds drawn under the facility for general corporate purposes although in practice would only do so to support repayment of the £150m bonds due in May 2024.

The interest rate paid on the drawn funds under this facility is 10%. In addition, a drawing fee of 2% is payable, alongside milestone payments of 2% of any uncancelled amounts of the facility on each of 31 March 2024 and 31 December 2024. The facility would automatically terminate on the completed sale of AICL.

Pensions

The Group's defined benefit pension scheme surplus, as measured on an IAS 19R basis reduced by £13.2m to a £12.1m liability at 31 January 2023 (£1.1m surplus as at 31 January 2022).

£m	31 January 2023 (unaudited)	31 January 2022
Fair value of scheme assets	224.1	412.0
Present value of defined benefit obligation	(236.2)	(410.9)
Defined benefit pension scheme (liability)/surplus	**(12.1)**	**1.1**

During the year ended 31 January 2023, the net position of the scheme decreased by £13.2m, resulting in an overall scheme deficit of £12.1m. The movements observed in the scheme's assets and obligations have been impacted significantly by macroeconomic factors during the year where, at a global level, there have been rising inflation and cost of living pressures, as well as shifts in long-term bond yields. The present value of defined benefit obligations decreased by £174.7m to £236.2m, primarily due to a 245bps increase in the discount rate which is based on increases in long-term trend corporate bond yields. The fair value of scheme assets decreased by £187.9m to £224.1m. A £5.8m deficit funding contribution was paid by the Group in February 2022 in relation to a recovery plan agreed under the latest triennial valuation of the scheme as at 31 January 2020.

Net assets

Since 31 January 2022, total assets have decreased by £324.7m and total liabilities have decreased by £41.3m, resulting in an overall decrease in net assets of £283.4m.

The decrease in total assets is primarily due to:

- a reduction in goodwill of £269.0m following the impairment to the Insurance cash generating unit;
- a decrease in property, plant and equipment of £35.5m of which £19.5m has been transferred to assets held for sale, £23.5m relates to depreciation in the year, partially offset by £8.2m of additions in the year;
- a decrease in financial assets of £49.7m, mainly relating to a reduction to the Insurance Underwriting investment portfolio, partly to fund £25.0m of dividends from AICL;
- a decrease in cash and short-term deposits of £50.4m;
- an increase in trade and other receivables of £43.0m due to the quota share contract with AICL's reinsurance partners being in a receivable position and the further ramp-up of Cruise and Travel operations;
- an increase in assets held for sale of £18.3m; and
- an increase in trust accounts of £12.8m.

The decrease in total liabilities reflects:

- a decrease of £18.4m in insurance contract liabilities due to reserve releases during the year;
- a decrease of £39.4m in financial liabilities, which is mainly due to a reduction of £41.9m in bond and bank loans, as a result of capital repayments on Spirit of Discovery and Spirit of Adventure facilities; and
- the recognition of a defined benefit pension scheme liability of £12.1m.

[26] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Going concern

The Directors have performed an assessment of going concern to determine the adequacy of the Group and Company's financial resources over a period of 14 months from the date of issue of these unaudited preliminary results, a period which includes the maturity of £150m of senior bonds in May 2024.

This assessment is based on higher and lower case financial projections which incorporate scenario analysis and stress tests on expected business performance.

The Group's higher case modelling assumes good performance in the Cruise division in 2023/24, on the back of strong booked load factors and per diems. Travel is also expected to achieve continued growth in revenues with encouraging bookings for 2023/24 as at the end of March 2023. As previously indicated, the outlook for Insurance is likely to be challenging over the next 12 to 18 months, with high cost and claims inflation in a competitive market expected to squeeze margins.

The Group's lower case scenario incorporates lower load factors for Ocean Cruise, lower levels of demand in River Cruise, and slower growth in the Travel business across the going concern period. Downside risks modelled for the Insurance business include the impact of worsening competitive market pressures on the Insurance Broking business, continued high cost and claims inflation putting pressure on margins, among other stress tests. These stresses are partially offset by discretionary cost savings and the deferral of investment expenditure that would be achieved in the event of downside trading risks materialising.

To increase liquidity, and consistent also with a strategy of reducing capital intensity, in the autumn of 2022, the Group commenced a sale process for its Insurance Underwriting business, AICL. The Group aims for this sale process to be concluded in the second half of 2023.

However, given that there is no certainty that a sale of AICL will be concluded in the next 14 months, the Group has agreed a loan facility with Sir Roger De Haan. Under the terms of this facility, if the sale of AICL is not completed prior to the end of 2023, the Group will, from 1 January 2024, be able to borrow up to £50m to fund any liquidity needs, including repayment of the 2024 bonds. This facility is unsecured, on arms-length terms and can be drawn at the option of the Group on 30 days' notice. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. Availability of funds under the facility is not contingent on financial performance or on compliance with any financial covenants.

Under both higher and lower case scenarios, the Group expects to meet scheduled Ocean Cruise debt principal repayments as they fall due over the next 14 months, and to also meet the financial covenants relating to its secured cruise debt facilities (see Note 16) throughout the assessment period, except for the July 2023 testing date where lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio (see Note 21).

In addition, in both higher and lower case scenarios and incorporating either the expected net proceeds from a sale of the Insurance Underwriting business or a draw down of the £50m loan facility with Sir Roger De Haan, the Group expects to have sufficient resources to continue operations for at least the next 14 months and to repay the £150m senior bonds on maturity in May 2024 from Available Cash[27] resources.

Over the same time frame and on the same basis, the Group also expects to remain within the renegotiated financial covenants and other terms relating to its £50m RCF, as set out in Note 16, enabling it to draw down on this currently undrawn facility in 2024/25 to meet short-term working capital requirements should the need arise.

Noting that it is not possible to predict accurately all possible future risks to the Group's future trading, based on this analysis and the scenarios modelled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 14 months from the date of from the date of issue of these unaudited preliminary results. They have therefore deemed it appropriate to prepare the financial statements to 31 January 2023 on a going concern basis.

Dividends and financial priorities for 2023/24

Dividends

Given the Group's priority of reducing Net Debt[27], the Board of Directors does not recommend payment of a final dividend for the 2022/23 financial year, nor would this currently be permissible under financing arrangements due to the leverage ratio being above 3.0x and while the ship debt facility deferred amounts are outstanding.

Financial priorities for 2023/24

The Group's financial priorities for the current financial year are to reduce Net Debt[27], build on the already positive load factor and per diem in Ocean Cruise, return the River Cruise and Travel businesses to profitability, and to continue progress in execution of its Insurance strategy.

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[27] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Principal risks and uncertainties (PRUs)

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 trend 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 Executive Leadership Team (**ELT**) and the Board. Each PRU has been aligned to the most relevant strategic priorities.

Key to growth plan elements

1. Maximising our existing businesses
2. Step-changing our ability to scale while reducing debt
3. Creating 'The Superbrand' for older people

Risk	Risk trend	Risk category	Link to strategy	Mitigation
Pandemic/COVID-19 disruption Risk to the Cruise and Travel businesses and financial resilience of Saga in the event of a new and significant pandemic or extended duration of COVID-19 arising from further variants.	Improving	Operational	1, 2 and 3 Group-wide	Cost controls integrated into annual budget and five-year plans, complete restructuring of the Saga Travel Group, continuation of remote working capability that is now integrated into a hybrid working model, and ongoing monitoring of COVID-19 cases is undertaken on both ocean and river cruise ships.
Cybercrime Cyber security breach resulting in system lockdown, ransom demands and/or compromise of confidential and/or personal data.	Stable	Operational Reputational	1 Group-wide	Ongoing vulnerability management programme in place, including industry benchmarking and external penetration testing to help maintain security posture. Continued investment in cyber prevention, detection, and intelligence technologies to help mitigate attacks. Awareness and testing programme in place to protect against social engineering attacks on colleagues. Strategy in place to further reduce our footprint of potential system targets.
Delivery and execution 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.	Stable	Operational	1 and 2 Group-wide	Robust project governance covering how significant changes are prioritised and delivered, with close oversight from the ELT and the Board with 2nd and 3rd line assurance conducted for the change initiatives carrying the greatest risk.
Capability A new strategy and purpose has created a new demand for capability to deliver the five-year plan, which requires new investment, leadership commitment and a learning culture. There is a risk that this step change is not achieved.	Stable	Strategic Operational	2 Group-wide	Increased focus on talent management, career development, recruitment, succession planning and embedding a new reward framework that drives colleague performance and aligns to effective risk management, delivering fair customer outcomes.
Saga brand and relevance The Saga brand and its products do not appeal sufficiently to our target customer group, resulting in loss of appeal and market share, such that competitors gain market share and customer volume continues to decline.	Stable	Strategic Reputational	3 Group-wide	Delivery of the next phase of the brand campaign in addition to continuous monitoring of metrics.

Risk	Risk trend	Risk category	Link to strategy	Mitigation
Regulatory action Risk of customer harm because of our actions/inaction or failure to implement regulatory change correctly.	Improving	Operational Reputational	1 Group-wide	Consumer Duty Project in progress. Continued focus on embedding 1st line control self-assessment testing. Horizon-scanning reports produced to identify upcoming regulatory changes and necessary action.
Operational resilience Failure in critical services or operations and inability to recover within defined parameters, made more complex by remote working arrangements.	Stable	Operational	1, 2 and 3 Group-wide	Migration onto new technology to increase colleague connectivity. Change governance ensures that system changes are delivered consistently within risk appetite.
Environmental, Social and Governance (ESG) Increasing regulation coupled with industry and societal pressure leaves Saga trailing its peers, causing reputational, customer and financial impacts.	Stable	Strategic Operational Reputational	2 and 3 Group-wide	Saga's ocean cruise ships were built relatively recently to a high specification in terms of minimisation of harmful emissions. A Head of ESG was appointed who developed Saga's ESG strategy and will work to embed ESG and ESG risk identification and management within the business. Saga has undertaken a stakeholder engagement exercise and materiality assessment to identify priority future activities.
Third-party suppliers Reputational impact, business interruption and financial losses arising from the failure or mis-performance of key third parties.	Stable	Operational	1 and 3 Group-wide	Third-party risk management ensures an appropriate risk-based approach for selecting third-party partners and overseeing their performance and operational and financial resilience.
Fraud and financial crime Increased risk of internal or external fraud and financial crime driven by remote working and macroeconomic conditions.	Stable	Operational	1 Group-wide	2nd and 3rd line assurance reviews conducted with no significant issues identified. Ongoing monitoring of claims fraud in place, with colleague awareness communications. Operation of effective internal controls subject to regular testing and oversight.
Insurance pricing/modelling error Errors in data modelling lead to material pricing, reserving or underwriting issues that have significant financial impact and/or customer harm.	Stable	Operational	1 Insurance	Market study related controls and other insurance modelling controls incorporated into the internal control assurance programme.
Breach of Data Protection Act/ General Data Protection Regulation Failure to maintain compliance with data privacy requirements in line with growing customer expectations in relation to how they want their personal data to be managed.	Improving	Operational	1 and 3 Group-wide	Prioritisation of projects to improve effective data management, coupled with simplification of our technology estate and strengthening of our Data Privacy team to ensure we continue to put the customer first in how we manage their personal information.
Liquidity risk/debt repayment The more challenging macroeconomic environment, in tandem with the impacts of COVID-19, has increased Saga's liquidity risk in relation to repayment of its debt liabilities.	New risk	Liquidity	2 Group-wide	The Group intends to sell the Insurance Underwriting business and has also entered into an unconditional and unsecured £50m loan facility with Sir Roger De Haan. As a result, the Group expects to repay the 2024 bonds from Available Cash[1].
Culture Saga's culture does not transform in line with the purpose, values, and strategy to deliver the financial results expected per the five-year plan.	Stable	Operational Reputational	1 and 3 Group-wide	Ongoing measurement and monitoring of culture using colleague surveys.

