Interim Results

for the six months ended 31 July 2015

30 September 2015

Saga plc

Interim Results for the six months ended 31 July 2015

On track to meet market expectations for the full year, first interim dividend announced

Saga plc ("Saga" or "the Group"), the UK's leading provider of products and services primarily tailored for the over 50s, announces its interim results for the six months ended 31 July 2015.

Financial highlights - continuing operations[1]

- Growth in Trading EBITDA of 5.2% in the core Financial Services and Travel businesses, partially offset by the impact of a full six months of plc costs
- Sustained cash generation leading to further deleveraging
    - o Target range for debt ratio of between 1.5x and 2.0x in the medium term
- Confidence in achieving full year profit expectations and ongoing sustainable profit growth supports the announcement of a maiden interim dividend of 2.2p

	Six months ended 31 July 2015 (H1 2015)	**Six months ended 31 July 2014 (H1 2014)**	**Change**
Group Trading EBITDA	£130.6m	£129.6m	+0.8%
Trading EBITDA from Financial Services and Travel	£136.5m	£129.7m	+5.2%
Trading Profit[2]	£117.5m	£116.3m	+1.0%
Profit before tax	£101.3m	£42.2m	+140%
Basic Earnings Per Share	7.3p	3.3p	+121%
Interim Dividend	2.2p	Nil	
Available operating cash flow	£139.1m	£137.8m	+0.9%
Debt ratio (net debt to EBITDA)	2.35x	2.56x	(0.21x)

Operational Highlights

- Financial Services:
    - o Core motor insurance policies up by 9.7% to 1,112k (H1 2014: 1,014k)
    - o Continued strong performance of the motor insurance business, with a Combined Operating Ratio in the core underwritten book of 68.0% (H1 2014: 68.1%)
    - o Successful launch of the panel in motor insurance with two third party insurers already participating
    - o Completion of the acquisition of Bennetts, the UK's premier motorbike insurance specialist
    - o Good progress made in Saga Investment Services with a strong team in place; on track to launch by the end of 2015

[1] *On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare. Accordingly, this has been treated as a discontinued operation and is not included in the analysis.*

[2] *Trading profit is Trading EBITDA less depreciation and amortisation, excluding amortisation of acquired intangibles of £2.4m (H1 2014: Nil) in respect of the Group's acquisitions (Destinology and Bennetts), as this amortisation is not related to the underlying trading performance of these businesses.*

- Travel:
    - Continued growth in Trading EBITDA
    - Decision made to enhance Saga's excellent cruise offering through investment in new cruise capacity.
    - Meyer Werft shipyard secured to build a new ship for delivery in 2019. Option for a second to be delivered in 2021
- Other:
    - Total number of contactable people on the Saga database increased to 11.0m at 31 July 2015 (31 July 2014: 10.6m)
    - The number of active customers was broadly stable in the 12 months to 31 July 2015 at 2.6m (12 months to 31 July 2014: 2.7m), with an average of 2.6 products held by active customers as at 31 July 2015 (31 July 2014: 2.7)
    - Sale of Allied Healthcare progressing with completion expected before the end of the financial year

Commenting on the results, Lance Batchelor, Group Chief Executive Officer, said:

"I am pleased to report continued momentum in both our financial performance and in the implementation of the strategic initiatives that we announced earlier this year. In particular, we have successfully launched our motor panel, reached the decision to invest in replacing our shipping capacity and we are on track to launch Saga Investment Services.

"Continued strong cash generation has allowed us to further reduce our debt ratio and the solid performance in our core businesses of financial services and travel has meant positive growth in underlying profitability. This growth was partially offset by the impact of a full six months of costs associated with becoming a listed company, a situation that will not repeat to the same extent in the second half of the year.

"We are confident of delivering on our targets for the full year and of continuing to build sustainable returns for shareholders through profit growth, cash generation and our progressive dividend policy. This confidence supports our decision to pay a maiden interim dividend of 2.2p."

END

A presentation to analysts will be held at 09.30 at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London, EC4A 2BB. There will be a live webcast of the analyst presentation for registered participants. Registration can be completed at http://corporate.saga.co.uk/. The webcast will be also accessible via the Saga website following the presentation.

For further information please contact:

Saga plc

Tim McCall, director of corporate affairs	Tel: 07753 561862
	Email: tim.mccall@saga.co.uk
Paul Green, director of communications	Tel: 01303 776023 / 07714 414859
	Email: paul.green@saga.co.uk

FTI Consulting

Paul Marriott / Tom Blackwell	Tel: 020 3727 1341 / 1051
	Email: paul.marriott@fticonsulting.com
	tom.blackwell@fticonsulting.com

Notes to editors

Saga is a leading provider of products and services primarily tailored for customers over the age of 50 in the UK. The Saga brand has been carefully developed over the past 60 years to become one of the most recognised and trusted brands among UK consumers aged over 50. Saga is synonymous in the UK with the over 50s market and is recognised for its high quality, award winning products and services. These include cruises and holidays, insurance, personal finance, healthcare and the Saga Magazine.

saga.co.uk

Group Chief Executive's Review

Overview

I am pleased to be able to report a very solid first half of the year, with strong performance across all of the Group's continuing operations. We have grown Trading EBITDA in our core businesses of financial services and travel by 5.2%, Trading Profit by 1.0% to £117.5m and generated £139.1m of available operating cash flow, allowing us to reduce further our debt ratio to 2.35x at the period end.

I am also very pleased to be able to announce that we are paying our maiden interim dividend of 2.2p per share, reflecting our confidence in achieving our aims, meeting market expectations for the full year and continuing to deliver sustainable profit growth.

At the heart of the business is a competitive advantage based on our ability to understand our customers better than anyone else through data-driven insight, supported by our proprietary database that now includes 11.0m names. This insight enables us to develop the products and services our customers want and then deliver them with exceptional customer service, either ourselves or in partnership with third party suppliers.

We have made good progress in implementing a number of the key elements of the strategy we outlined at the start of 2015 to deliver sustainable shareholder returns. We will do this by unlocking the growth potential in our core businesses, investing in growth areas for the future and maintaining our capital efficient model by:

- expanding our insurance footprint;
- growing our travel business;
- expanding our personal finance offering;
- optimising the use of our database; and,
- continuing to focus on innovation throughout the business.

Across our insurance businesses, we have continued to balance the delivery of profit with growth in our policy numbers. We have recently launched our motor insurance panel and we already have two third party insurers competing for volume alongside our in-house underwriter, AICL. The motor panel completes our ability to access third party providers of underwriting risk across all of our major product areas and, as it is complementary to AICL, allows us to compete for market share in areas beyond AICL's core area of focus and expertise.

The team has done an exceptional job in establishing the panel within such a short timeframe. We are building relationships with excellent providers and expect to have another three join the panel by the end of 2015, with a further two or three in the first half of 2016. While it is early days we are very pleased with progress to date.

We have completed the acquisition of Bennetts, the UK's premier motorbike insurer. Bennetts' position within the UK motorbike market, gives us access to a growth sector that is being driven by customers within our target demographic. We are encouraged by what we have seen and trading is progressing well with growth in policy numbers and a very solid financial performance.

Within our travel business, we have taken the decision to enhance our excellent cruising business by updating our shipping capacity. After a rigorous selection process, we have chosen the Meyer Werft shipyard in Germany and signed a memorandum of agreement with them for delivery of a new, purpose built ship in 2019 and an option for a second ship to be delivered in 2021. This is a significant decision for the Group but there is a very clear and compelling case for it. Strategically, cruising is a growth market and lies at the heart of the Saga brand, playing a key role in driving our reputation for service. It is therefore a business to which we are committed for the long term. Financially, it is an investment in an area where we have a proven track record, where demand is outstripping supply for our offering and where new ships will be transformative for the operating efficiency and profitability of our cruising business.

At Saga Investment Services, our wealth management joint venture, Nici Audlam-Gardener joined as Managing Director in August and we have filled senior roles in marketing and communications to complete a very strong team. That team is working hard on the customer led proposition and is on track to launch before the end of the year.

We continue to strengthen our team across the business and I am delighted to welcome Matt Atkinson, our new Group Chief Marketing Officer. Most recently Matt was at Tesco plc, where he held a range of senior roles. Matt will sit on Saga's Executive Committee and will be responsible for branding and customer engagement across all of our marketing channels to help ensure we continue to build Saga's brand and maintain the excellent reputation so fundamental to the company.

We are also making progress with the sale of Allied. This marketplace continues to face challenges, particularly given the potential financial impact of the Chancellors announcement of the National Living Wage in his latest Budget. We expect to complete the process by the end of the financial year.

Financial Services

Motor Insurance

Saga has a number of competitive advantages within the motor insurance market including:

- a low cost of acquisition due to our brand and database covering 11.0 m of the UK's over 50s;
- a differentiated retailer, Saga Services, with the flexibility to act as underwriter or broker;
- an experienced in-house underwriter, AICL, with a clear focus and data-driven insight into a relatively low risk section of the market; and,
- an efficient claims management function that enables us to manage claims costs down to market leading levels.

We have worked hard to capitalise on these advantages to deliver growth in both profit and core policy numbers during the first half of the year. We have grown our core motor policies and delivered a 2.6% increase in Trading EBITDA to £68.3m (H1 2014: £66.6m). Our Combined Operating Ratio stands at 68.0% (H1 2014: 68.1%) as a result of positive claims experience.

Our experience across the motor insurance book supports the market view that the price increases seen in the second quarter of 2015 appear to be sustainable. However, within our underwriter, AICL, we are not seeing the increases in claims frequency or personal injury claims costs reported elsewhere. This gives us an advantage in a rising market as we can share some of the resulting margin enhancement with our customers, growing market share while maintaining our prudent approach to underwriting.

Overall, we are well placed to deliver on our plans in motor insurance this year and into next, with a differentiated retail distribution channel and in-house underwriter, complemented by the recently launched panel and Bennetts.

Home Insurance

The market for home insurance remains highly competitive with premiums continuing to fall through the first half of the year. The efficiency of our home panel has largely protected us in this environment and we have delivered a 16.2% increase in Trading EBITDA to £33.7m (H1 2014: 29.0m). However, given falling premiums, we have seen less churn in the marketplace, leading to a reduction in the number of quotes available. As a result, we have seen a 2.6% decrease in core policy numbers against the same period last year.

Other Financial Services

Other financial services delivered a 5.2% increase in policy numbers with Trading EBITDA 6.9% lower at £17.6m (H1 2014: £18.9m) due to the investment in legal services and Saga Investment Services.

