Consolidated income statement

for the year ended 31 January 2017

	Note	2017 £'m	2016 £'m
Revenue	3	**871.3**	963.2
Cost of sales	3	**(422.7)**	(544.2)
Gross profit		**448.6**	419.0
Administrative and selling expenses	4	**(251.6)**	(227.3)
Investment income	5	**5.0**	11.0
Finance costs	6	**(18.6)**	(25.2)
Finance income	7	**11.3**	–
Share of loss of joint ventures	34	**(1.4)**	(1.3)
Profit before tax from continuing operations		**193.3**	176.2
Tax expense	9	**(36.0)**	(28.1)
Profit for the year from continuing operations		**157.3**	148.1
Loss after tax for the year from discontinued operations	31	**–**	(6.9)
Profit for the year		**157.3**	141.2
Attributable to:			
Equity holders of the parent		**157.3**	140.9
Non-controlling interests		**–**	0.3
		157.3	141.2
Earnings per share:			
Basic	11	**14.1p**	12.7p
Diluted	11	**14.0p**	12.6p
Earnings per share for continuing operations:			
Basic	11	**14.1p**	13.3p
Diluted	11	**14.0p**	13.2p

The notes on pages 107-165 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 January 2017

	Note	2017 £'m	2016 £'m
Profit for the year		**157.3**	141.2
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Exchange differences on translation of foreign operations		**0.7**	(1.2)
Net gain on cash flow hedges		**32.0**	16.6
Associated tax effect		**(5.3)**	(3.0)
Net gain/(loss) on available for sale financial assets		**1.0**	(1.6)
Associated tax effect		**(0.1)**	0.4
		28.3	11.2
Other comprehensive income not to be reclassified to income statement in subsequent years			
Re-measurement gains on defined benefit plans	23	**4.6**	26.6
Associated tax effect		**(1.1)**	(4.8)
		3.5	21.8
Total other comprehensive income		**31.8**	33.0
Total comprehensive income for the year		**189.1**	174.2
Attributable to:			
Equity holders of the parent		**189.1**	173.9
Non-controlling interests		**–**	0.3
		189.1	174.2

The notes on pages 107-165 form an integral part of these consolidated financial statements.

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Consolidated statement of financial position
as at 31 January 2017

	Note	2017 £'m	2016 £'m
Assets			
Goodwill	13	**1,485.0**	1,485.0
Intangible fixed assets	14	**53.8**	52.3
Investment in joint ventures	34	**1.4**	1.6
Property, plant and equipment	16	**131.5**	140.6
Financial assets	17	**600.3**	644.7
Deferred tax assets	9	**16.3**	22.1
Reinsurance assets	24	**97.5**	106.4
Inventories		**5.6**	4.9
Trade and other receivables	20	**198.7**	188.0
Cash and short-term deposits	21	**108.7**	106.5
Total assets		**2,698.8**	2,752.1
Liabilities			
Retirement benefit scheme obligations	23	**13.7**	18.8
Gross insurance contract liabilities	24	**642.3**	703.3
Provisions		**4.0**	4.0
Financial liabilities	17	**489.8**	580.5
Current tax liabilities		**14.9**	15.0
Deferred tax liabilities	9	**21.5**	17.4
Other liabilities	25	**134.9**	133.3
Trade and other payables	22	**182.5**	191.6
Total liabilities		**1,503.6**	1,663.9
Equity			
Issued capital	27	**11.2**	11.2
Share premium		**519.3**	519.3
Retained earnings		**607.8**	527.0
Share-based payment reserve		**15.6**	17.7
Foreign currency translation reserve		**–**	(0.7)
Available for sale reserve		**3.3**	2.4
Hedging reserve		**38.0**	11.3
Total equity		**1,195.2**	1,088.2
Total liabilities and equity		**2,698.8**	2,752.1

The notes on pages 107-165 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 28 March 2017 by

L H L Batchelor
Group Chief Executive Officer

J S Hill
Group Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 January 2017

	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
At 1 February 2016	11.2	519.3	527.0	17.7	(0.7)	2.4	11.3	1,088.2	–	1,088.2
Profit for the year	–	–	157.3	–	–	–	–	157.3	–	157.3
Other comprehensive income	–	–	3.5	–	0.7	0.9	26.7	31.8	–	31.8
Total comprehensive income	–	–	160.8	–	0.7	0.9	26.7	189.1	–	189.1
Dividends paid (note 10)	–	–	(86.1)	–	–	–	–	(86.1)	–	(86.1)
Share-based payment charge (note 29)	–	–	–	4.9	–	–	–	4.9	–	4.9
Exercise of share options	–	–	6.1	(7.0)	–	–	–	(0.9)	–	(0.9)
At 31 January 2017	**11.2**	**519.3**	**607.8**	**15.6**	**–**	**3.3**	**38.0**	**1,195.2**	**–**	**1,195.2**
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 year	–	–	140.9	–	–	–	–	140.9	0.3	141.2
Other comprehensive income	–	–	21.8	–	(1.2)	(1.2)	13.6	33.0	–	33.0
Total comprehensive income	–	–	162.7	–	(1.2)	(1.2)	13.6	173.9	0.3	174.2
Bonus shares issued	0.1	(0.1)	–	–	–	–	–	–	–	–
Dividends paid (note 10)	–	–	(70.4)	–	–	–	–	(70.4)	(0.7)	(71.1)
Share-based payment charge (note 29)	–	–	–	2.8	–	–	–	2.8	–	2.8
Exercise of share options	–	–	11.1	(12.9)	–	–	–	(1.8)	–	(1.8)
Issue of free shares (note 27)	–	–	12.9	(12.9)	–	–	–	–	–	–
At 31 January 2016	**11.2**	**519.3**	**527.0**	**17.7**	**(0.7)**	**2.4**	**11.3**	**1,088.2**	**–**	**1,088.2**

The notes on pages 107-165 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 January 2017

	Note	2017 £'m	2016 £'m
Profit before tax from continuing operations		**193.3**	176.2
Loss before tax from discontinued operations		**–**	(7.2)
Profit before tax		**193.3**	169.0
Depreciation, impairment and loss on disposal of property, plant and equipment		**21.6**	23.4
Amortisation and impairment of intangible assets		**18.1**	14.1
Share-based payment transactions		**4.0**	1.1
Transactions relating to disposal group held for sale		**–**	7.3
Finance costs		**18.6**	25.2
Finance income		**(11.3)**	–
Share of loss of joint ventures		**1.4**	1.3
Interest income from investments		**(5.0)**	(11.0)
Movements in other assets and liabilities		**(58.8)**	(56.5)
		181.9	173.9
Interest received		**5.0**	13.5
Interest paid		**(15.8)**	(21.6)
Income tax paid		**(32.6)**	(15.4)
Net cash flows from operating activities		**138.5**	**150.4**
Investing activities			
Proceeds from sale of property, plant and equipment		**0.2**	–
Purchase of property, plant and equipment and intangible assets		**(43.9)**	(33.8)
Net disposal of financial assets		**124.7**	64.3
Acquisition of subsidiaries	12	**–**	(26.7)
Disposal of subsidiaries		**–**	(8.2)
Investment in joint venture		**(1.3)**	(3.0)
Net cash flows used in investing activities		**79.7**	**(7.4)**
Financing activities			
Payment of finance lease liabilities		**(0.5)**	(0.5)
Net payment of borrowings	26	**(75.0)**	(145.0)
Dividends paid		**(86.3)**	(70.0)
Net cash flows used in financing activities		**(161.8)**	**(215.5)**
Net increase/(decrease) in cash and cash equivalents		**56.4**	**(72.5)**
Net foreign exchange differences		**0.7**	(1.0)
Cash and cash equivalents at the start of the year		**164.4**	237.9
Cash and cash equivalents at the end of the year	21	**221.5**	**164.4**

The notes on pages 107-165 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Corporate information

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

The consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'Saga Group' or the 'Group') for the year ended 31 January 2017 were approved for issue by the Board of Directors on 28 March 2017.

Saga Group offers a wide range of products and services to its customer base which include general insurance products, package and cruise holidays, personal finance products, domiciliary care services, and a monthly subscription magazine. Accordingly, the Group segments its business into three trading segments – insurance, travel and emerging businesses and central costs (see note 3).

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and adopted by the European Union, and with the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated.

The Group's consolidated financial statements are presented in pounds sterling which is also the parent company's functional currency, and all values are rounded to the nearest hundred thousand (£'m), except when otherwise indicated. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

IFRSs require the Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. In determining and applying accounting policies, Directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A discussion on the Group's significant accounting judgements and key sources of estimation uncertainty is detailed in note 2.5. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The principal accounting policies adopted, which have been applied consistently, unless otherwise stated, are set out in note 2.3 below.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee entity and has the ability to affect those returns through its power over the investee entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2.2 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are identified and measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary which constituted a major line of business is disposed of or otherwise meets the requirements of IFRS 5 to be held for sale, it is disclosed as a discontinued operation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a. Revenue recognition

Revenue represents amounts receivable from the sale or supply of goods and services provided to customers in the ordinary course of business, and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Insurance

Revenue is recognised in the income statement over the period matching the Group's obligation to provide services. Where the Group has no remaining contractual obligations, revenue is recognised immediately.

Insurance premiums received for risks underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy. Any changes to premium arising as a result of adjustments to the underlying risk notified by the policyholders are recognised over the remaining period of the policy from the effective date of notification.

Revenue received in connection with insurance policies not underwritten by the Group is recognised at the commencement of the period of risk.

Insurance premiums received for risks which are not underwritten by the Group are not recognised in the income statement, as these amounts are passed through directly to the relevant insurer.

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

i) Insurance (continued)

Insurance premiums and sales revenues received in advance of the inception date of a policy are treated as advanced receipts and included as other liabilities in the statement of financial position.

Premiums and sales revenue in respect of insurance policies underwritten by the Group which are live at the reporting date and which relate to the period after the reporting date are treated as unearned and included in insurance contract liabilities in the statement of financial position.

Income from credit provided to customers to facilitate payment of their insurance costs over the life of their policy is treated as part of the revenue from insurance operations and recognised over the period of the policy in proportion to the outstanding premium balance.