[1] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Consolidated income statement
for the year ended 31 January 2023

	Note	2023 (unaudited) £'m	2022 £'m
Gross earned premiums		189.5	203.0
Earned premiums ceded to reinsurers		(111.3)	(123.8)
Net earned premiums		78.2	79.2
Other revenue		502.9	298.0
Total revenue	3	**581.1**	**377.2**
Gross claims incurred		(157.2)	(94.6)
Reinsurers' share of claims incurred		99.1	63.3
Net claims incurred		(58.1)	(31.3)
Decrease in credit loss allowance		1.3	1.6[1]
Other cost of sales		(250.4)	(113.6)[1]
Total cost of sales	3	(307.2)	(143.3)
Gross profit		**273.9**	**233.9**
Administrative and selling expenses		(216.9)	(212.1)[1]
Increase in credit loss allowance		(0.9)	(0.7)[1]
Impairment of assets		(271.2)	(11.2)
Gain on lease modification	11	-	0.3
Net profit on disposal of assets held for sale	19	-	7.2
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software		0.1	(0.4)
Investment income		1.5	0.3
Finance costs		(42.2)	(40.8)
Finance income		1.5	-
Loss before tax		**(254.2)**	**(23.5)**
Tax expense	4	(5.0)	(4.5)
Total loss for the year		**(259.2)**	**(28.0)**
Attributable to:			
Equity holders of the parent		**(259.2)**	**(28.0)**
Loss per share:			
Basic	6	(185.8p)	(20.1p)
Diluted	6	(185.8p)	(20.1p)

[1] Movements in the credit loss allowance for the year ended 31 January 2022 have been restated due to an incorrect allocation between amounts written off during the year and changes in the provision recognised in the income statement

Consolidated statement of comprehensive income for the year ended 31 January 2023

	Note	2023 (unaudited) £'m	2022 £'m
Loss for the year		**(259.2)**	**(28.0)**
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net (losses)/gains on hedging instruments during the year	12	(2.0)	2.1
Recycling of previous losses/(gains) to income statement on matured hedges	12	0.3	(1.2)
Total net (losses)/gains on cash flow hedges		(1.7)	0.9
Associated tax effect		(0.8)	0.3
Net losses on fair value financial assets during the year		(15.1)	(10.3)
Recycling of previous losses to income statement on fair value financial assets during the year		-	0.1
Total net losses on fair value financial assets during the year		(15.1)	(10.2)
Associated tax effect		3.8	2.1
Total other comprehensive losses with recycling to income statement		(13.8)	(6.9)
Other comprehensive income not to be reclassified to income statement in subsequent years			
Re-measurement (losses)/gains on defined benefit plans		(19.1)	4.8
Associated tax effect		4.8	(1.2)
Total other comprehensive (losses)/gains without recycling to income statement		(14.3)	3.6
Total other comprehensive losses		**(28.1)**	**(3.3)**
Total comprehensive losses for the year		**(287.3)**	**(31.3)**
Attributable to:			
Equity holders of the parent		**(287.3)**	**(31.3)**

Consolidated statement of financial position
as at 31 January 2023

	Note	2023 (unaudited) £'m	2022 £'m
Assets			
Goodwill	8	449.6	718.6
Intangible assets	9	51.3	47.1
Retirement benefit scheme surplus	14	-	1.1
Property, plant and equipment	10	611.0	646.5
Right-of-use assets	11	30.7	36.0
Financial assets	12	282.4	332.1
Current tax assets		4.4	4.3
Deferred tax assets	4	16.1	12.3
Reinsurance assets	15	68.8	65.4
Inventories		7.0	6.3
Trade and other receivables		212.5	169.5
Trust accounts		36.2	23.4
Cash and short-term deposits	13	176.5	226.9
Assets held for sale	19	31.2	12.9
Total assets		**1,977.7**	**2,302.4**
Liabilities			
Retirement benefit scheme liability	14	12.1	-
Gross insurance contract liabilities	15	368.3	386.7
Provisions		5.2	6.7
Financial liabilities	12	896.8	936.2
Deferred tax liabilities	4	5.9	5.6
Contract liabilities		122.2	114.6
Trade and other payables		197.7	199.7
Total liabilities		**1,608.2**	**1,649.5**
Equity			
Issued capital	17	21.1	21.1
Share premium		648.3	648.3
Retained deficit		(293.5)	(22.4)
Share-based payment reserve		8.9	7.4
Fair value reserve		(12.1)	(0.8)
Hedging reserve		(3.2)	(0.7)
Total equity		**369.5**	**652.9**
Total equity and liabilities		**1,977.7**	**2,302.4**

Consolidated statement of changes in equity
for the year ended 31 January 2023

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained (deficit)/ earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total £'m
At 1 February 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**
Loss for the year	-	-	(259.2)	-	-	-	(259.2)
Other comprehensive losses excluding recycling	-	-	(14.3)	-	(11.3)	(2.9)	(28.5)
Recycling of previous losses to income statement	-	-	-	-	-	0.4	0.4
Total comprehensive losses	-	-	(273.5)	-	(11.3)	(2.5)	(287.3)
Share based payment charge (Note 18)	-	-	-	3.9	-	-	3.9
Transfer upon vesting of share options	-	-	2.4	(2.4)	-	-	-
At 31 January 2023 (unaudited)	**21.1**	**648.3**	**(293.5)**	**8.9**	**(12.1)**	**(3.2)**	**369.5**

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained earnings/ (deficit) £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total £'m
At 1 February 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**
Loss for the year	-	-	(28.0)	-	-	-	(28.0)
Other comprehensive income/(losses) excluding recycling	-	-	3.6	-	(8.2)	3.3	(1.3)
Recycling of previous losses/(gains) to income statement	-	-	-	-	0.1	(2.1)	(2.0)
Total comprehensive (losses)/income	-	-	(24.4)	-	(8.1)	1.2	(31.3)
Issue of share capital (Note 17)	0.1	-	-	-	-	-	0.1
Share based payment charge (Note 18)	-	-	-	3.4	-	-	3.4
Transfer upon vesting of share options	-	-	1.8	(1.8)	-	-	-
At 31 January 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**

Consolidated statement of cash flows
for the year ended 31 January 2023

	Note	2023 (unaudited) £'m	2022 £'m
Loss before tax		(254.2)	(23.5)
Depreciation, impairment and loss on disposal, of property, plant and equipment and right-of-use assets		32.9	22.2
Amortisation and impairment of intangible assets and goodwill, and (profit)/loss on disposal of software		278.6	20.6
Impairment of assets held for sale	19	1.2	1.0
Gain on lease modification		-	(0.3)
Share-based payment transactions		3.9	3.4
Profit on disposal of assets held for sale	19	-	(7.2)
Finance costs		42.2	40.8
Finance income		(1.5)	-
Interest income from investments		(1.5)	(0.3)
Increase in trust accounts		(12.8)	(1.0)
Movements in other assets and liabilities		(65.7)	29.3
		23.1	85.0
Investment income interest received		1.5	0.3
Interest paid		(37.6)	(34.2)
Income tax paid		(0.9)	(4.6)
Net cash flows (used in)/from operating activities		**(13.9)**	**46.5**
Investing activities			
Proceeds from sale of property, plant and equipment, and right-of-use assets		0.2	0.3
Net proceeds from disposal of assets held for sale	19	-	10.2
Purchase of, and payments for the construction of, property, plant and equipment and intangible assets		(20.8)	(18.9)
Net disposal/(purchase) of financial assets		25.6	(18.9)
Acquisition of subsidiary	7	(0.9)	-
Net cash flows from/(used in) investing activities		**4.1**	**(27.3)**
Financing activities			
Payment of principal portion of lease liabilities		(7.8)	(3.6)
Proceeds from borrowings		-	250.0
Repayment of borrowings		(46.4)	(170.0)
Debt issue costs		-	(6.8)
Net cash flows (used in)/from financing activities		**(54.2)**	**69.6**
Net (decrease)/increase in cash and cash equivalents		**(64.0)**	**88.8**
Cash and cash equivalents at the start of the year		**255.7**	**166.9**
Cash and cash equivalents at the end of the year	13	**191.7**	**255.7**

Notes to the consolidated financial statements

1 Corporate information

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

The consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively **Saga Group** or the **Group**) for the year ended 31 January 2023 will be approved by the Board of Directors and reported on by the auditors, KPMG LLP (**KPMG**), in April 2023. Accordingly, the financial information for the year ended 31 January 2023 is presented unaudited in this preliminary announcement.

2.1 Basis of preparation

The results in this preliminary announcement have been taken from the Group's 2023 unaudited Annual Report and Accounts. The unaudited consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards.

The basis of preparation, basis of consolidation and summary of significant accounting policies applicable to the Group's consolidated financial statements will be published in the Notes to the audited consolidated financial statements in the 2023 Annual Report and Accounts.

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

The preliminary announcement for the year ended 31 January 2023 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The consolidated financial statements for the full year ended 31 January 2022 have been audited by KPMG. Their report was unqualified and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The consolidated financial statements for the full year ended 31 January 2023 will be audited by KPMG.

Going concern

The Directors have performed an assessment of going concern to determine the adequacy of the Group and Company's financial resources over a period of 14 months from the date of issue of these unaudited preliminary results, a period which includes the maturity of £150m of senior bonds in May 2024.

This assessment is based on higher and lower case financial projections which incorporate scenario analysis and stress tests on expected business performance.