Earnings continue to be driven by travel insurance, where we are further developing our product range to ensure it is relevant for our entire customer base and PMI, which continues to perform well in a very difficult market as we invest in product innovation.

Travel

The travel business has continued to build on the momentum of last year, with Trading EBITDA 11.2% higher at £16.9m (H1 2014: £15.2m).

The tour operating business is delivering on a number of strategic initiatives to drive growth through the business, including: new distribution channels; driving our digital presence and enhancing our customer's digital journey; continuing to connect the various brands within the business into the Saga database; and developing new products.

The travel business continues to win awards. Saga Holidays was recently named The Times and Sunday Times Specialist Tour Operator of the Year, Titan Travel was named the Best Escorted Tour Operator at the Travel Bulletin Star Awards and Saga Cruises Best Value For Money Cruise Line for the second year running at the Cruise International Magazine awards.

Within our cruise operation, we continue to make improvements and investments to ensure that customer satisfaction levels are maintained at the highest levels. Currently, 98% of our cruise customers rate their experience as excellent or good and, during August of this year, both the Saga Sapphire and Saga Pearl II achieved their best ever overall customer feedback scores.

The cruise operation remains at the heart of the Saga brand, continually demonstrating the service excellence and value that Saga is renowned for. The decision we have made to invest in our shipping capacity will be transformational for the cruise business and for our cruise customers. The precise details of the new ships will be finalised over the coming months and the result will be a significant upgrade while retaining the traditional features our customers cherish. This means that all cabins will have balconies but we will still provide an intimate small-ship feel (under 1,000 passengers), a high crew-to-customer ratio and great public spaces and entertainment facilities.

We have made good progress again in the first half of the year in travel and in the year to date our reservation levels for departures in holidays and cruising for the remainder of this financial year and for the financial year ending 31 January 2017 are very encouraging.

Healthcare Services

With our private homecare trial, we have focussed attention on a small group of customers, ensuring we can get the offer right, as well as testing the economics before expanding it further. Whilst we are still very much in pilot mode, we are making progress and have recently scaled up the project from one town in Hertfordshire to the whole county.

Outlook

At the start of 2015 we outlined a clear strategy to deliver long-term, sustainable shareholder returns through profit growth, cash generation and a progressive dividend policy. This strategy is centred on capitalising on our competitive advantages to unlock the growth potential within our core businesses whilst maintaining our capital efficient business model. I am very pleased, therefore, that we are able to demonstrate progress both with respect to our financial performance and the implementation of strategic initiatives.

The launch of a motor panel, our decision to invest in new shipping capacity and the forthcoming launch of Saga Investment Services are all important initiatives for the future of the business. These are balanced by our ability to consistently generate profitable growth from our existing businesses and the progress made in both insurance and travel is encouraging.

The Group is well positioned to continue its positive momentum into the second half of the year and we are on track to meet expectations for the year as a whole.

I would like to thank everyone who has played a part in this delivery most notably all of our employees and, of course, all of our customers.

Chief Financial Officer's Review

The Group has delivered a robust financial performance during the first half of its second year as a listed company with growth in the core businesses. This growth has been partially offset by the normalisation of the Group's plc costs, resulting in Trading Profit increasing by 1.0% in the first half.

Group P&L	**6m to Jul 2015**	***Growth***	**6m to Jul 2014**
Revenue	£478.3m	*8.7%*	£440.1m
Trading EBITDA	**£130.6m**	***0.8%***	**£129.6m**
Depreciation / loss on disposal	(£10.0m)		(£9.3m)
Amortisation (excluding acquired intangibles)	(£3.1m)		(£4.0m)
Trading profit	**£117.5m**	***1.0%***	**£116.3m**
Non-trading credit/(costs)	£2.1m		(£1.4m)
Amortisation of acquired intangibles	(£2.4m)		-
Net fair value gains on derivatives	£0.7m		£1.3m
Profit before interest, tax and IPO costs	**£117.9m**	***1.5%***	**£116.2m**
Finance costs	(£14.1m)		(£10.3m)
IPO expenses	(2.5m)		(£50.8m)
Exceptional debt costs	-		(£12.9m)
Profit before tax from continuing operations	**£101.3m**	*140.0%*	**£42.2m**
Tax expense	(£20.2m)		(£12.2m)
Loss after tax from discontinued operations	(£3.2m)		(£7.9m)
Profit after tax	**£77.9m**	*252.5%*	**£22.1m**
Basic earnings per share:			
Earnings per share from continuing operations	7.3p	*121.2%*	3.3p
Earnings per share	7.0p	*191.7%*	2.4p

Segmental Performance Summary	**6m to Jul 2015**	***Growth***	**6m to Jul 2014**
Revenue			
Motor Insurance	£157.2m	*(1.8%)*	£160.0m
Home Insurance	£50.6m	*15.8%*	£43.7m
Other Financial Services	£50.3m	*2.7%*	£49.0m
	£258.1m	*2.1%*	**£252.7m**
Travel	£209.7m	*18.8%*	£176.5m
Healthcare Services	£2.3m	*9.5%*	£2.1m
Media and Central Costs	£8.2m	*(6.8%)*	£8.8m
	£478.3m	*8.7%*	**£440.1m**
Trading EBITDA			
Motor Insurance	£68.3m	*2.6%*	£66.6m
Home Insurance	£33.7m	*16.2%*	£29.0m
Other Financial Services	£17.6m	*(6.9%)*	£18.9m
	£119.6m	*4.5%*	**£114.5m**
Travel	£16.9m	*11.2%*	£15.2m
Healthcare Services	£0.6m	*(45.5%)*	£1.1m
Media and Central Costs	(£6.5m)	*(441.7%)*	(£1.2m)
	£130.6m	*0.8%*	**£129.6m**

During the first six months of the financial year, the Group increased Total Revenue from continuing operations by 8.7% to £478.3m (H1 2014*:* £440.1m), primarily due to growth in travel, largely resulting from the acquisition of Destinology.

Trading EBITDA from continuing operations increased by 0.8% to £130.6m (H1 2014: £129.6m). Financial services and travel delivered EBITDA growth of 5.2%, offset by an increase in costs within media and central costs as the Group had a full six months of listed company costs.

At the Trading Profit level, the Group achieved an increase of 1.0% to £117.5m (H1 2014: £116.3m). Trading Profit excludes amortisation of acquired intangibles in respect of the Group's acquisitions (Destinology and Bennetts), as these are not related to underlying trading performance of these businesses.

Non-trading credits result primarily from a reduction in the expected deferred consideration of Destinology from the initial, cautious estimate.

Profit before interest, tax and IPO costs increased by 1.5%, with the amortisation of acquired intangibles of £2.4m in H1 2015 (H1 2014: Nil) being offset by the non-trading credit.

Finance costs in the period were £14.1m, comprising of £10.2m of interest costs on debt and borrowings, £2.5m of amortisation of debt issue costs, £0.6m of finance charge associated with pension schemes and £0.8m of charge associated with the unwinding of the discount on the deferred consideration associated with Destinology. This compares to £10.3m in H1 2014, comprising of £9.8m of interest costs on debt and borrowings, £0.2m of amortisation of debt issue costs and £0.2m of finance charge associated with pension schemes. The Group's financing arrangements were put in place in April 2014, part way through H1 2014.

Tax Expense

The tax charge reported in the income statement of £20.2m (H1 2014: £12.2m) equates to 19.9% of profit before tax (H1 2014: 28.9%).

Earnings per Share

The Group's basic earnings per share for the six months ending 31 July 2015 was 7.0p (H1 2014: 2.4p). Basic earnings per share from continuing operations was 7.3p (H1 2014: 3.3p). Earnings per share in H1 2014 was impacted by the Group's IPO and exceptional debt costs during that period.

Dividends

The Directors declared an interim dividend of 2.2p per share. At the time of the Preliminary Results announcement, the Group guided to a payout ratio of approximately 40% to 60% of the Group's net income, excluding exceptional items. The IPO Prospectus stated that the interim and final dividend would be paid in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

This dividend will be paid on 19 November 2015 to holders of ordinary shares on the register at the close of business on 9 October 2015.

Cash Flow and Liquidity

The Group achieved a strong cash flow performance in the six months to 31 July 2015 with an available operating cash flow from continuing operations of 106.5% of Trading EBITDA (H1 2014: 106.3%).

	6m to Jul 2015	***Growth***	**6m to Jul 2014**
Trading EBITDA	£130.6m	*0.8%*	£129.6m
Less Trading EBITDA relating to restricted businesses	(£60.3m)	*(42.6%)*	(£42.3m)
Intra-group dividends paid by restricted businesses	£59.0m	*122.6%*	£26.5m
Working capital and non-cash items	£16.3m	*(44.4%)*	£29.3m
Capital expenditure funded with available cash	(£6.5m)	*(22.6%)*	(5.3m)
Available operating cash flow from continuing operations	**£139.1m**	***0.9%***	**£137.8m**
Available operating cash flow %	*106.5%*	*0.2%*	*106.3%*

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

	6m to Jul 2015	6m to Jul 2014
Net cash flow from operating activities (reported)	£106.4m	£110.9m
Exclude cash impact of:		
Trading of restricted divisions	(£35.7m)	(£31.6m)
Trading of discontinued operation	(£5.4m)	(7.8m)
Cash released from restricted divisions	£59.0m	£26.5m
Exceptional expenses	£9.6m	£20.4m
Interest paid	£13.2m	-
Debt issue costs	-	£24.2m
	£40.7m	£31.7m
Capital expenditure funded from available cash	(£6.5m)	(£5.3m)
Exclude 'non-operating' interest and tax cash flows	(£1.5m)	£0.5m
Available operating cash flow from continuing operations	**£139.1m**	**£137.8m**

Financing and Capital Structure

During the six months to 31 July 2015, strong cash flow has enabled the Group to reduce its debt ratio to 2.35x from 2.56x at 31 January 2015. As at 31 July 2015, net debt was £536.3m, comprising £500.0m of gross debt and £70.0m of drawn revolving credit facility, offset by £33.7m of available cash. This compared to net debt as at 31 July 2014 of £595.7m, comprising £700.0m of gross debt, offset by £104.3m of available cash.

Having considered the capital requirements of the business going forward and the expected medium term cash flows, it is the Group's intention to reduce the debt ratio (net debt to Trading EBITDA) to between 1.5x and 2.0x in the medium term, subject to the achievement of profit and cash flow delivery in line with the Group's expectations. As the delivery of the new ship is not expected before mid-2019, the intention is to target the lower end of this range before any debt associated with this purchase is drawn down and remain within this range even after the investment in shipping. This deleveraging is consistent with our current dividend payout guidance.