Profit commissions due under coinsurance or reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject to and on the same basis, where appropriate, as the related reinsured liabilities.

ii) Travel

Revenue from tour operations and cruise holidays where the Group does not operate the cruise ship is recognised in full on the passenger's date of departure which represents the date upon which the revenue becomes fully non-refundable. Revenue in respect of cruise holidays where the Group operates the cruise ship is recognised on a per diem basis over the duration of the cruise reflecting the often longer durations of cruise holidays, and to facilitate more accurate matching of revenue with costs as they arise.

Revenue from sales in resort, for example for optional excursions, or on board a cruise ship operated by the Group, for example bar sales or optional excursions, is recognised as and when earned.

Revenue from tour operations received in advance of the date of departure, and the unearned element of cruise revenues not yet recognised on a per diem basis, are included as other liabilities in the statement of financial position.

iii) Emerging Businesses and Central Costs

Personal finance

Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product.

Where the personal finance product is one that delivers a recurring income stream, for example ongoing investment, savings or lending products, revenues are recognised over the life of the product.

Healthcare

Revenue from healthcare operations is recognised when services are provided to customers. The point of supply is generally defined as the point at which a service user has received care services from the Group and which are usually provided on an hourly basis.

For the discontinued healthcare business, revenue for social care operations was recognised as a service user received care services, usually on a daily basis. For primary care operations, revenue was recognised on delivery of the contracted services, or on a time-elapsed basis for capacity-related contracts as the principal contractual obligation was to provide an agreed level of capacity over a fixed term. On longer-term contracts, revenue was recognised over the life of each contract in line with the pattern of delivery of the associated services.

Magazine subscriptions

Magazine subscription revenue is recognised on a straight-line basis over the period of the subscription. Revenue generated from advertising within the magazine is recognised when the magazine is provided to the customer. The element of subscriptions and advertising revenue relating to the period after the reporting date is treated as unearned and included within other liabilities in the statement of financial position.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.3 Summary of significant accounting policies (continued)

b. Cost recognition

i) Direct costs

Costs directly associated with the revenues generated by the Group's principal activities (excluding insurance underwriting) are recognised in the income statement on a basis consistent with the relevant revenue recognition policy.

ii) Acquisition costs

Acquisition costs arising from the selling or renewing of insurance policies underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy in which the related revenues are earned. The proportion of acquisition costs relating to premiums treated as unearned at the reporting date are deferred and included as other assets in the statement of financial position.

iii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include claims made for losses reported as occurring during the period together with the related handling costs, any adjustments to claims outstanding from previous periods, and a provision for the estimated cost of claims incurred during the period but not reported at the reporting date. Further detail is provided in note 24.

iv) Reinsurance costs

The Group undertakes a programme of reinsurance in respect of the policies which it underwrites. Outward reinsurance premiums are accounted for in the same accounting period as the related inward insurance premiums and are included as a deduction from earned premium, and therefore as a reduction in revenue.

v) Finance costs

Finance costs comprise interest paid and payable which is calculated using the effective interest rate method and recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest bearing financial liability in the statement of financial position.

vi) Other expenses

Other expenses are taken to the income statement as incurred and exclude intra-group transactions.

c. Recognition of other income statement items

i) Investment income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the effective interest rate method. Fees and commissions which are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income in the form of dividends is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

ii) Gains and losses on financial investments

Realised and unrealised gains and losses on financial investments are recorded as finance income or finance costs in the income statement. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the date of sale. Unrealised gains and losses, arising on financial assets measured at fair value through profit and loss which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

2.3 Summary of significant accounting policies (continued)

d. Taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Foreign currencies

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value is determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of gains or losses arising on a change in the fair value of the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement respectively).

ii) Group companies

The assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recycled to the income statement.

2.3 Summary of significant accounting policies (continued)

f. Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationships	over the life of the customer relationship
Contracts acquired	over the life of the contract
Software	3-10 years

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit ('CGU') level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

g. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' is measured at fair value with the changes in fair value recognised in the income statement.

Any excess of the cost of acquisition over the fair values of the identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is treated as negative goodwill and is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to CGUs at the point of acquisition and is reviewed annually for impairment.

2.3 Summary of significant accounting policies (continued)

h. Impairment of non-financial assets

The Group undertakes a full impairment review of the carrying value of goodwill at each reporting date. The Group also assesses at each reporting date whether there is any indication that any other non-financial assets may be impaired. If such an indication exists, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculations on detailed budgets, plans and long-term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

i. Joint arrangements

The Group participates in joint arrangements where control of the arrangement is shared with another party. A joint arrangement is classified as a joint operation or joint venture, depending on management's assessment of the legal form and substance of the arrangement.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and the consolidated income statement respectively.

j. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately. Likewise, when a major inspection or dry-docking of a cruise ship is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred.

Assets in the course of construction at the balance sheet date are classified separately. These assets are transferred to other asset categories when they become available for their intended use.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land and assets in the course of construction are not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:	
Buildings	50 years
Related fittings	3-20 years
Leasehold properties	over the period of the lease
Cruise ships	2-15 years
Computers	3 years
Plant, vehicles and other equipment	3-10 years

Costs relating to cruise ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-docking where appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Estimated residual values and useful lives are reviewed annually.

2.3 Summary of significant accounting policies (continued)

k. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets, and the sale must be highly probable. Sale is considered to be highly probable when management is committed to a plan to sell an asset and an active programme to locate a buyer and complete the plan has been initiated at a price that is reasonable in relation to its current fair value, and there is an expectation that the sale will be completed within one year from the date of classification. Non-current assets classified as held for sale are carried on the Group's statement of financial position at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the income statement.

l. Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The Group determines the classification of its financial assets at initial recognition and they are accounted on a trade date basis. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss ('FVTPL')

Financial assets at FVTPL are assets:

- which upon initial recognition are designated at fair value through the income statement to eliminate or significantly reduce a measurement recognition inconsistency, or
- which are acquired principally for the purpose of selling in the near term or forming part of the portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

Derivative financial instruments not designated as hedging instruments and hedge funds are classified as FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement. The fair values are quoted market prices (where there is an active market) or are based on valuation techniques (where there is no active market or the securities are unlisted). Valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis and other commonly used valuation techniques.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available for sale financial investments

Available for sale financial investments include debt securities and money market funds. After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available for sale reserve. Interest income on available for sale debt securities is calculated using the EIR and is recognised in the income statement.

2.3 Summary of significant accounting policies (continued)

I. Financial instruments (continued)

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Group has transferred substantially all the risks and rewards relating to the asset to a third party.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors are experiencing significant financial difficulty, or where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or other factors that correlate with defaults.

Loans and receivables

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant, or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Available for sale financial investments

When a decline in the fair value of a financial asset classified as available for sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through the income statement, but those on available for sale debt instruments are reversed if there is an increase in fair value that is objectively related to a subsequent event. Subsequent increases in the fair value of available for sale debt instruments are all recognised in equity.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at FVTPL, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

2.3 Summary of significant accounting policies (continued)

l. Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Derivative financial instruments not designated as hedging instruments are classified as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

Loans and borrowings and other payables

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iii) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value are recognised in the income statement. Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

iv) Fair values

The Group measures financial instruments, such as derivatives and financial instruments classified as available for sale and at FVTPL, at fair value at each reporting date.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's length market transactions, discounted cash flow analysis and other commonly used valuation techniques. An analysis of the fair values of financial instruments and further details as to how they are measured are provided below.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3 Summary of significant accounting policies (continued)

l. Financial instruments (continued)

v) Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges of certain forecast transactions. These transactions are highly probable to occur and present an exposure to variations in cash flows that could ultimately affect amounts determined in profit or loss.

Where a derivative financial instrument is designated as a hedge, the effective part of any fair value gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

When a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any associated cumulative gain or loss is removed from the hedging reserve and reclassified into the income statement in the same period in which the asset or liability affects profit or loss. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, any associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

For foreign currency hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, through comparison of the projected fair values of the hedged forecast transaction and the hedging instrument using a combination of the hypothetical derivative approach and sensitivity analysis, as part of the dollar-offset method. Retrospective hedge testing is also performed at each reporting date using the dollar-offset method, by comparing the cumulative changes in the fair values of the forecast hedged transaction and the hedging instrument.

For fuel oil hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, using regression analysis. This method involves calculating the strength of the correlation between the price of the derivative and the price of the fuel oil being purchased. Retrospective hedge testing is also performed at each reporting date using the same technique.

When a hedging instrument no longer meets the criteria for hedge accounting, through maturity, sale, other termination, or the revoking of the designated hedging relationship, hedge accounting is discontinued prospectively. If the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss remains in the hedging reserve and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

m. Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Group are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of the minimum lease payments within property, plant and equipment on the statement of financial position and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 Summary of significant accounting policies (continued)

o. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less from their inception date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short-term deposits as defined above and short-term highly liquid investments (including money market funds) with original maturities of three months or less which are subject to insignificant risk of change in value, net of outstanding bank overdrafts.

p. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

q. Insurance contract liabilities

Insurance contract liabilities include an outstanding claims provision, a provision for unearned premiums and, if required, a provision for premium deficiency.

Outstanding claims provision

The provision for outstanding claims is set on an individual claim basis and is based on the ultimate cost of all claims notified but not settled less amounts already paid by the reporting date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the statement of financial position date, which is set using statistical methods. The outstanding claims provision is not discounted for the time value of money with the exception of claims settled on a periodical payment orders ('PPOs') basis.

The amount of any anticipated reinsurance, salvage or subrogation recoveries is separately identified and reported within trade and other receivables and insurance contract liabilities respectively.

Differences between the provisions at the reporting date and settlements and provisions in the following year (known as 'run off deviations') are recognised in the income statement as they arise.

Provision for unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Provision for premium deficiency

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

2.3 Summary of significant accounting policies (continued)

r. Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on insurance contracts issued are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insurer and reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment at each balance sheet date. For assets that are directly exposed to long-tail PPO liabilities a general provision for impairment is provided, calculated on a wholesale basis by reference to published credit rating default curves. For all other reinsurance assets, the carrying value is written down to its recoverable amount only if there is objective evidence of impairment.