The Group's higher case modelling assumes good performance in the Cruise division in 2023/24, on the back of strong booked load factors and per diems. Travel is also expected to achieve continued growth in revenues with encouraging bookings for 2023/24 as at the end of March 2023. As previously indicated, the outlook for Insurance is likely to be challenging over the next 12 to 18 months, with high cost and claims inflation in a competitive market expected to squeeze margins.

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation

The Group's lower case scenario incorporates lower load factors for Ocean Cruise, lower levels of demand in River Cruise, and slower growth in the Travel business across the going concern period. Downside risks modelled for the Insurance business include the impact of worsening competitive market pressures on the Insurance Broking business, continued high cost and claims inflation putting pressure on margins, among other stress tests.

These stresses are partially offset by discretionary cost savings and the deferral of investment expenditure that would be achieved in the event of downside trading risks materialising.

To increase liquidity and consistent also with a strategy of reducing capital intensity, in the autumn of 2022, the Group commenced a sale process for its Insurance Underwriting business, Acromas Insurance Company Limited (**AICL**). The Group aims for this sale process to be concluded in the second half of 2023.

However, given that there is no certainty that a sale of AICL will be concluded in the next 14 months, the Group has agreed a loan facility with Sir Roger De Haan. Under the terms of this facility, if the sale of AICL is not completed prior to the end of 2023, the Group will, from 1 January 2024, be able to borrow up to £50m to fund any liquidity needs, including repayment of the 2024 bonds. This facility is unsecured, on arms-length terms and can be drawn at the option of the Group on 30 days' notice. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. Availability of funds under the facility is not contingent on financial performance or on compliance with any financial covenants.

Under both higher and lower case scenarios, the Group expects to meet scheduled Ocean Cruise debt principal repayments as they fall due over the next 14 months, and to also meet the financial covenants relating to its secured cruise debt facilities (see Note 16) throughout the assessment period, except for the July 2023 testing date where lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio (see Note 16).

In addition, in both higher and lower case scenarios and incorporating either the expected net proceeds from a sale of the Insurance Underwriting business or a draw down of the £50m loan facility with Sir Roger De Haan, the Group expects to have sufficient resources to continue operations for at least the next 14 months and to repay the £150m senior bonds on maturity in May 2024 from Available Cash[2] resources.

Over the same time frame and on the same basis, the Group also expects to remain within the renegotiated financial covenants and other terms relating to its £50m revolving credit facility (**RCF**), as set out in Note 16, enabling it to draw down on this currently undrawn facility in 2024/25 to meet short-term working capital requirements should the need arise.

Noting that it is not possible to predict accurately all possible future risks to the Group's future trading, based on this analysis and the scenarios modelled the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 14 months from the date of issue of these unaudited preliminary results. They have therefore deemed it appropriate to prepare the financial statements to 31 January 2023 on a going concern basis.

2.2 Summary of significant accounting policies

There have been no significant changes to the accounting policies of the Group during the year ended 31 January 2023. Full details of the accounting policies of the Group will be published in the Annual Report and Accounts for the year ended 31 January 2023 available at www.corporate.saga.co.uk.

[2] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Notes to the consolidated financial statements (continued)

2.3 Standards issued but not yet effective

The following is a list of standards, and amendments to standards, that are in issue but are not effective or adopted as at 31 January 2023. Except where separately disclosed, these standards are endorsed by the UK Endorsement Board.

i. IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' is a comprehensive new accounting standard that applies to all insurance and reinsurance contracts covering the principles of recognition, measurement, presentation and disclosure.

IFRS 17 only applies to insurance contracts that are underwritten by the Group and related reinsurance contracts held. It does not affect the accounting for the Group's Insurance Broking activities.

IFRS 17 is effective for annual reporting periods beginning on, or after, 1 January 2023. The Group will initially apply IFRS 17 in its consolidated financial statements for the year ending 31 January 2024, with the date of initial application being 1 February 2023 and the transition date being 1 February 2022. The Group's consolidated financial statements for the year ending 31 January 2024 will include comparatives for the year ending 31 January 2023 restated onto an IFRS 17 basis.

ii. Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due, or potentially due, to be settled within one year) or non-current. The amendments are effective for annual periods beginning on, or after, 1 January 2024 and are not likely to have a material effect on the Group's financial statements. These amendments are not currently endorsed by the UK Endorsement Board.

iii. Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. They will typically apply to transactions such as leases of lessees and will require the recognition of additional deferred tax assets and liabilities. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

iv. Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

2.3 Standards issued but not yet effective (continued)

v. Definition of accounting estimates (amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

vi. Definition of lease liability in a sale and leaseback (amendment to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment is effective for annual reporting periods beginning on, or after, 1 January 2024. The amendment is not expected to have a material impact on the Group's financial statements. This amendment is not currently endorsed by the UK Endorsement Board.

Notes to the consolidated financial statements (continued)

2.4 First time adoption of new standards and amendments

The following is a list of standards, and amendments to standards, that became effective, or were adopted, for the first time during the year ended 31 January 2023.

i. COVID-19-related rent concessions beyond 30 June 2021 (amendment to IFRS 16)

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was effective for annual reporting periods beginning on, or after, 1 April 2021. The Group did not take advantage of the exemption available under this amendment. The amendment has had no effect on the Group's financial statements.

ii. Property, plant and equipment — proceeds before intended use (amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2022. The amendments have had no effect on the Group's financial statements.

iii. Onerous contracts — cost of fulfilling a contract (amendments to IAS 37)

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods beginning on, or after, 1 January 2022. The amendments have had no effect on the Group's financial statements.

iv. Annual improvements to IFRS 2018–2020

The improvements make minor amendments to the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2022. The amendments have had no effect on the Group's financial statements.

v. Reference to the Conceptual Framework (amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on, or after, 1 January 2022 and apply prospectively. The amendment has had no effect on the Group's financial statements.

Notes to the consolidated financial statements (continued)

2.5 Significant accounting judgements, estimates and assumptions

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

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

Accounting policy references above are to the Notes to the Annual Report and Accounts for the year ended 31 January 2023.

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – identification of performance obligations within insurance contracts not underwritten by the Group	Identification of performance obligations within insurance contracts with customers. In particular, management has exercised judgement in defining separate performance obligations as part of the Group's Insurance Broking services, namely: • the option to fix the customer's premium at renewal for three-year fixed-price insurance policies, which results in the deferral of a portion of revenue from policy years one and two to policy years two and three; and • the arrangement of each insurance policy at the point the insurance cover is arranged, as separate from the premium charged in respect of the insurance cover, which occurs on, or before, the cover start date of each policy and results in a portion of revenue being recognised a number of days in advance of the cover start date. Please refer to Note 2.3a for further information on the Group's performance obligations relating to revenue recognition.
2.3ai, 2.3r and 2.3s	Classification of insurance contracts	Management has exercised judgement in defining which insurance policies that it arranges and underwrites constitute an insurance policy that is subject to the accounting principles of IFRS 4. This assessment is based on whether significant insurance risk is transferred under each insurance contract and also includes the assessment of reinsurance contracts that the Group enters into. Policies that are arranged, and not underwritten, by the Group, primarily a portion of the motor and home insurance panels, private medical insurance (**PMI**) and travel insurance, are not deemed to constitute insurance policies as defined by IFRS 4, and so they are accounted for in line with the principles of IFRS 15. Policies that are both arranged and underwritten by the Group, primarily a portion of the motor and home insurance panels, are deemed to constitute insurance policies as defined by IFRS 4 and so are accounted for in line with the requirements of that standard. The Group's excess of loss and funds-withheld quota share reinsurance arrangements relating to its motor underwriting line of business are deemed to transfer significant insurance risk to the reinsurer, and so they are also accounted for in line with the requirements of IFRS 4.

Notes to the consolidated financial statements (continued)

2.5 Significant accounting judgements, estimates and assumptions (continued)

Significant judgements (continued)

Acc. policy	Items involving judgement	Critical accounting judgement
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. New pricing rules set by the FCA came into effect on 1 January 2022, following the conclusion of the General Insurance Pricing Practices market study (**GIPP**). As a result of the impact of the GIPP changes on customer pricing, especially in the highly competitive motor insurance market, there has been a fall in policy volumes in the period to 31 July 2022 and the year to 31 January 2023, with a consequential adverse impact on the profitability of the Insurance business. Management have considered this to be an indicator of impairment and have therefore conducted full impairment reviews of the Insurance CGU as at 31 July 2022 and 31 January 2023. As a result of these reviews, management deemed it necessary to impair the goodwill allocated to the Insurance CGU by £269.0m at 31 July 2022. No further impairment was deemed necessary in the six months to 31 January 2023. In the year to 31 January 2022, management did not deem it necessary to impair goodwill. Please refer to Note 16a for further detail. Since acquisition, the addition of the Big Window insights and capabilities has added significant value to all Saga business units, in line with pre-acquisition expectations. However, because these benefits are largely associated with the continued employment of a small number of individuals, which under IFRS 3 cannot be separately capitalised, and given the low materiality of the amounts in question, the Group decided to write-off in full the £0.5m goodwill arising on acquisition in the period to 31 July 2022. Following the continued impact of the COVID-19 pandemic on the Group's Cruise and Travel operations, management concluded that potential indicators of impairment existed and conducted impairment reviews at 31 July 2022 and 31 January 2022 of the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Management considered a range of scenarios and used its judgement to conclude that no impairment was necessary. As at 31 January 2023, management did not consider it necessary to conduct an impairment review of the Group's two ocean cruise ships since no new indicators of impairment were identified. Please refer to Note 17 for further detail. In the prior year, given the delay in taking delivery of the river cruise ship, Spirit of the Rhine, along with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, management concluded that indicators of impairment existed and deemed it necessary to conduct an impairment review of the vessel at 31 January 2022. Management considered a range of scenarios and used its judgement to conclude that no impairment was necessary. Please refer to Note 18a for further detail. In the year to 31 January 2023, management did not consider it necessary to conduct an impairment review of right-of-use river cruise ship assets, since no new indicators of impairment were identified.