Pensions

Over the six month period, the valuation of the Group's pension schemes has improved on an IAS19 basis by £20.8m to a deficit of £34.3m (Jan 2015: deficit £55.1m).

At 31 July 2015	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£210.9m	£54.2m	£265.1m
Present value of defined benefit obligation	(£236.9m)	(£62.5m)	(£299.4m)
Defined benefit scheme liability	**(£26.0m)**	**(£8.3m)**	**(£34.3m)**

At 31 January 2015	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£212.3m	£54.0m	£266.3m
Present value of defined benefit obligation	(£252.7m)	(£68.7m)	(£321.4m)
Defined benefit scheme liability	**(£40.4m)**	**(£14.7m)**	**(£55.1m)**

The reductions in the present value of future obligations have been driven by an increase in the discount rate applied reflecting the increase in gilt yields in the current period. The Nestor scheme liabilities are included as part of the liabilities held for sale in respect of the discontinued operation.

Net Assets

Since 31 January 2015, total assets and liabilities have reduced by £70.6m and £110.8m respectively, increasing overall net assets by £40.2m.

Total assets have reduced as a result of a decrease in cash and short term deposits of £58.8m and a reduction in other financial assets (predominantly the investment portfolio) of £55.7m. Offsetting this is an increase in trade and other receivables of £18.1m driven by the seasonality of the business and increased goodwill and intangible fixed assets of £28.4m, primarily relating to the acquisition of Bennetts.

The reduction in total liabilities reflects a £128.4m reduction in financial liabilities following the repayment of debt during the period and a lowering of the pension scheme deficit of £14.4m. Other liabilities have increased by £32.1m reflecting a higher level of advance receipts in the travel business and current tax liabilities are £22.6m higher partly reflecting the higher level of profits, but predominantly due to the timing of payments in respect of the previous year's tax liability.

Motor Insurance

	6m to Jul 2015					6m to Jul 2014			
	Core UW	**Ancillary**	**Broking / Other**	**Total Motor**	***Growth***	**Core UW**	**Ancillary**	**Broking / Other**	**Total Motor**
Revenue	£118.3m	£17.3m	£21.6m	£157.2m	*(1.8%)*	£123.6m	£17.8m	£18.6m	£160.0m
Trading EBITDA	**£50.0m**	**£12.8m**	**£5.5m**	**£68.3m**	**2.6%**	**£50.8m**	**£12.4m**	**£3.4m**	**£66.6m**
Number of policies sold (LTM):									
- core	956k	23k	133k	1,112k	*9.7%*	919k	4k	91k	1,014k
- add-ons	n/a	1,193k	129k	1,322k	*(10.0%)*	n/a	1,394k	75k	1,469k
	956k	1,216k	262k	2,434k	*(2.0%)*	919k	1,398k	166k	2,483k
Gross written premiums	£122.2m	£18.0m	£20.2m	£160.4m	*0.1%*	£124.3m	£20.0m	£15.9m	£160.2m

The prior period has been restated to reclassify the allocation of certain overhead costs between Ancillary and Broking/Other on a consistent basis with the current period. The total Trading EBITDA of £66.6m is unchanged.

The motor market remains highly competitive with the fall in average premiums of the past two years continuing into the start of the period. However, in the second quarter of 2015 there have been signs of the sustainable price increases that have been reported across the market.

Revenue at £157.2m was 1.8% lower than H1 2014 (£160.0m), driven by the reductions in premium levels over the past year for core underwritten policies. This has been partially offset by the increase in the number of core motor policies underwritten with additional broking income from the acquisition of Bennetts. Ancillary revenue was marginally lower with a reduction in add-on policy sales.

Overall, the positive claims experience within the core business, and good performance in other areas, has allowed us to grow Trading EBITDA by 2.6% despite the challenging market conditions that prevailed for most of the period.

Motor Underwriting

Motor Core Underwriting P&L		**6m to Jul 2015**	***Growth***	**6m to Jul 2014**
Net earned premium	**A**	£113.8m	*(4.9%)*	£119.7m
Instalment income		£1.9m	*5.6%*	£1.8m
Other income		£2.6m	*23.8%*	£2.1m
Revenue		**£118.3m**	***(4.3%)***	**£123.6m**
Claims costs	**B**	(£88.8m)	*(1.4%)*	(£87.6m)
Reserve releases	**C**	£40.5m	*16.4%*	£34.8m
Claims handling	**D**	(£7.7m)	*(1.3%)*	(£7.6m)
Regulatory fees	**E**	(£1.5m)	*(66.7%)*	(£0.9m)
Total cost of sales	**F**	(£57.5m)	*6.2%*	(£61.3m)
Gross profit		**£60.8m**	***(2.4%)***	**£62.3m**
Total expenses	**G**	(£19.9m)	*1.5%*	(£20.2m)
Investment return		£7.7m	*10.0%*	£7.0m
Operating profit		**£48.6m**	***(1.0%)***	**£49.1m**
Add back depreciation & amortisation		£1.4m	*(17.6%)*	£1.7m
Trading EBITDA		**£50.0m**	***(1.6%)***	**£50.8m**
Reported loss ratio	**(B+C)/A**	42.4%	*(1.7%)*	44.1%
Expense ratio	**(D+E+G)/A**	25.6%	*1.6%*	24.0%
Reported combined operating ratio	**(F+G)/A**	68.0%	*(0.1%)*	68.1%
Pure combined operating ratio	**(B+D+E+G)/A**	103.6%	*6.4%*	97.2%

The prior period has been restated to reclassify £5.0m of prior year reserve releases from current year claims costs following a review during the period, and to align the presentation of costs between claims and claims handling on a consistent basis with the current period.

Profit from the core underwritten motor business has reduced marginally, with a consistent combined operating ratio on lower net earned premiums.

The Group has not seen the increase in claims frequency that is being reported elsewhere in the market, with frequency being broadly flat across accidental damage, third party injury and personal injury claims. This is largely a result of the different characteristics of the Group's target demographic, with the majority of customers being retired, therefore lessening the impact of recent falls in fuel costs and economic growth. Claims severity during H1 2015 has also been broadly stable across accidental damage and personal injury claims, with the Group not currently experiencing the inflation in personal injury claims costs reported elsewhere. The Group has continued to maintain strong levels of retention within the Ministry of Justice ("MOJ") Portal, in addition to its significant and ongoing focus on effective management of these types of claims. The Group has seen some moderate increases in third party damage severity, in line with others in the market, and chiefly driven by increases in at-fault repair costs which are being seen as a result of the recent Coles v Hetherton judgement.

Combined operating ratio of 68.0% has improved marginally against H1 2014 (68.1%). Pure combined operating ratio is 6.4% higher than H1 2014 at 103.6%, with the impact of lower net earned premiums resulting from market conditions and the year-on-year increase in regulatory fees. Actions taken to increase motor premiums during Q2 and Q3 of this year give us confidence that for the full year to 31 January 2016, both the pure combined operating ratio and the reported combined operating ratio will be materially in line with the full year to 31 January 2015, with no material change in the level of reserve margin. The reported combined operating ratio for the full year to January 2015 was 79.2%.

Home Insurance

	6m to Jul 2015				6m to 31 Jul 2014		
	Ancillary UW	**Core Broking / Coinsured**	**Total Home**	***Growth***	**Ancillary UW**	**Core Broking / Coinsured**	**Total Home**
Revenue	£9.0m	£41.6m	£50.6m	*15.8%*	£8.0m	£35.7m	£43.7m
Trading EBITDA	**£5.8m**	**£27.9m**	**£33.7m**	***16.2%***	**£5.3m**	**£23.7m**	**£29.0m**
Number of policies sold:							
- core	n/a	1,258k	1,258k	*(2.6%)*	n/a	1,292k	1,292k
- add-ons	553k	n/a	553k	*(11.5%)*	625k	n/a	625k
	553k	1,258k	1,811k	*(5.5%)*	625k	1,292k	1,917k
Gross written premiums	£10.2m	£69.5m	£79.7m	*(13.5%)*	£11.3m	£80.8m	£92.1m

The home insurance market has remained highly competitive in the first half of the year, as continuing benign weather conditions have reduced claims costs across the industry resulting in falling premiums. The lower market premium levels have directly reduced the number of quotes available, leading to a slight fall in the number of core policies sold.

Despite these market conditions, the efficiency of the home panel has allowed the Group to continue to improve the net rates it receives from its underwriters and grow revenue by 15.8% to £50.6m (H1 2014: £43.7m) and Trading EBITDA by 16.2% to £33.7m (H1 2014: 29.0m)

Other Financial Services

	6m to Jul 2015				6m to Jul 2014		
	Core UW	**Core Broking / Other**	**Total Other Financial Services**	***Growth***	**Core UW**	**Core Broking / Other**	**Total Other Financial Services**
Revenue	£19.7m	£30.6m	£50.3m	*2.7%*	£20.4m	£28.6m	£49.0m
Trading EBITDA	**£1.8m**	**£15.8m**	**£17.6m**	***(6.9%)***	**£1.5m**	**£17.4m**	**£18.9m**
Number of policies sold:							
- core	29k	332k	361k	*5.2%*	34k	309k	343k
- add-ons	n/a	5k	5k	*0.0%*	n/a	5k	5k
	29k	337k	366k	*5.2%*	34k	314k	348k
Gross written premiums	£3.1m	£63.7m	£66.8m	*5.9%*	£3.5m	£59.6m	£63.1m
Number of Personal Finance customers	n/a	0.3m	0.3m	*0.0%*	n/a	0.3m	0.3m

Other financial services have delivered a solid performance. Revenue from broking and non-insurance trading was 7.0% higher at £30.6m reflecting strong performance on the PMI and travel insurance products, and in respect of the latter, a greater proportion of annual policies over single trip policies. Core underwriting policy volumes were consistent with the previous half-year, although revenue generated of £19.7m was down slightly by 3.4%.

Trading EBITDA of £17.6m was £1.3m lower than the previous half-year due to the impact of the investment in marketing and other start-up costs to launch the legal services product, as well as initial costs associated with Saga Investment Services, the wealth management joint venture with Tilney BestInvest.

Insurance Underwriting (AICL)

Reserving and Reserve Releases

	6m to Jul 2015	*Growth*	6m to Jul 2014
Motor insurance:			
Core UW	£40.5m	*16.4%*	£34.8m
Ancillary	£0.5m		£0.0m
	£41.0m	*17.8%*	£34.8m
Home insurance	£0.0m		£0.0m
Other insurance	£0.5m		£0.0m
Total	**£41.5m**	***19.3%***	**£34.8m**

Favourable claims development experience during the six months to 31 July 2015 has resulted in a reduction in the reserves required in respect of prior year claims. This has been driven by large and small personal injury claims and by other classes and resulted in reserve releases totalling £41.5m during the half-year.