The amount of any anticipated reinsurance recoveries is treated as a reduction in claims costs. Where this amount is material, it is reported separately in the statement of financial position, except where the contractual terms of the reinsurance arrangement necessitates the set-off of its associated financial assets and liabilities.

IFRS 4 prohibits the offsetting of reinsurance assets against the related insurance liabilities, unless the appropriate legal requirements are met. Financial assets and liabilities arising under quota share agreements must be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the associated amounts and there is an intention to settle on a net basis, or realise both the asset and settle the liability simultaneously. The contractual terms of the new funds-withheld quota share agreement in motor insurance requires such a set-off of associated amounts.

s. Share-based payments

The Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes and Monte-Carlo modelling techniques. In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

Where the equity-settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in share-based payments reserve.

Upon vesting of an equity instrument, the cumulative cost in the share-based payments reserve is reclassified to retained earnings in equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.3 Summary of significant accounting policies (continued)

t. Retirement benefit schemes

During the year, the Group operated a number of defined benefit pension plans which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans are determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in other comprehensive income.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Group recognises restructuring-related costs. The interest cost less interest income on assets held in the plans is also charged to the income statement.

The defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate trustee administered funds. Scheme assets are measured using market values and scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately after other net assets and liabilities on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For defined contribution schemes, the amounts charged to the income statement are the contributions payable in the year.

u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

v. Equity

The Group has ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.4 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2017. Comment on these new standards or amendments is as follows:

a. IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments' that will essentially replace IAS 39. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument. The Group has begun work to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard is likely to enable a greater proportion of derivatives to qualify for hedge accounting, and so reduce the volatility of derivative gains and losses in the Group's income statement. Besides from this, the Group believes that the standard is unlikely to have a significant effect on the recognition, measurement and presentation of its other financial instruments. The standard is effective for annual periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 November 2016.

b. IFRS 15 'Revenue from Contracts with Customers'

The objective of IFRS 15 is to establish the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Group has begun work to determine the full impact of this standard on the Group's financial statements.

Our initial assessment is that the standard will be unlikely to have a material impact on the Group's financial statements. For insurance brokerage, the majority of the Group's performance obligations are discharged when arranging cover for its customers, which is on or just before the cover start date of the policy and is when the Group currently recognises the associated revenue. Revenue from insurance underwriting is out of scope and so is unaffected by this standard. For tour operations, the majority of the Group's performance obligations are discharged on the customer's departure date, which is when the Group currently recognises the associated revenue. For Cruising, revenue is currently recognised on a straight-line basis over the duration of each cruise, and this is likely to remain appropriate under the new standard. The standard is effective for annual periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 September 2016.

c. IFRS 16 'Leases'

IFRS 16 specifies how to recognise, measure, present and disclose leases, and will essentially replace IAS 17. The impact of this standard on the Group's financial statements is still being assessed. The standard was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019, although this is yet to be endorsed by the EU.

d. Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

The amendments to IAS 12 clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

e. Amendments to IAS 7 'Disclosure Initiative'

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

f. Clarifications to IFRS 15 'Revenue from Contracts with Customers'

The amendments provide some illustrative factors that an entity might consider in making the assessment as to whether promised goods or services are distinct. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU.

g. Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

The amendments to IFRS 2 clarify the accounting for the effects of vesting and non-vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with net settlement features for withholding tax obligations and the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

h. Amendments to IAS 40 'Transfers of Investment Property'

The amendments to IFRS 40 clarify that an entity can only reclassify a property to/from investment property when, and only when, there is evidence that a change in the use of the property has occurred. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

2.5 Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a. Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ('IBNR') at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all of the uncertainties involved.

The ultimate cost of claims is not discounted except for those in respect of PPOs. The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

Similar judgements, estimates and assumptions are employed in the assessment of the adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

b. Goodwill impairment testing

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs at a suitable discount rate in order to calculate present value.

c. Valuation of pension benefit obligation

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3 Segmental information

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

- *Insurance*: the segment primarily comprises general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into four product sub-segments:
  - Motor broking
  - Home broking
  - Other insurance broking
  - Underwriting
- *Travel*: the segment primarily comprises the operation and delivery of package tours and cruise holiday products. The Group owns and operates two cruise ships and throughout the year owned and operated one hotel. All other holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.
- *Emerging Businesses and Central Costs*: the segment comprises the Group's other businesses and its central cost base. The other businesses primarily include the financial services product offering including the wealth management joint venture, the domiciliary care services offering, a monthly subscription magazine product and the Group's internal mailing house.

Segment performance is primarily evaluated using the Group's key performance measure of profit before tax. Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance or which are managed on a Group basis.

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

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to segments as they are also managed on a Group basis.

3 Segmental information (continued)

2017	Insurance Motor broking £'m	Insurance Home broking £'m	Insurance Other insurance broking £'m	Insurance Under-writing £'m	Insurance Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**127.5**	**89.8**	**80.4**	**112.3**	**410.0**	**432.0**	**36.5**	**(7.2)**	**871.3**
Cost of sales	(3.1)	–	(17.0)	(43.6)	(63.7)	(344.0)	(15.0)	–	(422.7)
Gross profit	**124.4**	**89.8**	**63.4**	**68.7**	**346.3**	**88.0**	**21.5**	**(7.2)**	**448.6**
Administrative and selling expenses	(79.2)	(28.6)	(31.8)	(2.8)	(142.4)	(73.3)	(43.1)	7.2	(251.6)
Investment income	–	–	–	7.2	7.2	0.2	(2.4)	–	5.0
Finance costs	–	–	–	–	–	–	(18.6)	–	(18.6)
Finance income	–	–	–	–	–	–	1.4	–	1.4
Share of loss of joint venture	–	–	–	–	–	–	(1.4)	–	(1.4)
Profit before tax and derivative gains and losses	**45.2**	**61.2**	**31.6**	**73.1**	**211.1**	**14.9**	**(42.6)**	**–**	**183.4**
Net fair value gain on derivative financial instruments	–	–	–	–	–	9.9	–	–	9.9
Profit before tax from continuing operations	**45.2**	**61.2**	**31.6**	**73.1**	**211.1**	**24.8**	**(42.6)**	**–**	**193.3**
Total assets less liabilities					**345.8**	**68.3**	**(222.0)**	**1,003.1**	**1,195.2**

All revenue is generated solely in the UK.

Cost of sales within the insurance segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b).

3 Segmental information (continued)

2016	Insurance Motor broking £'m	Insurance Home broking £'m	Insurance Other insurance broking £'m	Insurance Under-writing £'m	Insurance Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**89.5**	**90.0**	**82.4**	**248.2**	**510.1**	**423.1**	**37.1**	**(7.1)**	**963.2**
Cost of sales	(2.5)	(0.3)	(16.1)	(173.3)	(192.2)	(337.2)	(16.4)	1.6	(544.2)
Gross profit	**87.0**	**89.7**	**66.3**	**74.9**	**317.9**	**85.9**	**20.7**	**(5.5)**	**419.0**
Administrative and selling expenses	(58.4)	(26.3)	(31.8)	(5.4)	(121.9)	(72.8)	(38.1)	5.5	(227.3)
Investment income	–	–	–	14.6	14.6	0.4	(4.0)	–	11.0
Finance costs	–	–	–	–	–	–	(24.0)	–	(24.0)
Share of loss of joint ventures	–	–	–	–	–	–	(1.3)	–	(1.3)
Profit before tax and derivative gains and losses	**28.6**	**63.4**	**34.5**	**84.1**	**210.6**	**13.5**	**(46.7)**	**–**	**177.4**
Net fair value loss on derivative financial instruments	–	–	–	–	–	(1.2)	–	–	(1.2)
Profit before tax from continuing operations	**28.6**	**63.4**	**34.5**	**84.1**	**210.6**	**12.3**	**(46.7)**	**–**	**176.2**
Total assets less liabilities					**372.1**	**29.2**	**(242.6)**	**929.5**	**1,088.2**

All revenue is generated solely in the UK.

Cost of sales within the insurance segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b).

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3 Segmental information (continued)

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

	2017 £'m	2016 £'m
Goodwill (note 13)	**1,485.0**	1,485.0
Bank loans (note 26)	**(475.2)**	(547.7)
Deferred tax – non–pension scheme related	**(6.7)**	(7.8)
	1,003.1	929.5

a. Analysis of insurance revenue

	2017 £'m	2016 £'m
Gross earned premiums on insurance underwritten by the Group	**292.4**	322.6
Less: ceded to reinsurers	**(123.1)**	(6.9)
Net earned premiums on insurance underwritten by the Group		
– Motor broking	**54.3**	73.0
– Home broking	**12.2**	12.9
– Other insurance broking	**1.4**	1.4
– Underwriting	**101.4**	228.4
	169.3	315.7
Other income from insurance products	**240.7**	194.4
	410.0	510.1

b. Analysis of insurance cost of sales

	2017 £'m	2016 £'m
Gross claims incurred on insurance underwritten by the Group	**149.4**	219.3
Less: ceded to reinsurers	**(103.8)**	(44.4)
Net claims incurred on insurance underwritten by the Group		
– Motor broking	**3.1**	2.5
– Underwriting	**42.5**	172.4
	45.6	174.9
Other cost of sales	**18.1**	17.3
	63.7	192.2

4 Administrative and selling expenses

	2017 £'m	2016 £'m
Staff costs (note 8)	**109.1**	103.7
Marketing and fulfilment costs	**63.7**	54.9
Lease rentals	**1.4**	1.1
Auditors' remuneration	**1.5**	1.4
Other administrative costs	**48.5**	39.7
Depreciation (note 16)	**8.0**	9.3
Amortisation of intangible assets (note 14)	**17.5**	13.9
Non-trading items	**1.9**	3.3
	251.6	227.3

4 Administrative and selling expenses (continued)

a. Auditors' remuneration

	2017 £'m	2016 £'m
Audit of the parent company and consolidated financial statements	**0.3**	0.3
Audit of subsidiary financial statements	**0.7**	0.7
Audit of prior year subsidiary financial statements	**–**	0.2
Audit-related assurance services	**0.2**	0.2
Total auditors' remuneration	**1.2**	1.4

b. Non-trading items

	2017 £'m	2016 £'m
Share-based payment costs (note 29)	**0.5**	0.3
Flotation and other costs	**0.3**	2.6
Restructuring costs	**1.8**	1.3
Acquisition of subsidiaries (note 12a)	**–**	0.5
Release of contingent consideration liability (note 12a)	**–**	(7.1)
Supplier insolvency	**–**	4.7
Impairment of property	**–**	3.8
Insurance claims	**(0.7)**	(3.1)
Other non-trading items	**–**	0.3
	1.9	3.3

Flotation and other costs comprise the cost of awards made at the time of the IPO and which vest over a period of time post-award.