Notes to the consolidated financial statements (continued)

2.5 Significant accounting judgements, estimates and assumptions (continued)

Significant judgements (continued)

Acc. policy	Items involving judgement	Critical accounting judgement
2.3h	Impairment testing of goodwill and other major classes of assets (continued)	In year ended 31 January 2022, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations CGU (now River Cruise and Travel). In light of this exercise, management exercised its judgement in relation to the impairment of software assets and performed an impairment review of software assets used by the Tour Operations business. As a result of this review, management deemed it necessary to impair these software assets by £9.4m and the software assets in the Central Costs division by £0.5m. No further impairment was deemed necessary in the period to 31 January 2023. Please refer to Note 16b for further detail. In the years to 31 January 2023 and 31 January 2022, in light of the Group obtaining freehold property market valuation reports, management exercised judgement in relation to the impairment of property assets held for sale. A net impairment charge of £1.2m (2022: £1.0m) was accordingly recognised. Please refer to Note 38 for further detail.
2.3r	Insurance contract liabilities	Judgement is required in relation to the areas of uncertainty that may give rise to claims costs in excess of the actuarial best estimate of claims incurred, and the level of additional reserve margin to recognise in the financial statements above that estimate. In the year to 31 January 2022, the Group considered the additional latency risk to claims cost development caused by the impact of the COVID-19 pandemic and recognised an additional claims reserve above actuarial best estimate to cover this specific risk. The latency risk provision in relation to the COVID-19 pandemic was released over the year to 31 January 2023, reflective of the improvement in the COVID-19 outlook. Please refer to Note 20d for further detail.

2.5 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

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

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

Accounting policy references above are to the Notes to the Annual Report and Accounts for the year ended 31 January 2023.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The standalone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option because they either decide not to renew, or they make a claim that releases the Group from its obligation to fix the customer price.
2.3f & 2.3i	Useful economic lives and residual values of software, intangible assets and ocean cruise ships	The useful economic lives and residual values of software assets classified as intangible assets (Note 15), and ocean cruise ship assets classified as property, plant and equipment (Note 17) are assessed upon the capitalisation of each asset, and at each reporting date, and are based upon the expected consumption of future economic benefits of the asset.

Notes to the consolidated financial statements (continued)

2.5 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate to calculate present value. The impact of changes to pricing rules set by the FCA following the completion of the GIPP market study, especially the highly competitive motor insurance market, and the adverse impact on profit before tax for the current year, has increased the estimation uncertainty in the Insurance CGU. The outcome of the impairment reviews conducted concluded that an impairment charge of £269.0m be recognised against the Group's Insurance CGU as at 31 July 2022. No further impairment was deemed necessary in the six months to 31 January 2023. Sensitivity analysis was undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, as shown in Note 16a.
2.3h	Impairment of ocean and river cruise ships	Following the continued impact of the COVID-19 pandemic on the Group's operations, management conducted impairment reviews at 31 July 2022 and 31 January 2022 of the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of the two ocean cruise ship assets, and therefore concluded that no impairment charges were necessary. No additional impairment indicators were identified as at 31 January 2023, and therefore no further impairment review was conducted at this date. Sensitivity analysis was undertaken to determine the effect of changing the residual value, load factor and useful economic life on the present value calculation, as shown in Note 17. At 31 January 2022, management conducted an impairment review of its river cruise ship, Spirit of the Rhine. Based on this review, the Group was comfortable that there was sufficient headroom over and above the carrying value of the river cruise ship asset, and therefore concluded that no impairment charge was necessary. No additional impairment indicators were identified in relation to river cruise ships as at 31 January 2023, and therefore no further impairment review was conducted at this date.

2.5 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3r	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims IBNR, as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted, except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2023 (2022: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in Note 20d. In calculating the level of reserve margin to recognise above the actuarial best estimate of incurred claims, the Group considered an array of risks (including cost inflation) to future claims experience, and estimated the financial impact that those risks could have, to derive an appropriate level of margin to hold.
2.3u	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in Note 27.

3 Segmental information

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

- **Cruise and Travel**: comprises the operation and delivery of ocean and river cruise holidays as well as package tour and other holiday products. The Group owns and operates two ocean cruise ships. All other holiday and river cruise products are packaged together with third-party supplied accommodation, flights and other transport arrangements.

- **Insurance**: comprises the provision of general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. The segment is further analysed into four product sub-segments:

    - Insurance Broking, consisting of:
        - Motor broking
        - Home broking
        - Other broking
    - Insurance Underwriting

- **Other Businesses and Central Costs**: comprises the Group's other businesses and its central cost base. The other businesses include Saga Money (the personal finance product offering), Saga Media and the Group's mailing and printing business.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit/(Loss) Before Tax[3]. Items not included within a specific segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Goodwill, corporate bonds and bank loans are not included within segments as they are managed on a Group basis.

[3] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

3 Segmental information (continued)

2023 (unaudited)

		Insurance							
	Cruise and Travel £m	Motor broking £m	Home broking £m	Other broking £m	Under-writing	Total £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Revenue	**305.5**	**77.7**	**57.6**	**45.3**	**75.2**	**255.8**	**24.3**	**(4.5)**	**581.1**
Cost of sales	(242.5)	(2.7)	–	3.2	(56.1)	(55.6)	(9.1)	–	(307.2)
Gross profit/(loss)	**63.0**	**75.0**	**57.6**	**48.5**	**19.1**	**200.2**	**15.2**	**(4.5)**	**273.9**
Administrative and selling expenses	(57.5)	(55.6)	(35.1)	(21.4)	(3.1)	(115.2)	(49.6)	4.5	(217.8)
Impairment of assets	–	–	–	–	(1.2)	(1.2)	(0.5)	(269.5)	(271.2)
Net profit on disposal of software	–	0.1	–	–	–	0.1	–	–	0.1
Investment income/(loss)	–	–	–	–	3.7	3.7	(2.2)	–	1.5
Finance costs	(20.2)	–	–	–	–	–	(22.0)	–	(42.2)
Finance income	1.4	–	–	–	–	–	0.1	–	1.5
(Loss)/profit before tax	**(13.3)**	**19.5**	**22.5**	**27.1**	**18.5**	**87.6**	**(59.0)**	**(269.5)**	**(254.2)**
Reconciliation to Underlying (Loss)/Profit Before Tax[4]									
(Loss)/profit before tax	**(13.3)**	**19.5**	**22.5**	**27.1**	**18.5**	**87.6**	**(59.0)**	**(269.5)**	**(254.2)**
Net fair value gain on derivative financial instruments	(1.4)	–	–	–	–	–	–	–	(1.4)
Impairment of goodwill	–	–	–	–	–	–	–	269.5	269.5
Impairment of assets	–	–	–	–	0.6	0.6	0.5	–	1.1
Restructuring costs	2.2	–	–	–	–	–	1.5	–	3.7
Acquisition costs relating to the Big Window	–	–	–	–	–	–	0.2	–	0.2
Foreign exchange movement on lease liabilities	2.0	–	–	–	–	–	–	–	2.0
IFRS 16 adjustment on river cruise vessels	0.6	–	–	–	–	–	–	–	0.6
Underlying (Loss)/Profit Before Tax[4]	**(9.9)**	**19.5**	**22.5**	**27.1**	**19.1**	**88.2**	**(56.8)**	**–**	**21.5**
Total assets less liabilities	**93.7**					**57.7**	**167.9**	**50.2**	**369.5**

All revenue is generated solely in the UK.

[4] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

3 Segmental information (continued)

2022

	Cruise and Travel £m	Insurance						Other Businesses and Central Costs £m	Adjustments £m	Total £m
		Motor broking £m	Home broking £m	Other broking £m	Under-writing £m	Total £m				
Revenue	**94.7**	**85.0**	**60.2**	**35.3**	**84.7**	**265.2**		**21.5**	**(4.2)**	**377.2**
Cost of sales	(102.9)	(2.6)	–	0.3	(29.9)	(32.2)		(8.2)	–	(143.3)
Gross (loss)/profit	**(8.2)**	**82.4**	**60.2**	**35.6**	**54.8**	**233.0**		**13.3**	**(4.2)**	**233.9**
Administrative and selling expenses	(54.9)	(52.4)	(35.0)	(24.3)	(4.2)	(115.9)		(46.2)	4.2	(212.8)
Impairment of assets	(9.7)	–	–	–	(1.0)	(1.0)		(0.5)	–	(11.2)
Gain on lease modification	–	–	–	–	–	–		0.3	–	0.3
Net profit on disposal of assets held for sale	–	–	–	–	–	–		7.2	–	7.2
Net profit/(loss) on disposal of software and right-of-use assets	0.1	(0.1)	–	–	–	(0.1)		(0.4)	–	(0.4)
Investment income/(loss)	0.1	–	–	–	3.5	3.5		(3.3)	–	0.3
Finance costs	(22.2)	–	–	–	–	–		(18.6)	–	(40.8)
(Loss)/profit before tax	**(94.8)**	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**		**(48.2)**	**–**	**(23.5)**
Reconciliation to Underlying (Loss)/Profit Before Tax[5]										
(Loss)/profit before tax	**(94.8)**	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**		**(48.2)**	**–**	**(23.5)**
Net fair value loss on derivative financial instruments	2.7	–	–	–	–	–		–	–	2.7
Impairment/loss on disposal of assets	9.8	–	–	–	1.0	1.0		0.7	–	11.5
Restructuring costs	3.9	–	–	–	–	–		2.4	–	6.3
Net profit on disposal of assets held for sale	–	–	–	–	–	–		(7.2)	–	(7.2)
Foreign exchange movement on lease liabilities	(0.9)	–	–	–	–	–		–	–	(0.9)
Costs incurred for ocean cruise ship loan holiday	–	–	–	–	–	–		2.4	–	2.4
Charge on closure of defined benefit pension scheme	–	–	–	–	–	–		2.0	–	2.0
Underlying (Loss)/Profit Before Tax[5]	**(79.3)**	**29.9**	**25.2**	**11.3**	**54.1**	**120.5**		**(47.9)**	**–**	**(6.7)**
Total assets less liabilities (re-presented)	**67.2**					**77.0**		**189.1**	**319.6**	**652.9**

Total assets less liabilities have been re-presented due to a revision in the way that inter-company debtors and creditors are reported between segments. Inter-company debtors and creditors are excluded from re-presented total assets less liabilities.

All revenue is generated solely in the UK.

[5] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

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

	2023 (unaudited) £'m	2022 £'m
Goodwill (Note 8)	449.6	718.6
Group bond and bank loans (excluding ocean cruise ship loans)	(399.4)	(399.0)
	50.2	**319.6**

a) Disaggregation of revenue

In the following table, the Group's revenue has been disaggregated by major product line, analysed by Group's three operating segments.