Analysis of insurance contract liabilities at 31 July 2015 and 31 July 2014 is as follows:

		6m to Jul 2015			6m to Jul 2014	
	Gross	**Reinsurance Assets**	**Net**	**Gross**	**Reinsurance Assets**	**Net**
Insurance Contract Liabilities						
Reported claims	£324.1m	(£51.3m)	£272.8m	£325.3m	(£46.6m)	£278.7m
Incurred but not reported	£202.9m	(£19.4m)	£183.5m	£222.2m	(£16.0m)	£206.2m
Claims handling provision	£10.3m	£0.0m	£10.3m	£8.9m	£0.0m	£8.9m
Total claims outstanding	£537.3m	(£70.7m)	£466.6m	£556.4m	(£62.6m)	£493.8m
Unearned premiums	£154.5m	(2.4m)	£152.1m	£160.5m	(£2.6m)	£157.9m
Total	**£691.8m**	**(£73.1m)**	**£618.7m**	**£716.9m**	**(£65.2m)**	**£651.7m**

The Group's total insurance contract liabilities net of reinsurance assets have reduced by £33.0m as at 31 July 2015 from 12 months earlier, driven primarily by a £22.7m reduction in IBNR claims reserves.

Investment Portfolio

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

The amount held in invested funds decreased by £19.7m compared to the previous half-year, from £623.6m as at 31 July 2014 to £603.9m as at 31 July 2015. As at 31 July 2015, 89.5% of the financial assets held by the Group were invested with counterparties with a risk rating of A or above reflecting the Group's prudent investment strategy.

At 31 July 2015	**AAA**	**AA**	**A**	**Unrated**	**Total**
Underwriting investment portfolio:					
Deposits with financial institutions	£29.9m	£140.2m	£243.5m	-	£413.6m
Debt securities	£53.2m	-	-	-	£53.2m
Money market funds	£71.6m	-	-	-	£71.6m
Loan funds	-	-	-	£20.1m	£20.1m
Hedge funds	-	-	-	£34.3m	£34.3m
Equities	-	-	-	£9.0m	£9.0m
Total invested funds	£154.7m	£140.2m	£243.5m	£63.4m	£601.8m
Hedging derivative assets	-	-	£2.1m	-	£2.1m
Total financial assets	**£154.7m**	**£140.2m**	**£245.6m**	**£63.4m**	**£603.9m**

At 31 July 2014	AAA	AA	A	< A	Unrated	Total
Underwriting investment portfolio:						
Deposits with financial institutions	£29.9m	£179.9m	£217.6m	£56.0m	-	£483.4m
Debt securities	£72.8m	-	-	-	-	£72.8m
Money market funds	£27.7m	-	-	-	-	£27.7m
Loan funds	-	-	-	-	£19.8m	£19.8m
Hedge funds	-	-	-	-	£13.4m	£13.4m
Equities	-	-	-	-	£6.3m	£6.3m
Total invested funds	£130.4m	£179.9m	£217.6m	£56.0m	£39.5m	£623.4m
Hedging derivative assets	-	-	£0.2m	-	-	£0.2m
Total financial assets	**£130.4m**	**£179.9m**	**£217.8m**	**£56.0m**	**£39.5m**	**£623.6m**

With the Solvency II regime commencing in January 2016 and the implications of specific investment classes on the Solvency Capital Requirement ("SCR"), the Group is intending to take a more conservative approach to its investment portfolio with a reduction in the proportion of higher risk assets held. While this may lead to a reduction in the investment return in the underwriting business, a lower level of SCR will be required to be held.

Solvency Capital

The Group's underwriting entity continues to hold more than twice the amount of capital reserves that it is statutorily required to hold pursuant to Gibraltar Financial Services Commission regulations. The coverage ratio maintained by the underwriting company of 234% at 31 July 2015 is materially in line with 31 July 2014. The regulator requires a minimum of 200% and the Group therefore has significant headroom against this.

The coverage ratio has reduced from 277% as at 31 January 2015 level following the distribution of underwriting profits by way of dividend from the restricted underwriting company to the Group.

	6m to Jul 2015	6m to Jul 2014
Solo statutory solvency capital		
Total invested equity	£156.0m	£156.7m
Regulatory adjustments	(£20.0m)	(£17.0m)
Total regulatory capital resource	**£136.0m**	**£139.7m**
European Insurance Directive Requirement (Solvency I)		
Required minimum margin (RMM)	£58.2m	£58.7m
Capital resources in excess of RMM	£77.8m	£81.0m
Coverage ratio	**234%**	**238%**

The Group continues to make excellent progress in preparation for the Solvency II regime and is confident that it will be fully compliant as at 1 January 2016 when the regulations take effect. The Group has decided to pursue the Undertaking Specific Parameters route and anticipates that this will be approved by our regulator, the Financial Services Commission in Gibraltar, in early Q4 2015.

Having completed the analysis of the effects of the regulations, the Group remains comfortable in our capital position as we transition to Solvency II.

TRAVEL

The travel business has delivered a strong performance in the six months to 31 July 2015 despite competitive, and at times uncertain, market conditions. The acquisition of Destinology in August 2014 has contributed to the strong growth in revenues and profits.

	6m to Jul 2015	*Growth*	6m to Jul 2014
Revenue:			
Holidays	£166.9m	*25.3%*	£133.2m
Cruising	£42.8m	*(1.2%)*	£43.3m
	£209.7m	***18.8%***	**£176.5m**
Gross profit:			
Holidays	£35.6m	*22.3%*	£29.1m
Cruising	£7.8m	*(9.3%)*	£8.6m
	£43.4m	***15.1%***	**£37.7m**
Gross profit %	*20.7%*	*(0.7%)*	*21.4%*
Trading EBITDA	**£16.9m**	***11.2%***	**£15.2m**
Trading EBITDA %	*8.1%*	*(0.5%)*	*8.6%*
Trading profit	**£10.7m**	***17.6%***	**£9.1m**
Trading profit %	*5.1%*	*(0.1%)*	*5.2%*
Number of holidays passengers	96k	*23.1%*	78k
Number of ship passenger days	171k	*(1.7%)*	174k

Holidays

The Holidays business revenue increased by 25.3% to £166.9m (H1 2014: £133.2m). £30.8m of this was contributed by Destinology with the balance coming from increases in both Saga Holidays and Titan Travel. The growth has been driven by a shift in product mix to higher value long-haul holidays and sales of the new third party cruise product.

Gross profit generated of £35.6m was 22.3% higher than H1 2014 (£29.1m). Of this, £4.1m was attributable to Destinology, with the remainder due to the shift in mix towards higher value, higher profit long-haul holidays.

Cruising

Saga Cruising generated revenue of £42.8m, 1.2% lower than H1 2014, the result of a changing mix of itineraries during the period. Improved yield management has continued to deliver benefits to average daily rates and load factors achieved in the period were 83.8%, compared to 85.3% in H1 2014. These are high occupancy levels given the customer demographic of the ships where single occupancy and the absence of children in cabins naturally reduce the load factors.

The Cruising business generated gross profit of £7.8m, which was down £0.8m on the previous half-year. This reflects the slightly lower revenues and increased expenditure on repairs and maintenance of the ships. The Group expects profits from the cruising business to grow for the year as a whole.

The Group's business case for the purchase of the new ship is primarily based on margin improvement, resulting from the increased efficiency of operating new capacity. The Group's financial projections for the new ship generate an ungeared IRR in the mid-teens, comfortably above the Group's cost of capital.

Trading EBITDA and Trading Profit

Trading EBITDA of £16.9m was 11.2% higher than H1 2014. Just under half of this increase arose from the acquisition of Destinology, with the remainder driven by margin improvements in Titan. Trading profit grew by 17.6% to £10.7m.

Current Trading

As at 26 September 2015, Holidays revenues booked for 2015/16 departures are 2.5% ahead of the comparable point in 2014 for 2014/15 departures. Additionally for 2016/17 departures, revenues booked are 3.7% ahead of the comparable prior year date for 2015/16 departures.

As at 26 September 2015 for 2015/16 Cruising departures, load factors are 84.3% compared to 85.4% at the comparable date in 2014 for 2014/15 departures. Load factors for 2016/17 departures are 57.2%, 1.0 percentage point lower than the comparable date in 2014 for 2015/16 departures. Daily rates were higher than the prior year.

HEALTHCARE SERVICES

Continuing Operations

	6m to Jul 2015	***Growth***	**6m to Jul 2014**
Revenue	£2.3m	*9.5%*	£2.1m
Trading EBITDA	**£0.6m**	***(45.5%)***	**£1.1m**
Trading profit	**£0.6m**	***(40.0%)***	**£1.0m**

The Saga Healthcare business comprising the Country Cousins and Patricia White's brands, the Saga SOS Personal Alarms product and the new private pay pilot, has experienced a good trading period, growing revenue by 9.5% to £2.3m (H1 2014: £2.1m).

Investment in the new private pay pilot, primarily in the establishment of a back office for the new business, has resulted in Trading Profit being £0.4m lower. This investment was necessary to position the business for future growth.

MEDIA AND CENTRAL COSTS

	6m to Jul 2015	***Growth***	**6m to Jul 2014**
Revenue	£8.2m	*(6.8%)*	£8.8m
Trading EBITDA	**(£6.5m)**		**(£1.2m)**
Trading loss	**(£10.0m)**		**(£4.5m)**

The Group generated third-party revenue of £8.2m within Media and Central (H1 2014: £8.8m). The operating loss of £10.0m resulted primarily from the normalisation of listed company costs, which accounted for £4.2m of the movement, given that H1 2014 had limited comparable costs. As many of these costs were being incurred during the six months to 31 January 2015, there will not be a similar increase in central costs in the six months to 31 January 2016 when compared to the prior year.

Discontinued Operations

	6m to Jul 2015	*Growth*	6m to Jul 2014
Revenue	£126.9m	*(11.5%)*	£143.4m
Gross profit	£35.5m	*(15.3%)*	£41.9m
Trading EBITDA	**(£0.3m)**		**£0.8m**
Trading loss	**(£1.8m)**	***(63.4%)***	**(£1.1m)**
Exceptional items	(£3.0m)	*(3.5%)*	(£2.9m)
Net finance costs	(£0.2m)	*0.0%*	(£0.2m)
Loss before tax	(£5.0m)	*(19.0%)*	(£4.2m)
Tax	£1.8m	*20.0%*	£1.5m
Loss for the year	**(£3.2m)**	***(18.5%)***	**(£2.7m)**
Amortisation of acquired intangible assets	(£0.0m)		(£5.2m)
	(£3.2m)	***59.5%***	**(£7.9m)**

In January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare, and accordingly this is treated as a discontinued operation and its value written down to zero. The Group has recognised a total loss after tax in respect of the discontinued operation of £3.2m, compared to £2.7m in the previous half-year.