Restructuring costs represent costs associated with restructuring and reorganising 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.

During the prior year, a significant supplier of legal services to our customers and our partner in the Saga Law Limited joint venture became insolvent and went into administration; this represents all costs incurred as a consequence and includes legal fees to put in place new arrangements, the cost of re-doing work by a replacement law firm, and lost profits from the joint venture.

Impairment of property in the prior year represents the write-down of the carrying value of the Group's hotel in St Lucia following the decision to dispose of this asset (note 16) and includes the costs of disposal.

During the current and prior years, the Group received amounts under insurance policies towards the cost of cancelled or curtailed cruises; the costs of these operational issues were treated as non-trading items in prior periods.

5 Investment income

	2017 £'m	2016 £'m
Investment income from insurance underwriting	**7.2**	14.6
Elimination of intra-group property rental income	**(3.7)**	(4.1)
Interest income from other segments	**1.5**	0.5
	5.0	11.0

6 Finance costs

	2017 £'m	2016 £'m
Interest and charges on debt and borrowings	**17.6**	21.8
Net fair value loss on derivative financial instruments	**–**	1.2
Unwinding of discount rates	**–**	0.9
Dividends paid by subsidiaries to non-controlling interests	**0.3**	–
Net finance expense on pension schemes	**0.5**	1.1
Net finance charges on finance leases and hire purchase contracts	**0.2**	0.2
	18.6	25.2

7 Finance income

	2017 £'m	2016 £'m
Net fair value gain on derivative financial instruments	**9.9**	–
Unwinding of discount rates	**1.4**	–
	11.3	–

8 Directors and employees

Amounts charged to the income statement for the year are as follows:

	2017 £'m	2016 £'m
Continuing operations		
Wages and salaries	**109.4**	106.9
Social security costs	**11.0**	9.2
Pension costs (note 23)	**10.8**	9.8
	131.2	125.9
Discontinued operations		
Wages and salaries	**–**	164.2
Social security costs	**–**	9.6
Pension costs (note 23)	**–**	0.4
	–	174.2
Total staff costs	**131.2**	300.1

Staff costs in respect of continuing operations have been allocated £22.1m (2016: £22.2m) to cost of sales and £109.1m (2016: £103.7m) to administrative and selling expenses.

Average monthly number of employees

	2017	2016
Insurance	**2,362**	2,237
Travel	**2,092**	2,175
Emerging Businesses and Central Costs	**815**	735
Continuing operations	**5,269**	5,147
Employees attributable to discontinued operations	**–**	14,465
Total staff numbers	**5,269**	19,612

The number of employees in the travel segment includes 848 (2016: 868) crew who are employed indirectly via a manning agency.

8 Directors and employees (continued)

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained on pages 67-89 in the Directors' Remuneration Report.

Compensation of key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors of the Company and the Chief Executive Officers of the major businesses within the trading segments.

The amounts recognised as an expense during the financial year in respect of key management personnel are as follows:

	2017 £'m	2016 £'m
Short-term benefits	**8.6**	6.9
Share-based payments	**1.7**	1.3
Post-employment benefits	**0.1**	0.1
	10.4	8.3

9 Tax

The major components of the income tax expense are:

	2017 £'m	2016 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	**36.2**	32.7
Adjustments in respect of previous years	**(3.6)**	(8.4)
	32.6	24.3
Deferred tax		
Relating to origination and reversal of temporary differences	**3.0**	2.8
Effect of tax rate change on opening balance	**0.4**	1.0
Tax expense in the income statement	**36.0**	28.1

Reconciliation of tax expense to profit before tax multiplied by the UK corporation tax rate:

	2017 £'m	2016 £'m
Profit before tax	**193.3**	176.2
Tax at rate of 20.0% (2016: 20.2%)	**38.7**	35.6
Adjustments in respect of previous years	**(3.6)**	(8.7)
Rate change adjustment on temporary differences	**–**	(0.5)
Effect of tax rate change on opening balance	**0.4**	1.0
Expenses not deductible for tax purposes:		
– Other non-deductible expenses/non-taxed income	**0.5**	0.7
Tax expense in the income statement	**36.0**	28.1

The Group's tax expense for the year was £36.0m (2016: £28.1m) representing a tax effective rate of 18.6% (2016: 15.9%).

The expense for the current year includes benefits of £2.7m and £0.3m from the utilisation under the group relief rules of tax losses from Nestor Primecare Services Limited and Saga Investment Services Limited (see note 34) respectively. The tax losses for Nestor Primecare Services Limited arose when it formed part of the Group in the prior year. Excluding the impact of the Nestor Primecare Services Limited and Saga Investment Services Limited tax losses, the underlying tax effective rate was 20.2%.

The expense for the prior year included a £7.6m benefit from the utilisation under the group relief rules of tax losses from Acromas, which arose when Saga was a part of the Acromas Group. Excluding the impact of the Acromas tax losses, the underlying tax effective rate was 20.3%.

9 Tax (continued)

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2017 £'m	2016 £'m	**2017 £'m**	2016 £'m
Excess of depreciation over capital allowances	**5.2**	5.0	**0.5**	(0.6)
Intangible assets	**(3.5)**	(4.9)	**1.1**	1.0
Retirement benefit scheme liabilities	**2.3**	3.4	**0.2**	(0.2)
Effect of tax rate change	**–**	–	**(0.4)**	(1.0)
Short-term temporary differences	**(9.2)**	1.2	**(4.8)**	(3.0)
Deferred tax charge			**(3.4)**	(3.8)
Net deferred tax (liabilities)/assets	**(5.2)**	4.7		

Reflected in the statement of financial position as follows:

	2017 £'m	2016 £'m
Deferred tax assets	**16.3**	22.1
Deferred tax liabilities	**(21.5)**	(17.4)
Net deferred tax (liabilities)/assets	**(5.2)**	4.7

Reconciliation of net deferred tax assets/(liabilities)

	2017 £'m	2016 £'m
At 1 February	**4.7**	17.4
Tax credit recognised in the income statement	**(3.4)**	(3.8)
Tax credit recognised in other comprehensive income	**(6.5)**	(7.4)
Deferred taxes acquired in business combinations	**–**	(2.7)
Deferred tax charge attributable to discontinued operations	**–**	1.2
At 31 January	**(5.2)**	4.7

Reductions were enacted in the Finance Act 2015 to reduce the rate from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. A further reduction to 17% from 1 April 2020 was announced on 16 March 2016 and has been enacted at the balance sheet date. As a result, the closing deferred tax balances have been reflected at 17%.

The Group has tax losses which arose in the UK of £4.2m (2016: £4.2m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by £0.7m (2016: £0.8m).

10 Dividends

Declared during the year:	2017 £'m	2016 £'m
Final dividend for the year ended 31 January 2016: 5.0 pence per share (2015: 4.1 pence per share)	**55.9**	45.8
Interim dividend for the year ended 31 January 2017: 2.7 pence per share (2016: 2.2 pence per share)	**30.2**	24.6
	86.1	70.4
Proposed after the end of the reporting period and not recognised as a liability:		
Final dividend for the year ended 31 January 2017: 5.8 pence per share (2016: 5.0 pence per share)	**64.8**	55.9

The proposed dividend for the year ended 31 January 2017 is subject to approval by shareholders at the Annual General Meeting on 22 June 2017 and would be paid on 30 June 2017.

11 Earnings per share

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

There have been no 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:

	2017 £'m	2016 £'m
Profit attributable to ordinary equity holders	**157.3**	140.9
Profit from continuing operations	**157.3**	148.1

Weighted average number of ordinary shares	'm	'm
Original shares	**800.0**	800.0
297.3 million shares issued on 29 May 2014	**297.3**	297.3
Free shares issued on 5 June 2015	**7.0**	7.3
IPO share options exercised	**9.7**	6.5
Weighted average number for basic EPS	**1,114.0**	1,111.1
Dilutive options		
IPO share options not yet exercised	**3.5**	6.6
Other share options not yet vested	**0.1**	2.4
LTIP share options not yet vested	**4.4**	–
Deferred Bonus Plan	**0.3**	0.2
Weighted average number for diluted EPS	**1,122.3**	1,120.3
Basic EPS	**14.1p**	12.7p
Basic EPS for continuing operations	**14.1p**	13.3p
Diluted EPS	**14.0p**	12.6p
Diluted EPS for continuing operations	**14.0p**	13.2p

12 Business combinations and acquisition of non-controlling interests

a. Acquisitions during the year ended 31 January 2017

There were no acquisitions in the year ended 31 January 2017.

b. Acquisitions in prior periods

i) Destinology Limited

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. Accordingly, the subsequent purchase was considered to be a linked transaction and Destinology was consolidated as a 100% subsidiary.

ii) Bennetts Biking Services Limited

On 1 July 2015, the Group acquired a 100% shareholding in Bennetts Biking Services Limited ('Bennetts'), the UK's premier motorbike insurance specialist.

The acquisition cost of £26.3m was settled in cash. Transaction costs of £0.5m were expensed and included as part of the non-trading items within administrative and selling expenses. Cash of £0.4m was acquired with Bennetts, resulting in a net cash outflow of £25.9m.

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 (gross and expected to be received)	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 (note 13)	13.6
Purchase consideration transferred	26.3

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

From the date of acquisition, Bennetts contributed £10.5m of revenue and £0.4m to the Group profit before tax for the year ended 31 January 2016. Had these acquisitions occurred at the beginning of the financial year, contribution to Group revenue and profit before tax for the full year would have been £19.3m and £1.5m respectively.