	2023 (unaudited)					
Major product lines	**Cruise and Travel £m**	**Earned premium on insurance underwritten by the Group £'m**	**Other revenue £'m**	**Insurance £m**	**Other Businesses and Central Costs £m**	**Total £m**
Ocean Cruise	168.3					168.3
River Cruise and Travel	137.2					137.2
Gross earned premium on insurance underwritten by the Group		189.5				
Less: ceded to reinsurers		(111.3)				
Net revenue on:						
- Motor broking		27.7	50.0	77.7		77.7
- Home broking		–	57.6	57.6		57.6
- Other broking		0.9	44.4	45.3		45.3
- Insurance Underwriting		49.6	25.6	75.2		75.2
Money					7.9	7.9
Media					10.3	10.3
Insight					0.6	0.6
Other					1.0	1.0
	305.5	**78.2**	**177.6**	**255.8**	**19.8**	**581.1**

	2022					
Major product lines	Cruise and Travel £m	Earned premium on insurance underwritten by the Group £'m	Other revenue £'m	Insurance £m	Other Businesses and Central Costs £m	Total £m
Ocean Cruise	82.5					82.5
River Cruise and Travel	12.2					12.2
Gross earned premium on insurance underwritten by the Group		203.0				
Less: ceded to reinsurers		(123.8)				
Net revenue on:						
- Motor broking		26.7	58.3	85.0		85.0
- Home broking		–	60.2	60.2		60.2
- Other broking		1.0	34.3	35.3		35.3
- Insurance Underwriting		51.5	33.2	84.7		84.7
Money					5.9	5.9
Media					9.9	9.9
Other					1.5	1.5
	94.7	**79.2**	**186.0**	**265.2**	**17.3**	**377.2**

Included in Insurance Broking other revenue is instalment interest income on premium financing of £9.4m (2022: £9.8m).

4 Tax

The major components of the income tax expense are:

	2023 (unaudited) £'m	2022 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	1.1	3.4
Adjustments in respect of previous years	(0.4)	(0.1)
	0.7	**3.3**
Deferred tax		
Relating to origination and reversal of temporary differences	3.1	2.7
Effect of tax rate change on opening balance	-	(2.6)
Adjustments in respect of previous years	1.2	1.1
	4.3	**1.2**
Tax expense in the income statement	**5.0**	**4.5**

The Group's tax expense for the year was £5.0m (2022: £4.5m) representing a tax effective rate of 32.7% before the impairment of goodwill (2022: negative 19.1%). In the prior year, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19% is mainly due to the Group's Ocean Cruise business entering the tonnage tax regime on 1 February 2020.

Adjustments in respect of previous years include a charge for the under-provision of tax charge in prior years of £0.8m (2022: £1.0m) and the impact of the change in the tax rate on opening deferred tax balances of £nil (2022: £2.6m credit).

Reconciliation of net deferred tax assets

	2023 (unaudited) £'m	2022 £'m
At 1 February	6.7	6.7
Tax charge recognised in the income statement	(4.3)	(1.2)
Tax credit recognised in other comprehensive income	7.8	1.2
At 31 January	**10.2**	**6.7**

On 3 March 2021, it was announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023. This increase was substantively enacted on 24 May 2021. As a result, the closing deferred tax balances at the statement of financial position date have been reflected at 25%. Net deferred tax assets/(liabilities) are expected to be normally settled in more than 12 months.

Notes to the consolidated financial statements (continued)

5 Dividends

The Board of Directors does not recommend the payment of a final dividend for the 2022/23 financial year (2022: nil pence per share).

For the current and prior year, no interim or final dividends were declared, or paid, during the year.

The distributable reserves of Saga plc are £386.6m deficit as at 31 January 2023, which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately, with the exception of companies within the River Cruise, Travel and Underwriting businesses which require regulatory approval before any dividends can be declared and paid. Under the terms of the ship debt facilities, dividends remain restricted until the ship debt principal repayments that were deferred as part of the ship debt repayment holiday are fully repaid (Note 16). In addition, under the terms of the RCF, dividends also remain restricted while leverage is above 3.0x (excluding Ocean Cruise EBITDA and debt).

6 Loss per share

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

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

The calculation of basic and diluted loss per share is as follows:

	2023 (unaudited) £'m	2022 £'m
Loss attributable to ordinary equity holders	(259.2)	(28.0)
Weighted average number of ordinary shares	'm	'm
Ordinary shares as at 1 February	139.5	139.4
Long-term Incentive Plan (LTIP) share options exercised	-	0.1
Ordinary shares as at 31 January	**139.5**	**139.5**
Weighted average number of ordinary shares for basic loss per share and diluted loss per share	**139.5**	**139.5**
Basic loss per share	**(185.8p)**	**(20.1p)**
Diluted loss per share	**(185.8p)**	**(20.1p)**

Notes to the consolidated financial statements (continued)

6 Loss per share (continued)

The table below reconciles between basic loss per share and Underlying Basic Earnings/(Loss) Per Share[6]

	2023 (unaudited)	2022
Basic loss per share	**(185.8p)**	(20.1p)
Adjusted for:		
Derivative (gains)/losses	**(1.1p)**	1.4p
Impairment, and net loss on disposal, of assets	**0.8p**	2.3p
Impairment of Insurance goodwill	**192.8p**	-
Acquisition costs relating to the Big Window	**0.5p**	-
Charge on closure of defined benefit pension scheme	**-**	1.1p
Foreign exchange movement on lease liabilities	**1.5p**	(0.5p)
Costs incurred for ocean cruise ship loan holiday	**-**	1.3p
Restructuring costs	**2.7p**	3.4p
IFRS 16 lease accounting adjustment on river cruise vessels	**0.5p**	-
Underlying Basic Earnings/(Loss) Per Share[6]	**11.9p**	(11.1p)

[6] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

7 Business combinations and disposals

a) Acquisitions during the year ended 31 January 2023

On 16 February 2022, the Group acquired The Big Window Consulting Limited (the **Big Window**), a specialist research and insight business focusing on ageing.

The fair values of the identifiable assets and liabilities of the Big Window acquired on the date of acquisition were:

Assets	**£'m**
Trade and other receivables	0.1
Cash	1.3
Total assets	1.4
Liabilities	
Trade and other payables	0.1
Corporation tax liability	0.1
Total liabilities	0.2
Total identifiable net assets at fair value	**1.2**
Goodwill arising on acquisition	0.5
Cash purchase consideration transferred	**1.7**

The purchase consideration of £1.7m was settled in cash. In addition to the £1.7m cash purchase consideration transferred, as part of the purchase agreement, the Group granted a £0.5m share-based payment arrangement which vests over three years subject to a number of conditions being met. The £0.5m was transferred in cash to the Group's share administrators on the date of completion. Cash of £1.3m was acquired with the Big Window, resulting in a net cash outflow of £0.9m.

Since acquisition, the addition of the Big Window insights and capabilities has added significant value to all Saga business units, in line with pre-acquisition expectations. However, because these benefits are largely associated with the continued employment of a small number of individuals, which under IFRS 3 cannot be separately capitalised, and given the low materiality of the amounts in question, the Group has written-off the £0.5m goodwill arising on acquisition in full in the year to 31 January 2023 (Note 8).

The Big Window contributed £0.6m of revenue and a loss of £1.0m to the Group loss before tax from the date of acquisition to 31 January 2023.

b) Acquisitions during the year ended 31 January 2022

There were no business acquisitions in the year ended 31 January 2022.

c) Disposals

There were no business disposals in the years ended 31 January 2023 and 31 January 2022.

Notes to the consolidated financial statements (continued)

8 Goodwill

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

	2023 (unaudited) £'m	2022 £'m
Insurance	**449.6**	718.6
	449.6	718.6

The Group tests all goodwill balances for impairment at least annually, and twice-yearly if indicators of impairment exist at the interim reporting date of 31 July. The impairment test compares the recoverable amount of each CGU to the carrying value of its net assets including the value of the allocated goodwill.

On 1 January 2022, new pricing rules arising from the implementation of recommendations included in the FCA's GIPP market study came into effect. As a result, and against the background of a highly competitive motor insurance market, the Group saw a fall in policy volumes in the period to 31 July 2022 and year to 31 January 2023, with a consequential adverse impact on the profitability of the Insurance business. Management considered this to be an indicator of impairment and therefore conducted full impairment reviews of the Insurance CGU as at 31 July 2022 and 31 January 2023.

The recoverable amount of the Insurance CGU has been determined based on a value-in-use calculation using nominal cash flow projections from the Group's latest five-year financial forecasts to 2027/28, which are derived using past experience of the Group's trading, combined with the anticipated impact of changes in macroeconomic and regulatory factors. A terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (July 2022: 2.0%, January 2022: 2.0%) as the expected long-term average nominal growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted nominal discount rate based on a market-participant view of the cost of capital and debt relevant to the insurance industry.

As at 31 January 2023, the pre-tax discount rate used for the Insurance CGU was 13.0% (July 2022: 12.7%; January 2022: 11.5%). The Group's five-year financial forecasts incorporate the modelled impact of the new pricing rules and the estimated impact this will likely have on future new business pricing and retention rates. As per IAS 36.44, incremental cash flows directly attributable to growth initiatives not yet enacted at the balance sheet date have then been removed for the purpose of the value-in-use calculation.

The Group has also considered the impact of downside stresses, both in terms of adverse impacts to the cash flow projections and to the discount rate. For the cash flow stress test, the Group has modelled the impact of a more prudent outlook of the current competitive challenges seen in the insurance broking market, in combination with a more cautious nominal terminal growth rate of 1.5% (July 2022: 1.5%, 31 January 2022: 1.5%), reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of +1.3ppt at 31 January 2023 (July 2022: +1.2ppt; January 2022: +1.5ppt).

The headroom/(deficit) for the Insurance CGU against the carrying value of goodwill at the time of the review of £449.6m at 31 January 2023 and £718.6m at 31 July 2022 and 31 January 2022 was as follows:

	Headroom £'m								
	Central scenario			Cash flow stress test scenario			Discount rate stress test scenario		
	31 January 2023 (unaudited)	31 July 2022	31 January 2022	**31 January 2023 (unaudited)**	31 July 2022	31 January 2022	**31 January 2023 (unaudited)**	31 July 2022	31 January 2022
Insurance	**153.9**	(121.8)	146.3	**12.0**	(269.0)	89.7	**92.6**	(146.8)	(10.2)

As at 31 July 2022, the Group determined that the recoverable amount of the goodwill asset allocated to the Insurance CGU was below the carrying value, and so the Directors took the decision to impair goodwill allocated to the Insurance CGU by £269.0m.

At 31 January 2023, the recoverable amount of the Insurance goodwill asset is above the carrying value, and no further impairment is considered necessary.