The market has remained challenging and revenue for the half-year of £126.9m was 11.5% lower than H1 2014 (£143.4m). This is driven by significant volume decreases on all contracts coupled with continuing deflationary pressures on hourly rates which has affected the whole market.

Positive actions on costs have reduced the £6.4m shortfall in gross profit to a £1.1m reduction in Trading EBITDA. The £3.0m cost of the on-going restructuring programme, which has been treated as exceptional, is comparable to the prior half-year period.

Following the classification of the operation as held for sale, the amortisation of the associated acquired intangible assets has ceased (H1 2014: £5.2m), resulting in a reduced operating loss for the period of £1.8m (H1 2014: £6.3m). After this cost, the business made a loss after tax of £3.2m (2014: £7.9m).

Conclusion

The Group is confident that growth in Trading EBITDA for the year as a whole will be in line with market expectations, with further growth in the core businesses and limited increases in the Group's plc costs in H2 of this financial year compared to the second half of the prior year. The year-on-year incremental effect of the amortisation of acquired intangibles will be an increased charge of c£4m. With a reducing net debt level, the finance charge for the second half of the year will be marginally below the charge in the first six months.

Condensed consolidated income statement
for the period ended 31 July 2015

	Note	**Unaudited 6m to Jul 2015 £'m**	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Revenue	3	478.3	440.1	900.5
Cost of sales	3	(264.4)	(243.0)	(525.1)
Gross profit		**213.9**	**197.1**	**375.4**
Administrative and selling expenses		(106.2)	(139.5)	(244.5)
Investment income		6.9	6.5	13.9
Finance costs		(14.1)	(23.2)	(35.1)
Finance income		0.7	1.3	2.9
Share of profit of joint ventures		0.1	-	1.2
Profit before tax from continuing operations		**101.3**	**42.2**	**113.8**
Tax expense	5	(20.2)	(12.2)	(27.4)
Profit for the period from continuing operations		**81.1**	**30.0**	**86.4**
Loss after tax from discontinued operations	18	(3.2)	(7.9)	(220.2)
Profit/(loss) for the period		**77.9**	**22.1**	**(133.8)**
Attributable to:				
Equity holders of the parent		77.8	21.9	(134.2)
Non-controlling interests		0.1	0.2	0.4
		77.9	**22.1**	**(133.8)**
Earnings/(loss) per share:				
Basic	7	7.0p	2.4p	(13.3p)
Diluted	7	6.9p	2.4p	(13.3p)
Earnings per share for continuing operations:				
Basic	7	7.3p	3.3p	8.6p
Diluted	7	7.2p	3.3p	8.5p

Condensed consolidated statement of comprehensive income for the period ended 31 July 2015

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Profit/(loss) for the period	**77.9**	**22.1**	**(133.8)**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net loss on cash flow hedges	(5.7)	(1.7)	(3.0)
Net (loss)/gain on available for sale financial assets	(2.1)	0.1	3.8
Tax effect	1.4	0.4	(0.1)
	(6.4)	(1.2)	0.7
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement gains/(losses) on defined benefit plans	18.3	(1.0)	(34.8)
Tax effect	(3.7)	0.2	6.9
	14.6	**(0.8)**	**(27.9)**
Total other comprehensive gains/(losses)	**8.2**	**(2.0)**	**(27.2)**
Total comprehensive income/(loss) for the period	**86.1**	**20.1**	**(161.0)**
Attributable to:			
Equity holders of the parent	86.0	19.9	(161.4)
Non-controlling interests	0.1	0.2	0.4
	86.1	**20.1**	**(161.0)**

Condensed consolidated statement of financial position as at 31 July 2015

	Note	**Unaudited As at Jul 2015 £'m**	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Assets				
Goodwill	9	1,485.0	1,636.2	1,471.4
Intangible fixed assets	10	49.6	42.0	34.8
Investment in joint ventures		2.3	-	1.2
Property, plant and equipment	11	128.9	132.1	133.2
Financial assets	12	603.9	623.6	659.6
Deferred tax assets		21.4	25.5	22.9
Reinsurance assets	15	73.1	65.2	63.4
Inventories		4.7	5.0	5.3
Trade and other receivables		181.8	207.5	163.7
Assets held for sale	18	40.7	-	47.7
Cash and short-term deposits	13	140.0	214.2	198.8
Total assets		**2,731.4**	**2,951.3**	**2,802.0**
Liabilities				
Retirement benefit scheme obligations	14	26.0	23.1	40.4
Gross insurance contract liabilities	15	691.8	716.9	704.7
Provisions		4.8	9.3	5.9
Financial liabilities	12	583.3	701.9	711.7
Current tax liabilities		36.6	16.8	14.0
Deferred tax liabilities		6.8	5.9	5.5
Other liabilities		161.4	150.4	129.3
Trade and other payables		155.5	163.9	158.7
Liabilities held for sale	18	40.9	-	47.7
Total liabilities		**1,707.1**	**1,788.2**	**1,817.9**
Equity				
Issued capital		11.2	11.1	11.1
Share premium		519.3	518.3	519.4
Retained earnings		475.8	593.5	410.7
Share-based payment reserve		22.6	40.1	40.7
Foreign currency translation reserve		0.5	0.5	0.5
Available for sale reserve		1.9	0.7	3.6
Hedging reserve		(7.0)	(1.3)	(2.3)
Equity attributable to equity holders of the parent		**1,024.3**	**1,162.9**	**983.7**
Non-controlling interest		-	0.2	0.4
Total equity		**1,024.3**	**1,163.1**	**984.1**
Total liabilities and equity		**2,731.4**	**2,951.3**	**2,802.0**

Condensed consolidated statement of changes in equity for the period ended 31 July 2015

	Attributable to the equity holders of the parent									
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Available for sale reserve £'m	Hedging reserve £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Unaudited										
At 1 February 2015	**11.1**	**519.4**	**410.7**	**40.7**	**0.5**	**3.6**	**(2.3)**	**983.7**	**0.4**	**984.1**
Profit for the period	-	-	77.8	-	-	-	-	77.8	0.1	77.9
Other comprehensive gains	-	-	14.6	-	-	(1.7)	(4.7)	8.2	-	8.2
Bonus shares issued	0.1	(0.1)	-	-	-	-	-	-	-	-
Dividends paid	-	-	(45.8)	-	-	-	-	(45.8)	(0.5)	(46.3)
Share-based payment transactions	-	-	12.9	(12.5)	-	-	-	0.4	-	0.4
Exercise of share options	-	-	5.6	(5.6)	-	-	-	-	-	-
At 31 July 2015	**11.2**	**519.3**	**475.8**	**22.6**	**0.5**	**1.9**	**(7.0)**	**1,024.3**	**-**	**1,024.3**
Unaudited										
At 1 February 2014	**-**	**-**	**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**
Profit for the period	-	-	21.9	-	-	-	-	21.9	0.2	22.1
Other comprehensive losses	-	-	(0.8)	-	-	0.1	(1.3)	(2.0)	-	(2.0)
Corporate restructure	8.0	-	(547.2)	-	-	-	-	(539.2)	-	(539.2)
Issue of share capital plus costs	3.0	518.3	-	-	-	-	-	521.3	-	521.3
Share-based payment transactions	0.1	-	0.9	40.1	-	-	-	41.1	-	41.1
At 31 July 2014	**11.1**	**518.3**	**593.5**	**40.1**	**0.5**	**0.7**	**(1.3)**	**1,162.9**	**0.2**	**1,163.1**
At 1 February 2014	**-**	**-**	**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**
Loss for the year	-	-	(134.2)	-	-	-	-	(134.2)	0.4	(133.8)
Other comprehensive losses	-	-	(27.9)	-	-	3.0	(2.3)	(27.2)	-	(27.2)
Corporate restructure	8.0	-	(546.9)	-	-	-	-	(538.9)	-	(538.9)
Issue of share capital plus costs	3.0	519.4	-	-	-	-	-	522.4	-	522.4
Share-based payment transactions	0.1	-	1.0	40.7	-	-	-	41.8	-	41.8
At 31 January 2015	**11.1**	**519.4**	**410.7**	**40.7**	**0.5**	**3.6**	**(2.3)**	**983.7**	**0.4**	**984.1**

Condensed consolidated statement of cash flows for the period ended 31 July 2015

	Note	**Unaudited 6m to Jul 2015 £'m**	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Profit before tax from continuing operations		101.3	42.2	113.8
Loss before tax from discontinued operations		(5.0)	(9.4)	(222.4)
Profit/(loss) before tax		96.3	32.8	(108.6)
Depreciation, impairment and loss on disposal of property, plant and equipment		11.2	11.5	20.1
Amortisation and impairment of intangible assets		5.8	8.9	22.1
Share-based payment expense		0.4	41.1	41.8
Loss on re-measurement of disposal group held for sale		-	-	209.5
Finance costs		14.8	22.8	35.1
Finance income		(1.2)	(0.7)	(2.9)
Share of post-tax profits of joint ventures		(1.1)	-	(1.2)
Interest income from investments		(6.9)	(6.5)	(13.9)
Movements in other assets and liabilities		(8.0)	22.0	(3.7)
		111.3	131.9	198.3
Interest received		6.8	3.7	8.9
Interest paid		(13.2)	(5.9)	(19.7)
Debt issue costs		-	(24.2)	(22.6)
Income tax received/(paid)		1.5	5.4	(9.6)
Net cash flows from operating activities		**106.4**	**110.9**	**155.3**
Investing activities				
Proceeds from sale of property, plant and equipment		0.1	0.2	0.2
Purchase of property, plant and equipment		(12.1)	(10.9)	(26.4)
Net disposal/(purchase) of financial assets		80.9	(49.8)	(61.3)
Acquisition of subsidiaries	8	(26.0)	(0.1)	(14.3)
Net cash flows used in investing activities		**42.9**	**(60.6)**	**(101.8)**
Financing activities				
Payment of finance lease liabilities		(0.1)	(0.1)	(0.6)
Proceeds from borrowings	16	70.0	1,250.0	1,250.0
Repayment of borrowings	16	(200.0)	(550.0)	(550.0)
Proceeds from issue of share capital on flotation		-	550.0	550.0
Costs associated with issue of share capital on flotation		-	(25.3)	(26.2)
Net movement on balances with related undertakings		-	(4.1)	(4.1)
Net movement on balances with parent undertakings		-	774.9	774.9
Dividends paid		(46.3)	(2,063.0)	(2,063.0)
Net cash flows used in financing activities		**(176.4)**	**(67.6)**	**(69.0)**
Net decrease in cash and cash equivalents		**(27.1)**	**(17.3)**	**(15.5)**
Net foreign exchange differences		-	-	(0.2)
Cash and cash equivalents at the start of the period		237.9	253.6	253.6
Cash and cash equivalents at the end of the period	13	**210.8**	**236.3**	**237.9**

Notes to the condensed consolidated interim financial statements

1 Corporate information

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

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2015 were authorised for issue in accordance with a resolution of the directors on 29 September 2015.