13 Goodwill

Goodwill has been allocated to CGUs on initial recognition and for subsequent impairment testing, and is allocated to the insurance and travel segments.

	Goodwill £'m
Cost	
At 1 February 2015	1,471.4
Acquisition of a subsidiary (note 12b)	13.6
At 31 January 2016 and 31 January 2017	1,485.0
Impairment	
At 31 January 2016 and 31 January 2017	–
Net book value	
At 31 January 2017	1,485.0
At 31 January 2016	1,485.0

Goodwill deductible for tax purposes amounts to £nil (2016: £nil).

14 Intangible fixed assets

	Contracts £'m	Brands £'m	Customer relationships £'m	Software £'m	Total £'m
Cost					
At 1 February 2015	–	14.1	7.4	61.3	82.8
Additions	–	–	–	16.5	16.5
Acquisition of a subsidiary (note 12b)	5.8	3.8	3.9	1.6	15.1
Disposals	–	–	–	(5.4)	(5.4)
At 31 January 2016	5.8	17.9	11.3	74.0	109.0
Additions	–	–	–	19.6	19.6
Disposals	–	–	–	–	–
At 31 January 2017	**5.8**	**17.9**	**11.3**	**93.6**	**128.6**
Amortisation and impairment					
At 1 February 2015	–	1.3	1.4	45.3	48.0
Amortisation	0.8	1.6	3.9	7.8	14.1
Disposals	–	–	–	(5.4)	(5.4)
At 31 January 2016	0.8	2.9	5.3	47.7	56.7
Amortisation	1.3	1.8	3.4	11.6	18.1
Disposals	–	–	–	–	–
At 31 January 2017	**2.1**	**4.7**	**8.7**	**59.3**	**74.8**
Net book value					
At 31 January 2017	**3.7**	**13.2**	**2.6**	**34.3**	**53.8**
At 31 January 2016	5.0	15.0	6.0	26.3	52.3

Contracts, brands and customer relationships assets acquired through business combinations have been reviewed for indicators of impairment (see note 15b).

The amortisation charge for the year is analysed as follows:

	2017 £'m	2016 £'m
Cost of sales	**0.6**	0.2
Administrative and selling expenses (note 4)	**17.5**	13.9
	18.1	14.1

15 Impairment of intangible assets

a. Goodwill

Goodwill acquired through business combinations has been allocated to CGUs on initial recognition. Additions to goodwill during the prior year relating to Bennetts have been allocated to a new CGU relating to the new subsidiary only. The carrying value of goodwill by CGU is as follows:

	2017 £'m	2016 £'m
Insurance, excluding Bennetts	**1,398.6**	1,398.6
Insurance, Bennetts	**13.6**	13.6
Travel, excluding Destinology	**59.8**	59.8
Travel, Destinology	**13.0**	13.0
	1,485.0	1,485.0

The Group has tested all goodwill for impairment at 31 January 2017. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value. The goodwill associated with the Bennetts and Destinology businesses have been considered separately, however as these businesses become more integrated into the overall insurance and travel businesses respectively, it is likely to be necessary to consider them as part of the insurance and travel CGUs.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five year plan to 2021/22. Terminal values have been included using 3% as the expected long-term average growth rate of the UK economy, and calculated using the Gordon growth model.

The pre-tax cash flows of each CGU have been discounted considering the weighted average cost of capital of a market participant capable of acquiring a similar business. For the insurance and Bennetts CGUs, the pre-tax discount rate has been assessed to be 7.6%, and for the travel and Destinology CGUs, it has been assessed to be 10.0%.

The value-in-use calculation is most sensitive to the assumptions used for growth and for the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to determine whether any reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount.

To undertake the stress testing, terminal values were separately recalculated using 1.5% growth and nil growth, nil market inflation and the relevant discount rate was separately increased by 3%. No evidence of any impairment was seen under any of these stress test scenarios. Consequently, no impairment of goodwill has been recognised.

b. Other intangible assets

Separately identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment.

The Group has assessed the recoverable amount of intangible assets as at 31 January 2017 and concluded that no impairment is required.

16 Property, plant and equipment

	Freehold land & buildings £'m	Long leasehold land & buildings £'m	Cruise ships £'m	Assets in the course of construction £'m	Plant & equipment £'m	Total £'m
Cost or valuation						
At 1 February 2015	58.2	7.6	85.5	–	47.8	199.1
Additions	–	1.0	6.4	13.1	10.3	30.8
Disposals	–	–	–	–	(4.0)	(4.0)
At 31 January 2016	58.2	8.6	91.9	13.1	54.1	225.9
Additions	–	–	4.8	2.0	5.8	12.6
Disposals	(5.7)	–	–	–	(1.3)	(7.0)
At 31 January 2017	**52.5**	**8.6**	**96.7**	**15.1**	**58.6**	**231.5**
Depreciation and impairment						
At 1 February 2015	8.7	1.5	25.5	–	30.2	65.9
Provided during the year	0.9	0.2	8.5	–	10.4	20.0
Impairment (note 4)	3.4	–	–	–	–	3.4
Disposals	–	–	–	–	(4.0)	(4.0)
At 31 January 2016	13.0	1.7	34.0	–	36.6	85.3
Provided during the year	0.9	0.4	11.6	–	8.7	21.6
Disposals	(5.7)	–	–	–	(1.2)	(6.9)
At 31 January 2017	**8.2**	**2.1**	**45.6**	**–**	**44.1**	**100.0**
Net book value						
At 31 January 2017	**44.3**	**6.5**	**51.1**	**15.1**	**14.5**	**131.5**
At 31 January 2016	45.2	6.9	57.9	13.1	17.5	140.6

The net book value of plant and equipment includes £2.9m (2016: £2.2m) in respect of plant and machinery held under finance lease agreements. The accumulated depreciation on these assets is £1.3m (2016: £0.5m).

The depreciation charge for the year is analysed as follows:

	2017 £'m	2016 £'m
Cost of sales	**13.6**	10.7
Administrative and selling expenses (note 4)	**8.0**	9.3
	21.6	20.0

During the year the Group disposed of assets with a net book value of £0.1m (2016: £nil). Profit arising on disposal was £0.1m (2016: £nil).

17 Financial assets and financial liabilities

a. Financial assets

	2017 £'m	2016 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**3.7**	3.3
Fuel oil swaps	**1.3**	–
Loan funds	**6.5**	19.3
Hedge funds	**22.7**	26.7
	34.2	49.3
Fair value through the hedging reserve		
Foreign exchange forward contracts	**47.3**	16.7
Fuel oil swaps	**1.2**	–
	48.5	16.7
Loans and receivables		
Deposits with financial institutions	**309.5**	413.6
	309.5	413.6
Available for sale investments		
Debt securities	**79.5**	85.2
Money market funds	**122.1**	75.9
Unlisted equity shares	**1.3**	0.2
Loan notes	**5.2**	3.8
	208.1	165.1
Total financial assets	**600.3**	644.7
Current	**310.5**	288.8
Non-current	**289.8**	355.9
	600.3	644.7

Debt securities, money market funds and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to contractual restrictions and are not readily available to be used for other purposes within the Group.

17 Financial assets and financial liabilities (continued)

b. Financial liabilities

	2017 £'m	2016 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**1.0**	5.5
Fuel oil swaps	**0.3**	4.1
	1.3	9.6
Fair value through hedging reserve		
Foreign exchange forward contracts	**1.0**	1.2
Fuel oil swaps	**–**	1.9
	1.0	3.1
Loans and borrowings		
Bank loans (note 26)	**475.2**	547.7
Obligations under finance leases and hire purchase	**2.9**	2.2
Bank overdrafts	**9.4**	17.9
	487.5	567.8
Total financial liabilities	**489.8**	580.5
Current	**12.5**	27.8
Non-current	**477.3**	552.7
	489.8	580.5

c. Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include foreign currency exchange rates and future oil prices.

The objective of using valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date which would have been determined by market participants acting at arm's length.

Observable prices are those that have been seen either from counterparties or from market pricing sources including Bloomberg. The use of these depends upon the liquidity of the relevant market.

The fair value and carrying value of financial assets and financial liabilities are materially the same. Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i) Level 1

These are valuation techniques that are based entirely on quoted market prices in an actively traded market and are the most reliable. All money market funds and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted market price.

ii) Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying instrument.

17 Financial assets and financial liabilities (continued)

c. Fair values (continued)

ii) Level 2 (continued)

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, CVA/DVA risk adjustment is factored into the fair values of these instruments. As at 31 January 2017, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

The fair values are periodically reviewed by the Group's treasury committees.

iii) Level 3

These are valuation techniques for which any one or more significant inputs are not based on observable market data.

The following tables provide the quantitative fair value hierarchy of the Group's financial assets and financial liabilities:

	As at 31 January 2017				As at 31 January 2016			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Financial assets measured at fair value								
Foreign exchange forwards	–	51.0	–	**51.0**	–	20.0	–	20.0
Fuel oil swaps	–	2.5	–	**2.5**	–	–	–	–
Loan funds	–	6.5	–	**6.5**	–	19.3	–	19.3
Hedge funds	–	22.7	–	**22.7**	–	26.7	–	26.7
Debt securities	79.5	–	–	**79.5**	85.2	–	–	85.2
Money market funds	–	122.1	–	**122.1**	–	75.9	–	75.9
Unlisted equity shares	–	–	1.3	**1.3**	–	–	0.2	0.2
Loan notes	–	–	5.2	**5.2**	–	–	3.8	3.8
Financial liabilities measured at fair value								
Foreign exchange forwards	–	2.0	–	**2.0**	–	6.7	–	6.7
Fuel oil swaps	–	0.3	–	**0.3**	–	6.0	–	6.0
Assets for which fair values are disclosed								
Deposits with institutions	–	309.5	–	**309.5**	–	413.6	–	413.6
Liabilities for which fair values are disclosed								
Bank loans	–	475.2	–	**475.2**	–	547.7	–	547.7
Finance leases and hire purchase obligations	–	2.9	–	**2.9**	–	2.2	–	2.2
Bank overdrafts	–	9.4	–	**9.4**	–	17.9	–	17.9

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2016: none).