8 Goodwill (continued)

The headroom calculated is sensitive to the discount rate and terminal growth rate assumed, and to changes in the projected cash flow of the CGU. Increased inflationary pressures on claims, the evolving market response to the regulatory changes introduced in early 2022 and in particular the extent to which market prices move against Saga in a period of heightened global economic uncertainty, combine to increase the range of possible cash flow outcomes in management's modelling. A quantitative sensitivity analysis for each of these as at 31 January 2023 and its impact on the central scenario headroom against the carrying value of goodwill at the time of the review of £449.6m is as follows:

	Pre-tax discount rate		Terminal growth rate		Cash flow (annual)	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m	+10% £m	-10% £m
Insurance	(47.7)	57.6	59.2	(46.6)	57.2	(57.2)

For the reasons explained in Note 7, goodwill of £0.5m arising on the acquisition of the Big Window was immediately impaired in full.

9 Intangible fixed assets

During the year, the Group capitalised £13.4m (2022: £11.2m) of software assets, disposed of assets with a net book value of £nil (2022: £0.2m) and charged £9.2m of amortisation and impairment to its intangible assets (2022: £20.5m).

In the prior year, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's former Tour Operations business (now River Cruise and Travel). As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m be recognised against the Group's software assets as at 31 January 2022, all of which related to the Tigerbay platform. In addition, the Group concluded that an impairment charge of £0.5m to software assets was required in the Group's Central Costs division.

10 Property, plant and equipment

During the year, the Group capitalised assets with a cost of £8.2m (2022: £7.1m), reclassified to assets held for sale assets with a net book value of £19.5m (2022: £nil), disposed of assets with a net book value of £0.2m (2022: £0.6m) and charged £24.0m of depreciation and impairment to its property, plant and equipment (2022: £19.6m).

a) Impairment review of property, plant and equipment

Due to the continued impact of the COVID-19 pandemic on the Group's Cruise and Travel operations in the first half of the year, management concluded that potential indicators of impairment continued to exist as at 31 July 2022 for both of its ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Management therefore conducted impairment reviews at 31 July 2022 for both vessels, following previous reviews conducted at 31 January 2022.

The impairment test was conducted using a methodology consistent with that applied as at 31 January 2022. The recoverable amount of each ocean cruise ship was determined based on a value-in-use calculation using cash flow projections from the Group's five-year financial forecasts to 2026/27 and applying a constant annual growth rate of 2% thereafter for subsequent periods until the end of the ship's useful economic life of 30 years, at which point a residual value of 15% of original cost was assumed. This was then discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows were updated for the latest impact of the COVID-19 pandemic. In addition, a stress test of the potential adverse medium-term impact that the pandemic may have on demand for ocean cruises was also considered, with load factors capped at 80% throughout 2023/24. The annual growth rate beyond the fifth year of management forecasts was reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

10 Property, plant and equipment (continued)

a) Impairment review of property, plant and equipment (continued)

Potential environmental regulatory changes were also considered as part of this assessment. The shipping industry has made a commitment to reduce CO_2 emissions by 40% by 2030 (from a 2008 baseline), and the UK Government has made commitments to reach net zero emissions by 2050. The EEXI (carbon design/technical efficiency indicator) and CII (in-service/operational carbon intensity efficiency indicator) regulations were introduced internationally during the year to enable the industry to meet the 2030 target, and both of Saga's ocean cruise ships meet the requirements of these regulations. The end of their useful economic lives of 30 years will have been reached by 2049 in the case of Spirit of Discovery and 2051 in the case of Spirit of Adventure.

The Group has not factored in any potential fuel modifications that may occur in the future into the cash flow forecasts used for the impairment assessment of either ship. Whilst alternative fuels may present a viable route to decarbonisation for the Ocean Cruise business, there are significant upstream supply challenges which will need to be resolved before these become viable for deployment. The main engines currently installed in the Group's ocean cruise ships are capable of being modified for use with certain alternative fuels. Being new vessels, the design and specification of the Group's ocean cruise ships was guided by a desire to maximise efficiency through deployment of the most up-to-date technology. Their hull design maximises fuel efficiency, onboard technology minimises fuel consumption and catalytic converters reduce carbon emissions. Additionally, the Group is planning to retro-fit shore power connections to both vessels, allowing them to use clean energy, where available, in ports of call and has commenced a study to evaluate other emerging technologies. The capital expenditure required for the shore power connections has been included in the forecast cash flows used in the assessment.

There is also currently no technological alternative to either oil or gas to power large vessels and it is not clear if such technology will ever be commercially viable, or in what time frame this might be achieved.

The cash flows were discounted to present value using a pre-tax discount rate of 8.6% (January 2022: 9.9%) for both vessels. As at 31 July 2022, the headroom for each of the ships against the carrying value was as follows:

	Headroom £m	
	Central scenario	Lower trading stress test scenarios
Spirit of Discovery	169.0	146.5
Spirit of Adventure	114.7	91.6

Based on these impairment tests, and looking at the likelihood of a range of outcomes, the Group was satisfied that no impairment of either vessel was necessary as at 31 July 2022.

In the second half of the year, further COVID-19 restrictions were lifted for cruise passengers and trading was in line with forecasts. Discount rates have risen, but not to the extent that they materially change the headroom in the impairment calculation. The Directors therefore concluded that there were no additional indicators of impairment at 31 January 2023, and accordingly no further impairment review has been deemed necessary.

As the Group is planning to vacate most of its properties (Note 19), management has concluded that this constitutes an indicator of impairment and has duly conducted an impairment review as at 31 January 2023 of the Group's freehold, and long leasehold, land and buildings, and related fixtures and fittings. In relation to these freehold and long leasehold properties, value-in-use is negligible and so the Group has obtained market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £0.5m relating to fixtures and fittings should be recognised against the Group's assets as at 31 January 2023. At the year end, the Group reclassified assets with a net book value of £19.5m to assets held for sale (Note 19).

10 Property, plant and equipment (continued)

a) Impairment review of property, plant and equipment (continued)

In the prior year, the Group declassified one of the properties classified as held for sale at 31 January 2021, to property, plant and equipment since it was no longer being actively marketed for disposal (Note 19). The carrying value of this property as at 31 January 2021 was £3.0m. During the year ended 31 January 2023, a unsolicited conditional offer for sale was accepted by the Group in respect of this property. As a consequence, the property has been reclassified back to assets held for sale as at the statement of financial position date.

In addition, during the year ended 31 January 2022, following management's decision to restructure the Group's Tour Operations CGU, the Group impaired property, plant and equipment in its Tour Operations CGU by £0.3m.

11 Right-of-use assets

During the year, the Group capitalised assets with a cost of £25.6m (2022: £35.8m), disposed of assets with a net book value of £nil (2022: £0.8m), reduced net book value for modification, or reassessment, of lease terms by £22.0m (2022: £0.1m) and charged £8.9m of depreciation and impairment to its right-of-use assets (2022: £2.3m).

The total cash outflow for leases amounted to £9.1m (2022: £4.4m).

River cruise ship additions in the year ended 31 January 2023 relate to the river cruise vessels, Spirit of the Danube, MS River Discovery II and MS Serenade 1. River cruise ship additions in the year ended 31 January 2022 related to the river cruise vessel, Spirit of the Rhine.

During the year ended 31 January 2023, management reviewed the allocation of costs under its river cruise charter agreements. As a consequence, a proportion of costs previously included as lease costs for Spirit of the Rhine were reassessed as costs of ongoing service provision. Accordingly, the right-of-use asset and liability relating to this ship have been adjusted in the current year, reflecting a prospective change in estimate as required under IAS 8.

In the year ended 31 January 2022, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £0.3m being reported in the income statement in the year.

a) Impairment review of right-of-use assets

During the year ended 31 January 2022, the Group took delivery of the river cruise ship, Spirit of the Rhine, under a 10-year lease. The ship's first cruise season was initially planned to commence on 1 April 2021, but due to the impact of the COVID-19 pandemic, the start of the first season was delayed for several months. The Group did not therefore take control of the asset until the ship's inaugural cruise took place in September 2021, at which point a right-of-use asset was recognised and a corresponding lease liability was capitalised on the statement of financial position.

Given the carrying value of the asset is quantitatively material to the Group, combined with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, which constitute an indicator of impairment, management deemed it necessary to conduct an impairment review on Spirit of the Rhine at 31 January 2022.

Based on the impairment tests undertaken, and looking at the likelihood of a range of outcomes, the Group was satisfied that there was headroom over and above the carrying value of Spirit of the Rhine.

The Group does not consider it necessary to conduct an impairment review of right-of-use assets as at 31 January 2023 since no new indicators of impairment exist in relation to the Spirit of the Rhine, Spirit of the Danube, MS River Discovery II or MS Serenade 1.

12 Financial assets and financial liabilities

a) Financial assets

	2023 (unaudited) £'m	2022 £'m
Fair value through profit and loss (FVTPL)		
Foreign exchange forward contracts	0.4	0.4
Loan funds	5.9	6.2
Money market funds	19.6	29.2
	25.9	**35.8**
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	2.1	0.3
Fuel oil swaps	-	1.2
	2.1	**1.5**
Fair value through other comprehensive income (FVOCI)		
Debt securities	254.4	280.8
	254.4	**280.8**
Amortised cost		
Deposits with financial institutions	-	14.0
	-	**14.0**
Total financial assets	**282.4**	**332.1**
Current	62.8	110.0
Non-current	219.6	222.1
	282.4	**332.1**

b) Financial liabilities

	2023 (unaudited) £'m	2022 £'m
FVTPL		
Foreign exchange forward contracts	0.2	1.3
	0.2	**1.3**
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	1.0	2.7
Fuel oil swaps	4.0	-
	5.0	**2.7**
Amortised cost		
Bond and bank loans (Note 16)	854.6	896.5
Lease liabilities	32.6	35.3
Bank overdrafts	4.4	0.4
	891.6	**932.2**
Total financial liabilities	**896.8**	**936.2**
Current	118.6	56.1
Non-current	778.2	880.1
	896.8	**936.2**

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy

	As at 31 January 2023 (unaudited)				As at 31 January 2022			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	2.5	-	**2.5**	-	0.7	-	**0.7**
Fuel oil swaps	-	-	-	**-**	-	1.2	-	**1.2**
Loan funds	5.9	-	-	**5.9**	6.2	-	-	**6.2**
Debt securities	254.4	-	-	**254.4**	280.8	-	-	**280.8**
Money market funds	19.6	-	-	**19.6**	29.2	-	-	**29.2**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	1.2	-	**1.2**	-	4.0	-	**4.0**
Fuel oil swaps	-	4.0	-	**4.0**	-	-	-	**-**
Financial assets for which fair values								
Deposits with institutions	-	-	-	**-**	-	14.0	-	**14.0**
Financial liabilities for which fair values								
Bond and bank loans	-	788.9	-	**788.9**	-	879.0	-	**879.0**
Lease liabilities	-	32.6	-	**32.6**	-	35.3	-	**35.3**
Bank overdrafts	-	4.4	-	**4.4**	-	0.4	-	**0.4**

d) Other information

Debt securities, loan funds, money market funds and deposits with financial institutions relate to monies held by the Group's Insurance business (included within discontinued operations (Note 19), are subject to contractual restrictions and are not readily available to be used for other purposes within the Group. The values of the debt securities, money market funds and loan funds are based upon publicly available market prices.