2.1 Basis of preparation

These condensed financial statements comprise the interim financial statements of the Group for the six month period to 31 July 2015.

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

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3. The Group has applied all IFRS standards and interpretations adopted by the EU effective for the period ending 31 January 2016. The condensed consolidated interim financial statements have been reviewed by Ernst & Young LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006. Statutory financial statements for the year ended 31 January 2015 have been delivered to the Registrar of Companies. The auditors' report on those financial statements:

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

2.2 **Basis of consolidation**

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

2.3 Summary of significant accounting policies

There have been no changes to the accounting policies of the Group during the period ended 31 July 2015. Full details of the accounting policies of the Group can be found in the Annual report and accounts for the year ended 31 January 2015 available at www.corporate.saga.co.uk.

Notes to the condensed consolidated financial statements (continued)

2.4 **Standards issued but not yet effective**

Standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2015 continue to be not yet effective or not adopted by the Group at 31 July 2015 and can be found in the Annual report and accounts for the year ended 31 January 2015 available at www.corporate.saga.co.uk. There have been no amendments to standards or interpretations issued since 1 February 2015 which impact the consolidated financial statements of the Group.

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the Annual report and accounts for the year ended 31 January 2015 available at www.corporate.saga.co.uk. There have been no changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period.

2.6 Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis.

The Directors have reviewed the Group's projections including cash flows for the twelve months from the date of approval of the condensed consolidated interim financial statements and beyond, and have concluded that the Group has sufficient funds to continue trading for this period, and for the foreseeable future.

3 Segmental information

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

- *Financial Services*: primarily comprising general insurance and financial services products, further analysed into three sub-segments:
    - Motor Insurance
    - Home Insurance
    - Other Financial Services
- *Travel*: primarily comprising the operation and delivery of package tours and cruise holiday products.
- *Healthcare Services*: primarily comprising the delivery of domiciliary care services.
- *Media and Central Costs*: primarily comprising a monthly subscription magazine product, the Group's internal mailing house and centrally borne administrative costs.

Seasonality

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

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

Typically, increased holiday departures in the shoulder months of May, June and September and low departure volumes during July and August create seasonal fluctuations in the profit of the travel segment.

When the seasonalities of the various segments are considered in conjunction, the resultant half yearly Trading EBITDA is broadly consistent with half of the full year result, although changes in the phasing of any reserve margin releases can have a significant impact on this.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2015	Financial Services: Motor Insurance	Financial Services: Home Insurance	Financial Services: Other Financial Services	Financial Services: Total	Travel	Healthcare Services	Media & Central Costs	Adjust's	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	174.6	87.9	82.4	344.9	209.7	2.3	8.2	-	565.1
Inter-segment	-	-	-	-	-	-	3.7	(3.7)	-
Segment revenue	174.6	87.9	82.4	344.9	209.7	2.3	11.9	(3.7)	565.1
Third party premiums	(17.4)	(37.3)	(32.1)	(86.8)	-	-	-	-	(86.8)
Revenue	**157.2**	**50.6**	**50.3**	**258.1**	**209.7**	**2.3**	**11.9**	**(3.7)**	**478.3**
Cost of sales	(69.9)	(3.2)	(17.3)	(90.4)	(166.3)	(0.3)	(7.4)	-	(264.4)
Gross profit	**87.3**	**47.4**	**33.0**	**167.7**	**43.4**	**2.0**	**4.5**	**(3.7)**	**213.9**
Results									
Trading EBITDA	**68.3**	**33.7**	**17.6**	**119.6**	**16.9**	**0.6**	**(6.5)**	**-**	**130.6**
Trading EBITDA %	*39.1%*	*38.3%*	*21.4%*	*34.7%*	*8.1%*	*26.1%*	*(54.6%)*		*23.1%*
Depreciation	(1.1)	(0.7)	(0.5)	(2.3)	(4.6)	-	(3.0)	-	(9.9)
Loss on disposal	-	-	-	-	(0.1)	-	-	-	(0.1)
Amortisation of intangible assets	(0.5)	(0.4)	(0.2)	(1.1)	(1.5)	-	(0.5)	-	(3.1)
Trading profit	**66.7**	**32.6**	**16.9**	**116.2**	**10.7**	**0.6**	**(10.0)**	**-**	**117.5**
Amortisation of acquired intangible assets									(2.4)
Exceptional expenses									(0.4)
Net fair value gain on derivative financial instruments									0.7
Net finance costs									(14.1)
Profit before tax from continuing operations									**101.3**
Total assets less liabilities				314.6	(16.5)	0.1	(228.4)	954.5	1,024.3
No of employees from continuing operations				2,355	2,157	53	637		5,202

Revenue is generated solely in the UK.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 836 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2014	Financial Services: Motor Insurance	Financial Services: Home Insurance	Financial Services: Other Financial Services	Financial Services: Total	Travel	Healthcare Services	Media & Central Costs	Adjust's	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	173.9	92.7	67.0	333.6	176.5	2.1	8.8	-	521.0
Inter-segment	-	-	-	-	-	-	4.9	(4.9)	-
Segment revenue	173.9	92.7	67.0	333.6	176.5	2.1	13.7	(4.9)	521.0
Third party premiums	(13.9)	(49.0)	(18.0)	(80.9)	-	-	-	-	(80.9)
Revenue	**160.0**	**43.7**	**49.0**	**252.7**	**176.5**	**2.1**	**13.7**	**(4.9)**	**440.1**
Cost of sales	(74.7)	(2.8)	(18.6)	(96.1)	(138.8)	(0.1)	(8.0)	-	(243.0)
Gross profit	**85.3**	**40.9**	**30.4**	**156.6**	**37.7**	**2.0**	**5.7**	**(4.9)**	**197.1**
Results									
Trading EBITDA	**66.6**	**29.0**	**18.9**	**114.5**	**15.2**	**1.1**	**(1.2)**	**-**	**129.6**
Trading EBITDA %	*38.3%*	*31.3%*	*28.2%*	*34.3%*	*8.6%*	52.4%	*(8.8%)*	-	*24.9%*
Depreciation	(1.4)	(0.9)	(0.7)	(3.0)	(3.6)	(0.1)	(2.5)	-	(9.2)
Loss on disposal	-	-	-	-	(0.1)	-	-	-	(0.1)
Amortisation of intangible assets	(0.6)	(0.2)	-	(0.8)	(2.4)	-	(0.8)	-	(4.0)
Trading profit	**64.6**	**27.9**	**18.2**	**110.7**	**9.1**	**1.0**	**(4.5)**	**-**	**116.3**
Exceptional expenses									(52.2)
Net fair value loss on derivative financial instruments									1.3
Net finance costs									(23.2)
Profit before tax from continuing operations									**42.2**
Total assets less liabilities				336.2	9.1	(0.1)	(146.9)	964.8	1,163.1
No of employees from continuing operations				2,079	2,051	40	627		4,797

Revenue is generated solely in the UK.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 848 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

	Financial Services				Travel	Healthcare Services	Media & Central Costs	Adjust's	Total
12m to Jan 2015	Motor Insurance	Home Insurance	Other Financial Services	Total					
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	341.3	173.5	151.6	666.4	381.3	4.3	16.8	-	1,068.8
Inter-segment	-	-	-	-	-	-	8.3	(8.3)	-
Segment revenue	341.3	173.5	151.6	666.4	381.3	4.3	25.1	(8.3)	1,068.8
Third party premiums	(29.3)	(81.7)	(57.3)	(168.3)	-	-	-	-	(168.3)
Revenue	**312.0**	**91.8**	**94.3**	**498.1**	**381.3**	**4.3**	**25.1**	**(8.3)**	**900.5**
Cost of sales	(168.1)	(4.5)	(32.0)	(204.6)	(304.6)	(0.3)	(15.6)	-	(525.1)
Gross profit	**143.9**	**87.3**	**62.3**	**293.5**	**76.7**	**4.0**	**9.5**	**(8.3)**	**375.4**
Results									
Trading EBITDA	**104.2**	**64.5**	**41.9**	**210.6**	**26.0**	**2.2**	**(11.4)**	**-**	**227.4**
Trading EBITDA %	*30.5%*	*37.2%*	*27.6%*	*31.6%*	*6.8%*	*51.2%*	*(45.4%)*		*21.3%*
Depreciation	(1.5)	(0.6)	(0.6)	(2.7)	(9.3)	(0.2)	(5.1)	-	(17.3)
Amortisation of intangible assets	(2.3)	(1.8)	(0.8)	(4.9)	(3.1)	-	(1.5)	-	(9.5)
Trading profit	**100.4**	**62.1**	**40.5**	**203.0**	**13.6**	**2.0**	**(18.0)**	**-**	**200.6**
Amortisation of acquired intangible assets									(2.2)
Exceptional expenses									(52.4)
Net fair value gain on derivative financial instruments									2.9
Net finance costs									(35.1)
Profit before tax from continuing operations									**113.8**
Total assets less liabilities				299.7	(25.1)	-	(89.2)	798.7	984.1
No of employees from continuing operations				2,043	2,160	39	618		4,860

Revenue is generated solely in the UK.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 848 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Amortisation of intangible assets arises on consolidation and is not considered to be part of the underlying trading of any segment.