The unlisted equity shares represent the Group's investment in 'K' ordinary shares of Lyons Davidson LLP and have been valued considering the cost of the initial investment and the post-investment trading profits.

The loan notes represent two notes with a face value of £3.5m each which attract uncompounded interest at a rate of 5% and mature on 30 May 2018 and 30 May 2019. These notes are not actively traded in any market and have been valued by determining a market-participant discount rate including a credit valuation adjustment to allow for counterparty default risk, and discounting them to present value.

17 Financial assets and financial liabilities (continued)

d. Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2017, the Group designated 322 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

	Designated in the year		**At 31 Jan 2017**		At 31 Jan 2016	
Foreign currency cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Euro (EUR)	100	2.3	**119**	**38.8**	90	11.9
US Dollar (USD)	78	3.1	**96**	**5.2**	93	4.4
Other currencies	144	1.1	**189**	**2.3**	173	(0.8)
Total	322	6.5	**404**	**46.3**	356	15.5

Hedging instruments for other currencies are in respect of Australian dollars, Canadian dollars, Swiss francs, Japanese yen, New Zealand dollars, Norwegian krone, Swedish krona, Thai baht and South African rand.

ii) Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) in the management of its fuel price exposures. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and are designated as cash flow hedges. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

	Designated in the year		**At 31 Jan 2017**		At 31 Jan 2016	
Commodity cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Hedging instruments	77	0.5	**103**	**1.2**	44	(1.9)

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2017. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £'m	USD £'m	Other currencies £'m	Currency hedges £'m	Fuel hedges £'m	Total £'m
1 February 17 to 31 July 17	54.5	27.8	9.0	91.3	2.0	93.3
1 August 17 to 31 January 18	49.7	22.2	9.1	81.0	2.0	83.0
1 February 18 to 31 July 18	30.9	11.4	6.2	48.5	1.5	50.0
1 August 18 to 31 January 19	9.2	1.9	2.2	13.3	1.6	14.9
1 February 19 to 31 July 19	244.0	–	–	244.0	0.8	244.8
1 August 19 to 31 January 20	–	–	–	–	1.0	1.0
Total	388.3	63.3	26.5	478.1	8.9	487.0

The foreign currency hedge which will be determined in July 2019 of £244.0m relates to the delivery of the ship (note 30).

During the year, the Group recognised net gains of £11.1m (2016: £6.3m gains) on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net gains of £34.2m (2016: £10.3m gains) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of a new ship (note 30). The overall net gains of £45.3m are offset by a net £1.9m loss on forecast transactions recognised in the financial statements. The Group recognised a £0.8 loss (2016: £0.3m loss) though the income statement in respect of the ineffective portion of hedges measured during the year.

There has been no de-designation of hedges during the year ended 31 January 2017 as a result of cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. During the year, the Group recognised a £11.4m gain through the income statement in respect of matured hedges, which has been recycled from other comprehensive income. No amounts have been removed from the hedging reserve to be included in the carrying value of non-financial assets and liabilities.

18 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include debt securities, deposits with financial institutions, money market funds, loan funds and hedge funds. The Group also enters into derivative transactions such as foreign exchange forward contracts, fuel and gas oil swaps and interest rate swaps to manage its exposures to various risks.

The Group is exposed to market risk, credit risk, liquidity risk and insurance risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function and treasury committees within the key areas of the Group that advise on financial risks and the appropriate financial risk governance framework for the Group. The treasury committees ensure that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group's Treasury function. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group manages concentration risk through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit to third party institutions based on the credit ratings of the individual counterparties, combined with the views of the Board. On a monthly basis, exposure to each counterparty is calculated and reported, and compliance with the policy is monitored.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to the following market risk factors:

- foreign currency risk;
- commodity price risk; and
- interest rate risk.

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits the Group is willing to accept considering strategy, risk appetite and capital resources.

The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts, some of which are formally designated as hedging instruments, are entered into for periods consistent with the foreign currency exposure of the underlying transactions, generally from one to 24 months. The foreign exchange forward contracts vary with the level of expected foreign currency sales and purchases.

18 Financial risk management objectives and policies (continued)

a. Market risk (continued)

i) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the fair value of forward exchange contracts to a 5% change in US dollar and Euro exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The impact is shown net of tax at the current rate.

	Sensitivity of +/- 5% rate change in	Effect on profit after tax and equity
2017	**EUR – Trading**	**+/- £4.9m**
	EUR – New ship	**+/- £14.4m**
	USD	**+/- £3.2m**
2016	EUR – Trading	+/- £5.3m
	EUR – New ship	+/- £12.3m
	USD	+/- £3.6m

ii) Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of fuel and gas oil to sail its cruise ships and therefore require a continuous supply of fuel and gas oil. The volatility in the price of fuel and gas oil has led to the decision to enter into commodity fuel and gas oil swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and gas oil. Managing the price volatility of forecast oil purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The Group manages the purchase price using forward commodity purchase contracts based on a 24 month forecast of the required fuel oil supply.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the US dollar exchange rate with all other variables held constant. The impact is shown net of tax at the current rate.

	Sensitivity of +/- 5% rate change in	Effect on profit after tax and equity
2017	**USD – Fuel oil price**	**+/- £0.8m**
2016	USD – Fuel oil price	+/- £0.8m

iii) Interest rate risk

Interest rate risk arises primarily from medium and long-term investments in fixed interest securities. The market value of these investments is affected by the movement in interest rates. This is managed by a policy of holding all investments to maturity by closely matching asset and liability duration.

It is also ensured that the investment portfolio has a diversified range of investments such that there is a combination of fixed and floating rate securities, as well as other types of investments such as RPI linked securities and property.

Interest rate risk also arises in respect of the Group's borrowings where the interest rate attaching to those borrowings is not fixed. Where the Group perceives there to be a significant interest rate risk, it manages its exposure to such risks by purchasing interest rate caps to limit the risk.

18 Financial risk management objectives and policies (continued)

a. Market risk (continued)

The following table shows the sensitivity of financial assets and liabilities to changes in the LIBOR rate. The impact is shown net of tax at the current rate.

	Sensitivity of +/- 0.25% rate change in	Effect on profit after tax and equity
2017	**LIBOR**	**+/- £0.8m**
2016	LIBOR	+/- £0.6m

b. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel oil and foreign currency contracts, and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty in accordance with approved treasury policies.

The credit risk in respect of trade and other receivables is limited as payment from customers is generally required before services are provided.

Credit risk in relation to deposits and derivative counterparties is managed by the Group's Treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on a regular basis, and updated throughout the year subject to approval of the Group Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through any potential counterparty failure.

The Group is exposed to the risk of default on the reinsurance arrangements in its insurance business when amounts recoverable under those arrangements become due. Credit risk in respect of reinsurance arrangements is assessed at the time of entering into a reinsurance contract. The Group's reinsurance programme is only placed with reinsurers which meet the Group's financial strength criteria.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2017 and 31 January 2016 is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

The Group's financial assets are analysed by Moody's rating as follows:

Ratings analysis

31 January 2017 £'m	AAA	AA	A	< A	Unrated	Total
Debt securities	79.5	–	–	–	–	79.5
Money market funds	122.1	–	–	–	–	122.1
Deposits with financial institutions	30.0	90.9	188.6	–	–	309.5
Derivative assets	–	50.0	3.5	–	–	53.5
Loan notes	–	–	–	–	5.2	5.2
Loan funds	–	–	–	–	6.5	6.5
Hedge funds	–	–	–	–	22.7	22.7
Unlisted equity shares	–	–	–	–	1.3	1.3
	231.6	140.9	192.1	–	35.7	600.3
Reinsurance assets	–	57.5	46.7	–	1.0	105.2
Total	**231.6**	**198.4**	**238.8**	**–**	**36.7**	**705.5**

18 Financial risk management objectives and policies (continued)
b. Credit risk (continued)
Ratings analysis (continued)

31 January 2016 £'m	AAA	AA	A	< A	Unrated	Total
Debt securities	85.2	–	–	–	–	85.2
Money market funds	75.9	–	–	–	–	75.9
Deposits with financial institutions	30.0	140.3	243.3	–	–	413.6
Derivative assets	–	10.1	9.9	–	–	20.0
Loan notes	–	–	–	–	3.8	3.8
Loan funds	–	–	–	–	19.3	19.3
Hedge funds	–	–	–	–	26.7	26.7
Unlisted equity shares	–	–	–	–	0.2	0.2
	191.1	150.4	253.2	–	50.0	644.7
Reinsurance assets	–	57.9	47.3	–	1.2	106.4
Total	191.1	208.3	300.5	–	51.2	751.1

c. Liquidity risk
Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash or availability on its revolving credit facility. The Group manages its obligations to pay claims to policyholders as they fall due by matching the maturity of investments to the expected maturity of claims payments.

The table below analyses the maturity of the Group's financial liabilities on contractual undiscounted payments. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date. The analysis of claims outstanding is based on the expected dates on which the claims will be settled.

31 January 2017 £'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	9.4	–	–	480.0	–	489.4
Interest on loans and borrowings	0.1	13.3	13.1	3.2	–	29.7
Insurance contract liabilities	–	193.0	129.1	182.7	120.1	624.9
Other liabilities	138.9	–	–	–	–	138.9
Trade and other payables	182.5	–	–	–	–	182.5
Derivative liabilities	–	2.1	0.2	–	–	2.3
	330.9	**208.4**	**142.4**	**665.9**	**120.1**	**1,467.7**

31 January 2016 £'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	17.9	–	–	555.0	–	572.9
Interest on loans and borrowings	0.6	16.9	17.0	21.0	–	55.5
Insurance contract liabilities	–	212.3	161.7	221.0	139.0	734.0
Other liabilities	129.7	–	–	–	–	129.7
Trade and other payables	191.6	–	–	–	–	191.6
Derivative liabilities	–	9.3	3.4	–	–	12.7
	339.8	238.5	182.1	797.0	139.0	1,696.4

18 Financial risk management objectives and policies (continued)

d. Insurance risk

Insurance risk arises from the inherent uncertainties as to the occurrence, cost and timing of insured events that could lead to significant individual or aggregated claims in terms of quantity or value. This could be for a number of reasons, including weather-related events, large individual claims, changes in claimant behaviour patterns such as increased levels of fraudulent activities, the use of PPOs, prospective or retrospective legislative changes, unresponsive and inaccurate pricing or reserving methodologies and the deterioration in the Group's ability to effectively and efficiently handle claims while delivering excellent customer service.