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2022: none).

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the year, the Group designated 352 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods and designated 68 fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 January 2023, the Group has designated 446 forward currency contracts and 68 fuel oil swaps as hedges.

During the year, the Group recognised net losses of £2.0m (2022: £2.1m gains) on cash flow hedging instruments through OCI into the hedging reserve. The Group recognised £nil gains (2022: £nil) through the income statement in respect of the ineffective portion of hedges measured during the year.

During the year, the Group has de-designated 12 foreign currency forward contracts, with a transaction value of £0.7m, where forecast cash flows are no longer expected to occur with a sufficiently high degree of certainty to meet the requirements of IFRS 9. The accumulated gains in relation to these contracts of £nil have been reclassified from the hedging reserve into profit or loss during the year. The Group has not de-designated any fuel oil swaps during the year. During the year, the Group recognised a £0.3m loss (2022: £1.2m gain) through the income statement in respect of matured hedges which have been recycled from OCI.

13 Cash and cash equivalents

	2023 (unaudited) £'m	2022 £'m
Cash at bank and in hand	52.0	174.6
Short-term deposits	124.5	52.3
Cash and short-term deposits	**176.5**	**226.9**
Money markets funds	19.6	29.2
Bank overdraft	(4.4)	(0.4)
Cash and cash equivalents in the cash flow statement	**191.7**	**255.7**

Included within cash and cash equivalents are amounts held by the Group's River Cruise, Travel and Insurance businesses, which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £34.2m (2022: £69.1m). Available Cash[7] excludes these amounts and any amounts held by disposal groups.

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

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

[7] Refer to the Alternative Performance Measures Glossary on pages 68-69 for definition and explanation

14 Retirement benefit schemes

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

In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. The consultation process concluded during October 2021, and with effect from 31 October 2021, the Group closed both its existing schemes to future accrual: the Saga Pension Scheme (its defined benefit plan) and the Saga Workplace Pension Plan (its defined contribution plan). In their place, the Group launched a new defined contribution pension scheme arrangement, operated as a Master Trust. This move served to reduce the risk of further deficits developing in the future on the defined benefit scheme, while moving to a fairer scheme for all colleagues.

a) Defined contribution plans

There are three defined contribution schemes in the Group at 31 January 2023 (2022: three). The total charge for the year in respect of the defined contribution schemes was £9.9m (2022: £4.5m). The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b) Defined benefit plan

The Group operated a funded defined benefit scheme, the Saga Pension Scheme, which was closed to future accrual on 31 October 2021. From 1 November 2021, members moved from active to deferred status, with future indexation of deferred pensions before retirement measured by reference to the Consumer Price Index. During the prior year, a net expense of £2.0m was recognised as a past service cost (within administrative and selling expenses) relating to the closure. The assets of the scheme are held separately from those of the Group in independently administered funds.

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

	2023 (unaudited)	2022
	£'m	£'m
Fair value of scheme assets	224.1	412.0
Present value of defined benefit obligation	(236.2)	(410.9)
Defined benefit scheme (liability)/asset	**(12.1)**	**1.1**

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

During the year ended 31 January 2023, the net position of the Saga Scheme has decreased by £13.2m, resulting in an overall scheme deficit of £12.1m. The movements observed in the scheme's assets and obligations have been impacted significantly by macroeconomic factors during the year where, at a global level, there have been rising inflation and cost of living pressures, as well as shifts in long-term market yields. The present value of defined benefit obligations decreased by £174.7m to £236.2m, primarily due to a 245bps increase in the discount rate which is based on increases in long-term trend corporate bond yields. The fair value of scheme assets decreased by £187.9m to £224.1m. The decrease in asset values has been largely driven by the sharp rise in interest rates in the year. Liability driven investment (**LDI**) strategies resulted in assets being sold in order to meet the liquidity calls required by the fall in leveraged LDI values. The Saga scheme has a hedged component, but this is relative to gilt yields, rather than corporate bond yields, which are used to derive the defined benefit obligation. A £5.8m deficit funding contribution was paid by the Group in February 2022 in relation to a recovery plan agreed under the latest triennial valuation of the scheme as at 31 January 2020.

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

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

	2023 (unaudited)	2022
Gross	**£'m**	£'m
Claims outstanding	285.2	292.8
Provision for unearned premiums	83.1	93.9
Total gross liabilities	**368.3**	**386.7**

	2023 (unaudited)	2022
Recoverable from reinsurers	**£'m**	£'m
Claims outstanding	62.1	59.1
Provision for unearned premiums	6.7	6.3
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**68.8**	**65.4**
Amounts recoverable under funds-withheld quota share agreements recognised within trade receivables/payables:		
- Claims outstanding	123.1	133.0
- Provision for unearned premiums	44.6	50.7
Total reinsurers' share of insurance liabilities after funds-withheld quota share	**236.5**	**249.1**
Analysed as:		
Claims outstanding	185.2	192.1
Provision for unearned premiums	51.3	57.0
Total reinsurers' share of insurance liabilities after funds-withheld quota share	**236.5**	**249.1**

	2023 (unaudited)	2022
Net	**£'m**	£'m
Claims outstanding	223.1	233.7
Provision for unearned premiums	76.4	87.6
Total net insurance liabilities	**299.5**	**321.3**
Amounts recoverable under funds-withheld quota share agreements recognised within trade receivables/payables:		
- Claims outstanding	(123.1)	(133.0)
- Provision for unearned premiums	(44.6)	(50.7)
Total net insurance liabilities after funds-withheld quota share	**131.8**	**137.6**
Analysed as:		
Claims outstanding	100.0	100.7
Provision for unearned premiums	31.8	36.9
Total net insurance liabilities after funds-withheld quota share	**131.8**	**137.6**

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in claims outstanding

	2023 (unaudited) £'m	2022 £'m
Gross claims outstanding at 1 February	292.8	329.5
Less: reinsurance claims outstanding	(192.1)	(212.3)
Net claims outstanding at 1 February	100.7	117.2
Gross claims incurred	157.2	94.6
Less: reinsurance recoveries	(99.1)	(63.3)
Net claims incurred	58.1	31.3
Gross claims paid	(164.8)	(131.3)
Less: received from reinsurance	106.0	83.5
Net claims paid	(58.8)	(47.8)
Gross claims outstanding at 31 January	285.2	292.8
Less: reinsurance claims outstanding	(185.2)	(192.1)
Net claims outstanding at 31 January	**100.0**	**100.7**

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets (continued)

The development of the gross loss ratios (before deducting reinsurance recoveries) on an accident year basis over the last 10 years is as follows:

	Financial year ended 31 January									
Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (unaudited)
2014	76%	72%	67%	63%	61%	58%	57%	56%	56%	56%
2015		70%	73%	70%	66%	61%	58%	55%	55%	55%
2016			77%	78%	75%	65%	62%	62%	59%	59%
2017				70%	69%	65%	61%	56%	56%	55%
2018					76%	78%	74%	70%	67%	65%
2019						78%	80%	79%	75%	71%
2020							78%	82%	78%	75%
2021								64%	58%	50%
2022									67%	77%
2023										88%

The development of the net incurred claims ratios (after deducting reinsurance recoveries) on an accident year basis over the last 10 years is as follows:

	Financial year ended 31 January									
Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (unaudited)
2014	75%	71%	65%	62%	59%	56%	55%	54%	54%	54%
2015		67%	69%	66%	63%	58%	56%	54%	53%	53%
2016			70%	71%	66%	59%	56%	54%	53%	52%
2017				56%	56%	54%	53%	51%	51%	50%
2018					66%	65%	64%	62%	60%	56%
2019						71%	71%	71%	69%	59%
2020							63%	64%	62%	62%
2021								53%	47%	44%
2022									55%	53%
2023										101%

Favourable claims development over the year resulted in a £27.0m (2022: £18.4m) reduction in the net claims incurred in respect of prior years.

16 Loans and borrowings

	2023 (unaudited) £'m	2022 £'m
Bond	400.0	400.0
Ship loan	469.2	515.6
Revolving credit facility	-	-
Accrued interest payable	5.5	5.9
	874.7	921.5
Less: deferred issue costs	(20.1)	(25.0)
	854.6	**896.5**

Bonds, RCF and term loan

At 31 January 2023, the Group's financing facilities consisted of a £150.0m seven-year senior unsecured bond (repayable May 2024), a £250.0m five-year senior unsecured bond (repayable July 2026) and a £50.0m five-year RCF (expiry in May 2025). The bonds are listed on the Irish Stock Exchange and are guaranteed by Saga Services Limited and Saga Mid Co Limited.

Interest on the 2024 corporate bond is incurred at an annual interest rate of 3.375%. Interest on the 2026 corporate bond is incurred at an annual interest rate of 5.5%. Interest payable on the Group's RCF, if drawn down, is incurred at a variable rate of SONIA plus a bank margin which is linked to the Group's leverage ratio.

During the year to 31 January 2023, the Group agreed amendments with its banks to simplify the RCF arrangement to remove certain clauses that were introduced during the COVID-19 pandemic and reduce the aggregate facility cost. The amendments to the RCF include:

- removal of the £40.0m minimum liquidity requirement;
- removal of the condition that the facility (if drawn) is repaid on 1 March 2024, if the existing 2024 bond has not been redeemed prior to this date; and
- reduction of the RCF commitment from £100.0m to £50.0m.

In addition, dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

Subsequent to the above, the Group had further discussions with its lending banks behind the RCF and agreed the following amendments to the facility:

- The introduction of a restriction whereby, no utilisation of the facility is permitted prior to repayment of the 2024 bond if leverage exceeds 5.5x, or liquidity is below £170.0m.
- During 2023 and 2024, should the RCF be drawn, leverage covenant testing will be quarterly.
- Repayment of the 2024 bond, ahead of maturity, is restricted while leverage remains above 3.75x.
- Amendments to the leverage and interest cover covenants attached to the facility, as follows:

	Leverage (excl. Ocean Cruise)	Interest cover
31 January 2023	4.75x	2.5x
30 April 2023	6.75x	n/a
31 July 2023	6.75x	2.5x
31 October 2023	6.75x	n/a
31 January 2024	5.5x	2.75x
30 April 2024	5.5x	n/a
31 July 2024	5.5x	3.0x
31 October 2024	5.5x	n/a
31 January 2025	4.75x	3.0x

16 Loans and borrowings (continued)

Bonds, RCF and term loan (continued)

At 31 January 2023, the Group's £50.0m RCF remained undrawn. Accrued interest payable on the Group's bonds at 31 January 2023 is £2.2m (2022: £2.8m).