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

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Goodwill (note 9)	1,485.0	1,636.2	1,471.4
Contracts, brands and customer relationships	29.9	23.9	18.8
Bank loans (note 16)	(562.0)	(687.3)	(692.2)
Assets relating to discontinued operations	-	(6.3)	-
Deferred tax – non-retirement benefit scheme	1.6	(1.7)	0.7
	954.5	964.8	798.7

3a Analysis of Financial Services revenue

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Income from insurance underwritten by the Group			
- Motor Insurance	136.5	137.5	270.0
- Home Insurance	8.8	8.2	16.4
- Other	19.5	20.0	39.3
	164.8	165.7	325.7
Income from other insurance and financial services products	93.3	87.0	172.4
	258.1	252.7	498.1

3b Analysis of Financial Services cost of sales

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Net Claims incurred on insurance underwritten by the Group			
- Motor Insurance	57.9	63.0	143.3
- Home Insurance	3.2	2.8	4.5
- Other	17.2	18.4	31.5
	78.3	84.2	179.3
Other cost of sales	12.1	11.9	25.3
	90.4	96.1	204.6

Notes to the condensed consolidated financial statements (continued)

4 Exceptional expenses

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Share-based payment costs (note 17)	0.2	41.1	40.8
Flotation and other costs	2.5	9.7	9.2
Restructuring costs	0.7	0.8	1.0
Acquisition of subsidiaries (note 8)	(2.4)	-	0.3
Other exceptional (income)/expenses	(0.6)	0.6	1.1
	0.4	52.2	52.4

Flotation and other costs comprise the ongoing cost of various bonuses and other awards to Directors and employees of the Group on the IPO date and, in the prior period, the costs of the IPO which were not charged to the Share Premium Account.

Restructuring costs represents costs associated with restructuring and re-organising a number of Group operations and includes staff-related costs such as redundancy and other termination costs, together with various professional fees for advice and processes associated with the restructuring.

5 Tax

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Current income tax			
Current income tax charge	21.3	17.2	29.9
Deferred tax			
Origination and reversal of temporary differences	(1.1)	(5.0)	(2.0)
Adjustments in respect of previous years	-	-	(0.5)
Tax expense in the income statement	20.2	12.2	27.4

Reconciliation of net deferred tax assets:

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
At 1 February	17.4	12.9	12.9
Tax credit in the income statement	1.1	5.0	2.5
Tax (charge)/credit in other comprehensive income	(2.3)	0.6	6.8
Tax charge in respect of discontinued operations	1.1	1.1	0.5
Acquired with business combinations	(2.7)	-	(4.0)
Reclassified to assets held for sale	-	-	(1.3)
At the end of the period	14.6	19.6	17.4

Deferred tax balances have been reflected at the UK Corporation Tax rate of 20%. Changes to the rate of corporation tax were announced as part of the Summer Budget 2015 (to 19% in April 2017 and 18% in April 2020) which, when substantively enacted, will reduce the value of deferred tax balances. The Group has tax losses which arose in the UK of £7.5m (July 2014: £7.7m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Notes to the condensed consolidated financial statements (continued)

6 Dividends

The Company paid its first ordinary dividend of 4.1p per share during the period. The total dividend paid was £45.8m (2014: £nil).

7 Earnings per share

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

In accordance with the offer in the Prospectus, on 5 June 2015, the Group issued one free share for every 20 shares which were purchased in the IPO by Eligible Customers and Eligible Employees and held continuously for one year. No additional funds were raised through the issue of these shares and therefore they have been treated as if they also existed in all prior periods; accordingly, the weighted average number of shares in these periods has been restated.

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

The calculation of basic and diluted EPS is as follows:

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Profit/(loss) attributable to ordinary equity holders	77.8	21.9	(134.2)
Profit from continuing operations	81.1	30.0	86.4
Weighted average number of ordinary shares	**'m**	'm	'm
Original shares	800.0	800.0	800.0
297.3m shares issued on 29 May 2014	297.3	105.1	202.0
Free shares issued on 5 June 2015	7.3	6.0	6.6
IPO share options exercised	3.7	-	0.4
Weighted average number for Basic EPS	1,108.3	911.1	1,009.0
Dilutive options			
IPO share options not yet exercised	9.4	4.6	8.6
CEO and CFO options	2.3	0.0	0.0
Deferred bonus plan	0.2	0.0	0.0
Weighted average number for Diluted EPS	1,120.2	915.7	1,017.6
Basic EPS	**7.0p**	2.4p	(13.3p)
Basic EPS for continuing operations	**7.3p**	3.3p	8.6p
Diluted EPS	**6.9p**	2.4p	(13.3p)
Diluted EPS for continuing operations	**7.2p**	3.3p	8.5p

Notes to the condensed consolidated financial statements (continued)

8 Acquisitions

a) Current period acquisitions

On 1 July 2015, the Group acquired a 100% shareholding in Bennetts Biking Services Limited ("Bennetts"), the UK's premier motorbike insurance specialist. Bennetts' customer base fits well with the core Saga demographic with the majority of customers being over 40 years of age, and significantly enhances Saga's existing portfolio of motorbike policies.

The acquisition cost of £26.3m was settled in cash. Transaction costs of £0.3m have been expensed and are included as part of the exceptional expenses within administrative and selling expenses. Cash of £0.4m was acquired with Bennetts, resulting in a net cash outflow of £25.9m.

Cash payments of £0.1m were also made during the period in respect of previous acquisitions.

Bennetts contributed £2.1m of revenue and £0.5m to the Group profit before tax from the date of acquisition to 31 July 2015.

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

	£'m
Assets	
Brand	3.8
Customer relationships	3.9
Contracts	5.8
Software	1.6
Trade and other receivables	1.4
Cash	0.4
Total assets	16.9
Liabilities	
Trade and other payables	1.5
Deferred tax liability	2.7
Total liabilities	4.2
Total identifiable net assets at fair value	**12.7**
Goodwill arising on acquisition	13.6
Purchase consideration transferred	**26.3**

The goodwill arising on acquisition of £13.6m represents the fair value arising from the acquired management structure, strategic knowledge, capability and other synergies arising on acquisition.

Notes to the condensed consolidated financial statements (continued)

8 Acquisitions (continued)

b) Prior period acquisitions

On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited ("Destinology") with an option to acquire the remaining 25% shareholding at a later date. Full details of this acquisition are provided in the annual report and accounts for the year ended 31 January 2015.

The option to acquire the remaining 25% is effected by the Group and the other shareholders holding call and put options respectively, with the price to be paid determined by the profitability of Destinology in the 12 months ending 31 October 2015 or 31 October 2016.

The contingent consideration in respect of the remaining 25% was valued on acquisition at £6.2m based upon a discounted probability-weighted range of outcomes. The range of outcomes has been reassessed during the period and the contingent consideration has been revalued at £4.6m; the liability is classified as Level 3 in the fair value hierarchy.

9 Goodwill

During the period, the Group acquired £13.6m of goodwill with its acquisition of Bennetts (see note 8). Further to this transaction, the net book value of goodwill is £1,485.0m (July 2014: £1,636.2m, including £177.8m reclassified as held for sale at January 2015).

The Group has performed a review for indicators of impairment at 31 July 2015, and concluded that no indicators of impairment exist at that date.

10 Intangible fixed assets

During the period, the Group capitalised £5.2m (July 2014: £3.5m) of software assets and acquired £15.1m of other intangible fixed assets with its acquisition of Bennetts (see note 8), and charged £5.5m of amortisation to its intangible assets (July 2014: £8.9m, of which £4.9m related to the discontinued operation).

The Group has performed a review for indicators of impairment of the acquired contracts, brands and customer relationships at 31 July 2015, and concluded that no indicators of impairment exist at that date.

11 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £5.9m (July 2014: £4.1m). Assets with a net book value of £5.3m were transferred to assets held for sale in the second half of the year ended 31 January 2015.

As at 31 July 2015, capital amounts contracted for but not provided in the financial statements amounted to £nil (July 2014: £nil). On 29 September 2015, the Group signed a binding Memorandum of Agreement with Meyer Werft GmbH & Co. KG to purchase a new cruise ship for delivery in 2019, with an option to purchase a second similar new cruise ship for delivery in 2021.

The full contract is expected to be signed in December 2015. Payments for the first ship will be made 5% on signing, with three similar payments during the construction period, and the balance due on delivery of the ship in 2019. The Group is in discussions to arrange the appropriate finance to cover 80% of the cost of the ship.

The Group would incur a fee should it choose not to proceed with the optional second ship. However, the likelihood of incurring such a fee is considered extremely remote.

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Unaudited As at Jul 2015 £'m	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Fair value through profit or loss			
Foreign exchange forward contracts	0.2	0.1	1.5
Fuel oil swaps	-	0.1	-
Loan funds	20.1	19.8	19.6
Hedge funds	34.3	13.4	33.8
Equities	9.0	6.3	8.7
	63.6	**39.7**	**63.6**
Fair value through the hedging reserve			
Foreign exchange forward contracts	1.9	-	4.1
	1.9	**-**	**4.1**
Loans and receivables			
Deposits with financial institutions	413.6	483.4	479.4
	413.6	**483.4**	**479.4**
Available for sale investments			
Debt securities	53.2	72.8	71.9
Money market funds	71.6	27.7	40.6
	124.8	**100.5**	**112.5**
Total financial assets	**603.9**	**623.6**	**659.6**
Current	217.7	234.8	234.4
Non-current	386.2	388.8	425.2
	603.9	**623.6**	**659.6**

b) Financial liabilities

	Unaudited As at Jul 2015 £'m	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Fair value through profit or loss			
Foreign exchange forward contracts	1.2	6.7	2.1
Fuel oil swaps	3.4	0.3	4.5
	4.6	**7.0**	**6.6**
Fair value through the hedging reserve			
Foreign exchange forward contracts	8.5	1.7	4.6
Fuel oil swaps	2.1	-	2.5
	10.6	**1.7**	**7.1**
Loans and borrowings			
Bank loans (note 16)	562.0	687.3	692.2
Finance leases and hire purchase obligations	2.4	0.3	-
Bank overdrafts	3.7	5.6	5.8
	568.1	**693.2**	**698.0**
Total financial liabilities	**583.3**	**701.9**	**711.7**
Current	16.6	13.4	21.1
Non-current	566.7	688.5	690.6
	583.3	**701.9**	**711.7**

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy

	Unaudited As at Jul 15				Unaudited As at Jul 14			As at Jan 15			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	**Total**	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**	£'m	£'m	**£'m**	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value											
Foreign exchange forwards	-	2.1	-	**2.1**	-	0.1	**0.1**	-	5.6	-	**5.6**
Fuel oil swaps	-	-	-	**-**	-	0.1	**0.1**	-	-	-	**-**
Loan funds	-	20.1	-	**20.1**	-	19.8	**19.8**	-	19.6	-	**19.6**
Hedge funds	-	34.3	-	**34.3**	-	13.4	**13.4**	-	33.8	-	**33.8**
Equities	9.0	-	-	**9.0**	6.3	-	**6.3**	8.7	-	-	**8.7**
Debt securities	53.2	-	-	**53.2**	72.8	-	**72.8**	71.9	-	-	**71.9**
Money market funds	-	71.6	-	**71.6**	-	27.7	**27.7**	-	40.6	-	**40.6**
Financial liabilities measured at fair value											
Contingent consideration	-	-	4.6	**4.6**	-	-	**-**	-	-	6.2	**6.2**
Foreign exchange forwards	-	9.7	-	**9.7**	-	8.4	**8.4**	-	6.7	-	**6.7**
Fuel oil swaps	-	5.5	-	**5.5**	-	0.3	**0.3**	-	7.0	-	**7.0**
Assets for which fair values are disclosed											
Deposits with institutions	-	413.6	-	**413.6**	-	483.4	**483.4**	-	479.4	-	**479.4**
Liabilities for which fair values are disclosed											
Bank loans	-	562.0	-	**562.0**	-	687.3	**687.3**	-	692.2	-	**692.2**
Finance leases and hire purchase obligations	-	2.4	-	**2.4**	-	0.3	**0.3**	-	-	-	**-**
Bank overdrafts	-	3.7	-	**3.7**	-	5.6	**5.6**	-	5.8	-	**5.8**

d) Other information

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

There have been no transfers between Level 1 and Level 2 in the hierarchy and no non-recurring fair value measurements of assets and liabilities.