During the year ended 31 January 2022, the Group repaid its £200.0m five-year term loan (repayable May 2023) in full. Interest was incurred at a variable rate of London Inter-Bank Offered Rate (LIBOR, since replaced by SONIA) plus a bank margin which was linked to the Group's leverage ratio.

Ocean cruise ship loans

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

The Board announced on 22 June 2020 that it had secured a debt holiday and covenant waiver for the Group's ship facilities. The Group's lenders agreed to a deferral of £32.1m in principal payments under the ship facilities that were due up to 31 March 2021. These deferred amounts were to be paid between June 2021 and December 2024 for Spirit of Discovery and between September 2021 and March 2025 for Spirit of Adventure, and interest remained payable.

On 29 September 2020, the Group drew down £280.8m of financing for its ocean cruise ship, Spirit of Adventure. The financing, secured against the Spirit of Adventure cruise ship asset, represents a 12-year fixed-rate sterling loan, backed by an export credit guarantee. The loan is repayable in 24 broadly equal instalments, with the first payment originally due six months after delivery in March 2021, but initially deferred to September 2021 as a result of the debt holiday described above.

In March 2021, the Group reached agreement of a one-year extension to the debt deferral on its ocean cruise ship facilities. As part of an industry-wide package of measures to support the cruise industry, an extension of the existing debt deferral was agreed to 31 March 2022. The key terms of this deferral were:

- all principal payments to 31 March 2022 (£51.8m) deferred and repaid over five years;
- all financial covenants until 31 March 2022 waived; and
- dividends remain restricted while the deferred principal is outstanding.

After the year end, the Group concluded discussions with its Cruise lenders in respect of the covenant restrictions attaching to its two ship debt facilities (Note 21). Lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio for the 31 July 2023 testing date.

Interest on the Spirit of Discovery ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees). Interest on the Spirit of Adventure ship loan is incurred at an effective annual interest rate of 3.30% (including arrangement and commitment fees). Interest payable on the Group's ocean cruise ship debt deferrals is incurred at a variable rate of SONIA plus a bank margin.

Accrued interest payable on the Group's ocean cruise ship loans at 31 January 2023 is £3.3m (2022: £3.1m).

Also since the year end, on 3 April 2023, the Company entered into a forward starting loan facility agreement with Sir Roger De Haan, commencing on 1 January 2024, under which the Company may draw down up to £50m with 30 days' notice to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024. The facility is provided on an arm's length basis. Interest will accrue on the facility at the rate of 10% and is payable on the last day of the period of the loan. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. The facility is subject to a 2% arrangement fee, payable on entering into the arrangement. A draw down fee of 2% on any amount drawn down under the facility is payable on the drawing date; and milestone fees of 2% on any uncancelled amount of the facility become payable on 31 March 2024 and 31 December 2024 respectively.

16 Loans and borrowings (continued)

Total debt and finance costs

At 31 January 2023, debt issue costs were £20.1m (2022: £25.0m). The movement in the year represents expense amortisation for the period.

During the year, the Group charged £41.0m (2022: £37.4m) to the income statement in respect of fees and interest associated with the bonds, RCF, term loan and ship loans. In addition, finance costs recognised in the income statement include £1.2m (2022: £0.7m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £nil (2022: £2.7m). The Group has complied with the financial covenants of its borrowing facilities during the current year and prior year.

17 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 1 February 2021	140,102,227	0.15	21.0
Issue of shares – 12 November 2021	235,044	0.15	0.1
As at 31 January 2022 and 31 January 2023 (unaudited)	140,337,271	0.15	21.1

On 12 November 2021, Saga plc issued 235,044 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an EBT to satisfy employee incentive arrangements.

18 Share-based payments

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

a) On 28 April 2022, nil cost options over 345,353 shares were issued under the Deferred Bonus Plan to Executive Directors reflecting their deferred bonus in respect of 2021/22, which vest and become exercisable on the third anniversary of the grant date. Under the Deferred Bonus Plan, executives receive a maximum of two-thirds of the bonus award in cash and a minimum of one-third in the form of rights to shares of the Company.

b) During the year, nil cost options over 2,548,775 shares were issued under the Restricted Share Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

c) In July 2022, the Board and shareholders approved the issue of an additional new award called the Saga Transformation Plan (**STP**). The STP has a five-year vesting period and participants receive a 12.5% share in shareholder value (share price plus dividends) created above a £6 per share hurdle over a five-year performance period commencing from the grant date, subject to continuing employment. For Directors and senior leaders, the STP will be equity-settled. For other employees, the STP will be settled in cash. There is a cap of £88.0m on the value of awards that may vest, and the awards have a range of grant dates based on the tranche that each participant falls into.

   On 5 July 2022, nil cost options were issued under the STP to certain Directors and other senior employees which vest and become exercisable on the fifth anniversary of the grant date, subject to continuing employment.

The fair values of all awards granted during the year under the equity-settled and cash-settled share-based remuneration schemes operated by the Group are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £3.9m (2022: £3.4m) during the year to the income statement in respect of equity-settled share-based payment transactions.

19 Assets held for sale

At the end of the year ended 31 January 2021, the Group made the decision to initiate an active programme to locate buyers for a number of its freehold properties. At the point of reclassification to held for sale, the carrying values of £16.9m were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required.

During the year ended 31 January 2022, the Group disposed of a property reclassified from property, plant and equipment to held for sale in the period. Cash consideration received (net of transaction costs) was £10.2m and the carrying value of the property at the date of disposal was £3.0m. Profit arising on disposal was £7.2m.

In addition, during the year ended 31 January 2022, the Group declassified one of the properties from held for sale back to property, plant and equipment, since it was no longer being actively marketed for disposal. The carrying value of this property as at 31 January 2021 was £3.0m.

Management conducted impairment reviews of the freehold property assets held for sale as at 31 January 2022 and 31 January 2023. In relation to these freehold properties, value-in-use continued to be negligible and so the Group obtained updated market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that net impairment charges totalling £1.2m (2022: £1.0m) should be recognised against the Group's property assets held for sale as at 31 January 2023 and 31 January 2022 respectively.

At the end of the year ended 31 January 2023, the Group made the decision to initiate an active programme to locate buyers for a further two of its freehold properties and one of its long leasehold properties. The Group also reclassified to held for sale the related fixtures and fittings associated with one of these freehold properties. At the point of reclassification to held for sale, the carrying values of £15.9m for the properties and £3.6m for the related fixtures and fittings, total £19.5m, were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required. These properties are being actively marketed and the disposals are expected to be completed within 12 months of the end of the financial year.

As at 31 January 2023, the carrying values of the properties classified as held for sale, totalling £31.2m, are representative of either each property's fair value or historic cost less accumulated depreciation and any impairment charges to date, whichever is lower.

20 Related party transactions

There were no related party transactions in the year ended 31 January 2023.

A working capital facility of £10.0m, agreed with Sir Roger De Haan, the Non-Executive Chairman of Saga plc, to fund the short-term liquidity needs of the Cruise business was cancelled in July 2021.

As set out in Note 16, on 3 April 2023, the Company entered into a forward starting loan facility agreement with Sir Roger De Haan, commencing on 1 January 2024, under which the Company may draw down up to £50m with 30 days' notice to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024. The facility is provided on an arm's length basis. Interest will accrue on the facility at the rate of 10% and is payable on the last day of the period of the loan. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. The facility is subject to a 2% arrangement fee, payable on entering into the arrangement. A draw down fee of 2% on any amount drawn down under the facility is payable on the drawing date; and milestone fees of 2% on any uncancelled amount of the facility become payable on 31 March 2024 and 31 December 2024 respectively.

21 Events after the reporting period

After the year end, the Group concluded discussions with its Cruise lenders in respect of the covenant restrictions attaching to its two ship debt facilities (Note 16). Lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio for the 31 July 2023 testing date.

Also since 31 January, the Company has agreed a £50m loan facility with Sir Roger De Haan, to commence on 1 January 2024, details of which are set out in Note 20 above.

Alternative Performance Measures Glossary

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

Definitions for the primary APMs used in this report are set out below. APMs are usually derived from financial statement line items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement to, rather than a substitute for, GAAP measures.

Underlying Profit/(Loss) Before Tax

Underlying Profit/(Loss) Before Tax represents the loss before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, the charge on closure of the defined benefit pension scheme, foreign exchange movements on river cruise ship leases, costs incurred for the ship debt holiday, costs in relation to the acquisition of the Big Window, the IFRS 16 lease accounting adjustment on river cruise vessels and restructuring costs. It is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 10.

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

Trading EBITDA/Adjusted Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the IAS 19R pension charge, exceptional costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16 leases and the Trading EBITDA relating to the two ocean cruise ships, Spirit of Discovery and Spirit of Adventure in line with the covenant on the Group's revolving credit facility (**RCF**). It is reconciled to Underlying Profit/(Loss) Before Tax within the Group Chief Financial Officer's Review on page 21. Underlying Profit/(Loss) Before Tax is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 10.

This measure is linked to the covenant on the Group's RCF, being the denominator in the Group's leverage ratio calculation.

Underlying Basic Earnings/(Loss) Per Share

Underlying Basic Earnings/(Loss) Per Share represents basic loss per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, the charge on the closure of the defined benefit pension scheme, foreign exchange gains on river cruise ship leases, costs incurred for the ship debt holiday, costs in relation to the acquisition of the Big Window, the IFRS 16 lease accounting adjustment on river cruise vessels and restructuring costs. This measure is reconciled to the statutory basic loss per share in Note 6 to the accounts on pages 50-51.

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

Available Cash

Available Cash represents cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries. This measure is reconciled to the statutory measure of cash in Note 13 to the accounts on page 59.

Available Operating Cash Flow

Available Operating Cash Flow is net cashflow from operating activities after capital expenditure but before tax, interest paid, restructuring costs, proceeds from business and property disposals and other non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction. It is reconciled to statutory net cash flow operating activities within the Group Chief Financial Officer's Review on page 21.

Net Debt

Net Debt is the sum of the carrying values of the Group's debt facilities less the amount of Available Cash it holds and is analysed further within the Group Chief Financial Officer's Review on page 24.

Adjusted Net Debt

Adjusted Net Debt is the sum of the carrying values of the Group's debt facilities less the amount of Available Cash it holds but excludes the ship debt and the Ocean Cruise business Available Cash. It is linked to the covenant on the Group's RCF, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Group Chief Financial Officer's Review on page 25.