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 211 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods, and designated 18 fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2015, the Group has designated 374 forward currency contracts and 38 fuel oil swaps as hedges.

During the period, the Group recognised a net £6.1m loss on forward currency cash flow hedging instruments and a net £0.4m gain on commodity cash flow hedging instruments through other comprehensive income into the hedging reserve. No amounts have been recognised by the Group though the Income Statement in respect of the ineffective portion of hedges measured during the period. The Group recognised a £2.4m loss through the income statement in respect of matured hedges.

Notes to the condensed consolidated financial statements (continued)

13 Cash and cash equivalents

	Unaudited As at Jul 2015 £'m	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Cash at bank and in hand	48.0	93.9	66.5
Short term deposits	92.0	120.3	132.3
Cash and short term deposits	140.0	214.2	198.8
Money markets funds	71.6	27.7	40.6
Bank overdraft	(3.7)	(5.6)	(5.8)
Cash held by disposal group (note 18)	2.9	-	4.3
Cash and cash equivalents in the cash flow	210.8	236.3	237.9

Included within cash and short term deposits are amounts held by the Group's Travel and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £105.7m (July 2014: £109.2m).

14 Retirement benefit schemes

The Group operates three funded defined benefit schemes. The Saga Pension Scheme ("Saga scheme") is open to new members who accrue benefits on a career average salary basis. The assets of all schemes are held separately from those of the Group in independently administered funds. The two schemes associated with the discontinued Allied Healthcare business ("Nestor schemes") are included within liabilities held for sale.

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

	Saga scheme £'m	Nestor schemes £'m	Total £'m
Unaudited at 31 July 2015			
Fair value of scheme assets	210.9	54.2	265.1
Present value of defined benefit obligation	(236.9)	(62.5)	(299.4)
Defined benefit scheme liability	(26.0)	(8.3)	(34.3)
Included within liabilities held for sale (note 18)	-	8.3	8.3
	(26.0)	-	(26.0)
Unaudited at 31 July 2014			
Fair value of scheme assets	182.4	50.8	233.2
Present value of defined benefit obligation	(196.9)	(59.4)	(256.3)
Defined benefit scheme liability	(14.5)	(8.6)	(23.1)
At 31 January 2015			
Fair value of scheme assets	212.3	54.0	266.3
Present value of defined benefit obligation	(252.7)	(68.7)	(321.4)
Defined benefit scheme liability	(40.4)	(14.7)	(55.1)
Reclassified as liabilities held for sale	-	14.7	14.7
	(40.4)	-	(40.4)

The present values of the defined benefit obligation at 31 January 2015, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2015 have been estimated by rolling forward from 31 January 2015, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2015, the net liability of the Saga scheme has improved by £14.4m to a total scheme liability of £26.0m.

Notes to the condensed consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2015 £'m	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Gross			
Claims outstanding	537.3	556.4	552.4
Provision for unearned premiums	154.5	160.5	152.3
Total gross liabilities	691.8	716.9	704.7
Recoverable from reinsurers			
Claims outstanding	70.7	62.6	60.2
Provision for unearned reinsurance premiums	2.4	2.6	3.2
Total reinsurers' share of insurance liabilities	73.1	65.2	63.4
Net			
Claims outstanding	466.6	493.8	492.2
Provision for unearned premiums	152.1	157.9	149.1
Total net insurance liabilities	618.7	651.7	641.3

The total gain on purchasing reinsurance recognised during the period was £7.6m (July 2014: £0.8m).

16 Loans and borrowings

	Unaudited As at Jul 2015 £'m	Unaudited As at Jul 2014 £'m	As at Jan 2015 £'m
Bank loans, maturing 2019	570.0	700.0	700.0
Accrued interest payable	0.6	-	3.4
	570.6	700.0	703.4
Less: deferred issue costs	(8.6)	(12.7)	(11.2)
	562.0	687.3	692.2

During the period, the Group repaid £200.0m of its Senior Facilities Agreement, and at 31 July 2015 had drawn £70.0m of its £150.0m revolving credit facility.

Interest on the debt is incurred at a variable rate of LIBOR plus 2.25%. To protect the Group from significant increases in interest rates, interest rate caps are in place which cap LIBOR at 3.0% on a notional debt of £510.0m through to June 2016.

During the period the Group charged £12.7m (July 2014: £22.9m) to the income statement in respect of fees and interest associated with the Senior Facilities Agreement.

Notes to the condensed consolidated financial statements (continued)

17 Share-based payments

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

a) On 29 April 2015, options over 101,932 shares were issued to the Chief Financial Officer which vest in two equal tranches on the first and second anniversary of his appointment;

b) On 9 June 2015, options over 332,541 shares were issued under the Deferred Bonus Plan ("DBP") to the Executive Directors reflecting their deferred bonus in respect of 2014/15, which vest and become exercisable on the third anniversary of the grant date. Following the retirement of S M Howard on 31 July 2015, the options allocated to him became exercisable immediately.

c) On 30 June 2015, options over 2,879,089 shares were issued under the Long-Term Incentive Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date and are 50% linked to EPS performance and 50% linked to TSR performance;

d) On 8 July 2015, 398,567 shares were awarded to eligible staff on the anniversary of the IPO and allocated at £nil cost; these shares become beneficially owned over a three year period from allocation subject to continuing service.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £1.6m during the period (July 2014: £41.1m) to the income statement in respect of equity-settled share-based payment transactions. Of this, £0.2m (July 2014: £41.1m) is included within exceptional expenses (note 4).

18 Discontinued operations and assets held for sale

On 15 January 2015, the Group announced its decision to divest the local authority section of its Healthcare business, Allied Healthcare. As at 31 January 2015, the requirements of IFRS 5 were met and accordingly Allied Healthcare was classified as a disposal group held for sale in the statement of financial position and as a discontinued operation in the income statement. As at 31 July 2015, the requirements of IFRS 5 continued to be met.

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Revenue	126.9	143.4	283.2
Cost of sales	(91.4)	(101.5)	(199.8)
Gross profit	**35.5**	**41.9**	**83.4**
Administrative and selling expenses	(35.8)	(41.1)	(74.4)
Trading EBITDA	**(0.3)**	**0.8**	**9.0**
Depreciation and amortisation	(1.5)	(1.9)	(2.8)
Exceptional expenses (restructuring programme)	(3.0)	(2.9)	(8.4)
Net finance expense on retirement benefit schemes	(0.2)	(0.2)	(0.3)
Loss before tax	**(5.0)**	**(4.2)**	**(2.5)**
Tax expense	1.8	1.5	2.2
Loss for the year from discontinued operations	**(3.2)**	**(2.7)**	**(0.3)**
Attributable to:			
Equity holders of the parent	(3.3)	(2.9)	(0.7)
Non-controlling interests	0.1	0.2	0.4
	(3.2)	**(2.7)**	**(0.3)**

Notes to the condensed consolidated financial statements (continued)

18 Discontinued operations and assets held for sale (continued)

The loss after tax in the income statement and its impact on earnings per share is as follows:

	Unaudited 6m to Jul 2015 £'m	Unaudited 6m to Jul 2014 £'m	12m to Jan 2015 £'m
Loss after tax, before amortisation and impairment	(3.2)	(2.7)	(0.3)
Amortisation of associated intangible assets	-	(5.2)	(10.4)
Loss on re-measurement of disposal group to fair value	-	-	(209.5)
	(3.2)	**(7.9)**	**(220.2)**
Basic earnings per share from discontinued operations	(0.3p)	(0.9p)	(22.2p)

The fair values of the assets and liabilities classified as held for sale are as follows:

	As at Jul 2015 £'m	**As at Jan 2015 £'m**
Assets		
Deferred tax assets	1.7	3.0
Current tax assets	1.5	-
Trade and other receivables	34.6	40.4
Cash and short-term deposits	2.9	4.3
	40.7	**47.7**
Liabilities		
Trade and other payables	17.4	17.8
Financial liabilities	0.4	0.3
Retirement benefit scheme obligations	8.3	14.7
Provisions	2.8	3.1
Other liabilities	4.4	4.4
Liabilities on re-measurement to fair value	7.6	7.4
	40.9	**47.7**
Net liabilities directly associated with disposal group	**(0.2)**	**-**

19 Related party transactions

Related party transactions during the six months ended 31 July 2015 were consistent in nature, scope and quantum with those disclosed in the Group's annual report and accounts for the year ended 31 January 2015.

Principal risks and uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The directors consider that the principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those outlined on pages 26 to 29 of the Annual report and accounts for the year ended 31 January 2015 available at www.corporate.saga.co.uk. The Group has in place processes to monitor and mitigate these risks.

Responsibility Statement

We confirm to the best of our knowledge:

a) The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules DTR 4.2.7R) – indication of important events during the six month period and their impact on condensed consolidated interim financial statements and description of principal risks and uncertainties for the remaining six months of the financial year: and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

On behalf of the Board

Lance Batchelor	Jonathan Hill
Chief Executive Officer	Chief Financial Officer
29 September 2015	29 September 2015

INDEPENDENT REVIEW REPORT TO SAGA PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2015 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, and related explanatory notes 1 to 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2.1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
29 September 2015