The Group manages insurance risk within its risk management framework as set out by the Board. The key policies and processes of mitigating these risks have been implemented which include underwriting partnership arrangements, reinsurance and excess of loss contracts, pricing policies and claims management, and administration policies.

i) Underwriting and pricing risk

The Group primarily underwrites motor insurance for private cars in the UK. The book consists of a large number of individual risks which are widely spread geographically which helps to minimise concentration risk. The Group has controls in place to restrict access to its products to only those risks it wishes to underwrite.

The Group has management information to allow it to monitor underwriting performance on a continuous basis and the ability to make pricing and underwriting changes quickly. The Group undertakes detailed statistical analyses of underwriting experience for each rating factor and combinations of rating factors to enable it to adjust pricing for emerging trends.

ii) Reserving risk

Reserving risk is the risk that insufficient funds have been set aside to settle claims as they fall due. The Group undertakes regular internal actuarial reviews and commissions external actuarial reviews at least once a year. These reviews estimate the future liabilities in order to consider the adequacy of the provisions.

Claims which are subject to PPOs are a significant source of uncertainty in the claims reserves. Cash flow projections are undertaken for PPO claims to estimate the gross and net of reinsurance provisions required. PPO provisions are discounted to reflect future investment returns and cost inflation.

iii) Reinsurance

The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophe event. During 2016, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 75% of the Group's motor claim risks, effective from 1 February 2016. Prior to this, the Group had quota share reinsurance in place for third party branded motor business for drivers aged under 50. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has written motor business.

Reinsurance recoveries on individual excess of loss protections can take many years to collect, particularly if a claim is subject to a PPO. This means that the Group has exposure to reinsurance credit risk for many years. Reinsurers are therefore required to have strong credit ratings and their financial health is regularly monitored.

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a 1 percentage point variation in the recorded loss ratio at 31 January 2017 and 31 January 2016. The impact of a 1% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate.

	2017	2016
Impact of 1 percentage point change in loss ratio	**+/- £1.4m**	+/- £2.5m
Impact of 1% change in claims outstanding	**+/- £2.9m**	+/- £4.6m
Impact of a 0.25 percentage point change in discount rate for PPOs	**+/- £2.7m**	+/- £5.7m

18 Financial risk management objectives and policies (continued)

e. Operational risk

Effective operational risk management requires the Group to identify, assess, manage, monitor, report and mitigate all areas of exposure. The Group operates across a range of segments and operational risk is inherent in all of the Group's products and services, arising from the operation of assets, from external events and dependencies, and from internal processes and systems.

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which together ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes.

All of the Group's operations are dependent on the proper functioning of its IT and communication systems; on its properties and other infrastructure assets; on the need to adequately maintain and protect customer and employee data and other information; and on the ability of the Group to attract and retain staff. Specific areas of operational risk by segment include:

i) Insurance

The Insurance segment is required to comply with various operational regulatory requirements primarily in the UK but also within Gibraltar for its underwriting business. To the extent that significant external events could increase the incidence of claims, these would place additional strain on the claims handling function but any financial impact of such an event is considered to be an insurance risk.

ii) Travel

The travel segment operates two cruise ships which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly or its suppliers.

iii) Emerging Businesses and Central Costs

The financial services product business is required to comply with various operational regulatory requirements in the UK.

The healthcare business provides a range of domiciliary services. Risk to the operation of this service arises mainly from the availability of appropriately skilled staff to deliver the level and standard of care required, and from the oversight of the delivery of these services.

19 Interests in unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. The Group has interests in unconsolidated structured entities in the form of investment funds comprising:

- hedge funds;
- bank loan funds; and
- money market funds.

The nature and purpose of the hedge and bank loan funds is to diversify the investment portfolio and enhance the overall yield, whilst maintaining an acceptable level of risk for the portfolio as a whole.

The primary activity of the hedge funds is to invest in a wide range of securities and markets, and the funds may take a variety of positions in these markets. Bank loan funds invest in secured loans to companies rated below investment grade.

The nature and purpose of the money market funds is to provide maximum security and liquidity for the funds invested whilst also providing an adequate return. The money market funds used by the Group are all members of the Institutional Money Market Funds Association. They are thus required to maintain specified liquidity and diversification characteristics of their underlying portfolios which comprise investment grade investments in financial institutions.

19 Interests in unconsolidated structured entities (continued)

The Group invests in unconsolidated structured entities as part of its investment activities. The Group does not sponsor any of the unconsolidated structured entities.

At 31 January 2017, the Group's total interest in unconsolidated structured entities was £151.3m analysed as follows:

	Carrying value £m	Interest income £m	Fair value gains £m
Loan funds	**6.5**	**0.3**	**0.3**
Hedge funds	**22.7**	**–**	**0.8**
Money market funds	**122.1**	**0.4**	**–**

These investments are typically managed under credit risk management as described in note 18. The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments. No further loss can be made by the Group in relation to these investments. For this reason, the total assets of the entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented.

20 Trade and other receivables

	2017 £'m	2016 £'m
Trade receivables	**142.2**	133.6
Other receivables	**15.1**	12.0
Prepayments	**20.1**	21.3
Deferred acquisition costs	**17.8**	16.6
Other taxes and social security costs	**3.5**	4.5
	198.7	188.0

The ageing of trade receivables is as follows:

			Past due				
	Total £'m	Neither past due nor impaired £'m	< 30 days £'m	30-60 days £'m	61-90 days £'m	91-120 days £'m	> 120 days £'m
2017	**142.2**	**128.6**	**4.1**	**2.2**	**1.3**	**1.2**	**4.8**
2016	133.6	118.5	7.2	1.5	1.4	0.7	4.3

20 Trade and other receivables (continued)

As at 31 January 2017, impairment provisions totalling £9.2m (2016: £8.5m) were made against trade receivables with an initial value of £151.4m (2016: £142.1m). The movements in the provision for impairment of receivables are as follows:

	Individually impaired £'m	Collectively impaired £'m	Total £'m
At 1 February 2015	0.3	8.7	9.0
Charge for the year	0.2	7.5	7.7
Utilised in the year	(0.1)	(3.5)	(3.6)
Unused amounts reversed	(0.1)	(4.5)	(4.6)
At 31 January 2016	0.3	8.2	8.5
Charge for the year	1.4	8.1	9.5
Utilised in the year	(1.3)	(7.4)	(8.7)
Unused amounts reversed	–	(0.1)	(0.1)
At 31 January 2017	**0.4**	**8.8**	**9.2**

See note 18 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

21 Cash and cash equivalents

	2017 £'m	2016 £'m
Cash at bank and in hand	**55.5**	36.9
Short-term deposits	**53.2**	69.6
Cash and short-term deposits	**108.7**	106.5
Money markets funds	**122.1**	75.9
Bank overdraft	**(9.3)**	(18.0)
Cash and cash equivalents in the cash flow statement	**221.5**	164.4

Included within cash and cash equivalents are amounts held by the Group's travel and insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £206.4m (2016: £156.6m).

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

22 Trade and other payables

	2017 £'m	2016 £'m
Trade and other payables	**123.6**	123.2
Other taxes and social security costs	**12.1**	12.2
Assets in the course of construction	**2.8**	13.1
Accruals	**44.0**	43.1
	182.5	191.6

All trade and other payables are current in nature.

23 Retirement benefit schemes

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

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the defined contribution schemes was £0.8m (2016: £1.3m).

The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b. Defined benefit plans

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

The scheme is governed by the employment laws of the UK. The level of benefits provided depends on the member's length of service and salary at retirement age. The scheme requires contributions to be made to a separately administered fund which is governed by a Board of Trustees, and consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match to the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided a super security to the Trustees of the Saga scheme, which ranks before any liabilities under the Senior Facilities Agreement (as detailed in note 26). The value of the security is capped at £32.5m.

During the prior year, the Group operated two other funded defined benefit schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ('Nestor schemes'), which provide benefits based on final salary and are closed to new members. Both of these schemes were part of the liabilities held for sale and were disposed of when the Group completed the sale of the local authority section of the healthcare business, Allied Healthcare, on 30 November 2015.

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

	2017 £'m	2016 £'m
Fair value of scheme assets	**276.8**	218.6
Present value of defined benefit obligation	**(290.5)**	(237.4)
Defined benefit scheme liability	**(13.7)**	(18.8)

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

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23 Retirement benefit schemes (continued)

b. Defined benefit plans (continued)

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2017:

	Saga scheme			Nestor schemes			Total
	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Defined benefit scheme liability £'m
1 February 2016	218.6	(237.4)	**(18.8)**	–	–	**–**	**(18.8)**
Pension cost charge to income statement							
Service cost	–	(10.0)	**(10.0)**	–	–	**–**	**(10.0)**
Net interest	8.2	(8.7)	**(0.5)**	–	–	**–**	**(0.5)**
Included in income statement	8.2	(18.7)	**(10.5)**	–	–	**–**	**(10.5)**
Benefits paid	(11.2)	11.2	**–**	–	–	**–**	**–**
Return on plan assets (excluding amounts included in net interest expense)	49.7	–	**49.7**	–	–	**–**	**49.7**
Actuarial changes arising from changes in demographic assumptions	–	29.5	**29.5**	–	–	**–**	**29.5**
Actuarial changes arising from changes in financial assumptions	–	(78.8)	**(78.8)**	–	–	**–**	**(78.8)**
Experience adjustments	–	4.2	**4.2**	–	–	**–**	**4.2**
Sub-total included in other comprehensive income	38.5	(33.9)	**4.6**	–	–	**–**	**4.6**
Contributions by employer	11.5	(0.5)	**11.0**	–	–	**–**	**11.0**
31 January 2017	**276.8**	**(290.5)**	**(13.7)**	**–**	**–**	**–**	**(13.7)**

23 Retirement benefit schemes (continued)

b. Defined benefit plans (continued)

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2016:

	Saga scheme			Nestor schemes			Total
	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Defined benefit scheme liability £'m
1 February 2015	212.3	(252.7)	**(40.4)**	–	–	**–**	**(40.4)**
Pension cost charge to income statement							
Service cost	–	(8.8)	**(8.8)**	–	(0.1)	**(0.1)**	**(8.9)**
Net interest	6.7	(7.8)	**(1.1)**	1.3	(1.7)	**(0.4)**	**(1.5)**
Included in income statement	6.7	(16.6)	**(9.9)**	1.3	(1.8)	**(0.5)**	**(10.4)**
Benefits paid	(4.5)	4.5	**–**	(1.6)	1.6	**–**	**–**
Return on plan assets (excluding amounts included in net interest expense)	(7.0)	–	**(7.0)**	(1.9)	–	**(1.9)**	**(8.9)**
Actuarial changes arising from changes in demographic assumptions	–	(0.3)	**(0.3)**	–	1.2	**1.2**	**0.9**
Actuarial changes arising from changes in financial assumptions	–	27.5	**27.5**	–	5.3	**5.3**	**32.8**
Experience adjustments	–	0.3	**0.3**	–	1.5	**1.5**	**1.8**
Sub-total included in other comprehensive income	(11.5)	32.0	**20.5**	(3.5)	9.6	**6.1**	**26.6**
Contributions by employer	11.1	(0.1)	**11.0**	12.4	–	**12.4**	**23.4**
Movement in liabilities held for sale	–	–	**–**	(10.2)	(7.8)	**(18.0)**	**(18.0)**
31 January 2016	**218.6**	**(237.4)**	**(18.8)**	**–**	**–**	**–**	**(18.8)**

The major categories of assets in the Saga scheme are as follows:

	2017 £'m	2016 £'m
Equities	**63.7**	42.0
Bonds	**135.9**	117.1
Property	**25.7**	23.8
Hedge funds	**50.5**	33.7
Cash and other	**1.0**	2.0
Total	**276.8**	218.6

Equities and bonds are all quoted in active markets whilst property and hedge funds are not.

23 Retirement benefit schemes (continued)b. Defined benefit plans (continued)

The principal assumptions used in determining pension benefit obligations for the Saga scheme are shown below:

	2017	2016
Real rate of increase in salaries	**0%**	0%
Real rate of increase of pensions in payment	**0%**	0%
Real rate of increase of pensions in deferment	**0%**	0%
Discount rate – Pensioner	**2.9%**	3.6%
Discount rate – Non Pensioner	**3.0%**	3.8%
Inflation – Pensioner	**3.4%**	3.0%
Inflation – Non Pensioner	**3.4%**	3.2%

Mortality assumptions are set using standard tables based on specific experience where available and allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 60 will live on average for a further 27 years if they are male and on average for a further 29 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2017 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy		Future salary
Sensitivity	+/- 0.25%		+/- 0.25%		+/- 1 year		+/- 0.5%
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Impact £m	(17.2)	18.6	12.6	(11.9)	7.5	(8.0)	+/- 0.0

Note: a positive impact represents an increase in the net defined benefit liability.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected contribution to the Saga scheme for the next year is £11.5m and average duration of the defined benefit plan obligation at the end of the reporting period is 23 years.

Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan.

The latest valuation of the Saga scheme was at 31 January 2014. Further to this valuation, a recovery plan is in place for the scheme.

Under the agreed recovery plan, the Group made an additional payment of £2.0m during the year ended 31 January 2017, and will make further payments of £2.0m in each of the next eight years, with the last payment being made by 28 February 2024. The total expected contributions in the year ending 31 January 2018 are £11.5m, inclusive of the £2.0m additional payment.

24 Insurance contract liabilities and reinsurance assets

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

	2017 £'m	2016 £'m
Gross		
Claims outstanding	**517.0**	561.6
Provision for unearned premiums	**125.3**	141.7
Total gross liabilities	**642.3**	703.3

	2017 £'m	2016 £'m
Recoverable from reinsurers		
Claims outstanding	**93.8**	101.6
Provision for unearned premiums	**3.7**	4.8
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**97.5**	106.4
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**55.5**	–
– Provision for unearned premiums	**66.1**	–
Total reinsurers' share of insurance liabilities after funds withheld quota share	**219.1**	106.4
Analysed as:		
Claims outstanding	**149.3**	101.6
Provision for unearned premiums	**69.8**	4.8
Total reinsurers' share of insurance liabilities after funds withheld quota share	**219.1**	106.4

	2017 £'m	2016 £'m
Net		
Claims outstanding	**423.2**	460.0
Provision for unearned premiums	**121.6**	136.9
Total net insurance liabilities	**544.8**	596.9
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**(55.5)**	–
– Provision for unearned premiums	**(66.1)**	–
Total net insurance liabilities after funds withheld quota share	**423.2**	596.9
Analysed as:		
Claims outstanding	**367.7**	460.0
Provision for unearned premiums	**55.5**	136.9
Total net insurance liabilities after funds withheld quota share	**423.2**	596.9

24 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in claims outstanding	2017 £'m	2016 £'m
Gross claims outstanding at 1 February	**561.6**	552.4
Less: reinsurance claims outstanding	**(101.6)**	(60.2)
Net claims outstanding at 1 February	**460.0**	492.2
Gross claims incurred	**149.4**	219.3
Less: reinsurance recoveries	**(103.8)**	(44.4)
Net claims incurred (note 3b)	**45.6**	174.9
Gross claims paid	**(194.0)**	(210.1)
Less: received from reinsurance	**56.1**	3.0
Net claims paid	**(137.9)**	(207.1)
Gross claims outstanding at 31 January	**517.0**	561.6
Less: reinsurance claims outstanding	**(149.3)**	(101.6)
Net claims outstanding at 31 January	**367.7**	460.0

Reconciliation of movements in the provision for net unearned premiums	2017 £'m	2016 £'m
Gross unearned premiums at 1 February	**141.7**	152.3
Less: unearned reinsurance premiums	**(4.8)**	(3.2)
Net unearned premiums at 1 February	**136.9**	149.1
Gross premiums written	**276.0**	312.0
Less: outward reinsurance premium	**(188.1)**	(8.5)
Net premiums written	**87.9**	303.5
Gross premiums earned	**(292.4)**	(322.6)
Less reinsurance premium earned	**123.1**	6.9
Net premiums earned (note 3a)	**(169.3)**	(315.7)
Gross unearned premiums at 31 January	**125.3**	141.7
Less: unearned reinsurance premiums	**(69.8)**	(4.8)
Net unearned premiums at 31 January	**55.5**	136.9

The loss on purchasing reinsurance in 2017 was £16.5m (2016: £37.5m profit).

On 27 February 2017, the UK Government announced its decision to reduce the Ogden discount rate from 2.5% to -0.75%. The insurance liabilities presented here and on the face of the Group's balance sheet incorporate the effect of this change.

Discounting

Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of -1.5% (2016: -1.5%) representing the Group's view on long-term carer wage inflation less the expected return on holding the invested financial assets associated with these claims.

The value of claims outstanding before discounting was £624.9m (2016: £734.0m) gross of reinsurance and £410.0m (2016: £539.0m) net of reinsurance.

The period between the balance sheet date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 39 years (2016: 42 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2016: 2.0%).

24 Insurance contract liabilities and reinsurance assets (continued)

Analysis of net claims incurred: claims development tables

The following table details the Group's initial estimate of ultimate net claims incurred over the past five years and the re-estimation at subsequent financial period ends. The table details the net incurred claims (net of reinsurance recoveries) on an accident year basis.

	Financial Year ended 31 January										
	2010 £'m	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	Total £'m	Claims paid £'m	Claims outstanding £'m
Accident Year											
2009 and earlier	(5.5)	–	(9.2)	(11.0)	(1.2)	(3.2)	(3.0)	(3.6)			19.2
2010	202.1	–	(4.3)	(4.0)	(5.5)	(3.1)	(2.1)	(5.4)	177.7	(167.4)	10.3
2011		266.0	(2.8)	(5.2)	(4.6)	(13.3)	(7.2)	(7.4)	225.5	(203.1)	22.4
2012			302.3	(25.6)	(31.1)	(0.6)	(17.3)	(11.9)	215.8	(200.1)	15.7
2013				315.4	(14.6)	(22.9)	(19.8)	(14.6)	243.5	(209.2)	34.3
2014					276.8	(14.7)	(23.4)	(11.0)	227.7	(171.2)	56.5
2015						219.1	5.3	(9.2)	215.2	(148.2)	67.0
2016							220.9	3.2	224.1	(130.6)	93.6
2017								94.0	94.0	(55.3)	38.7
	196.6	266.0	286.0	269.6	219.8	161.3	153.4	34.1			357.7
Claims handling costs	9.0	10.1	15.6	17.4	17.2	18.0	21.5	11.5			10.0
	205.6	**276.1**	**301.6**	**287.0**	**237.0**	**179.3**	**174.9**	**45.6**			367.7

The development of the associated loss ratios on the same basis is as follows:

	Financial Year ended 31 January							
	2010	2011	2012	2013	2014	2015	2016	2017
Accident Year								
2010	73%	73%	72%	70%	68%	67%	66%	64%
2011		78%	78%	76%	75%	71%	69%	67%
2012			76%	70%	62%	62%	57%	54%
2013				75%	72%	66%	62%	58%
2014					75%	71%	65%	62%
2015						67%	69%	66%
2016							70%	71%
2017								55%

Favourable claims development over the year has resulted in a £59.9m (2016: £68.0m) reduction in the net claims incurred in respect of prior years. Against this, the insolvency of a significant legal services supplier has required an increase in prior year net claims of £nil (2016: £0.5m) to be created; the cost of this has been included as part of total non-trading items (note 4b).

25 Other liabilities

	2017 £'m	2016 £'m
Advance receipts	**123.4**	113.0
Deferred revenue	**11.5**	12.7
Group relief payable (note 9)	**–**	7.6
	134.9	133.3
Current	**133.8**	133.2
Non-current	**1.1**	0.1
	134.9	133.3

Advance receipts comprises amounts received within the travel segment for holidays and cruises with departure dates after the reporting date, and insurance premiums and sales revenues received in the insurance segment in respect of insurance policies which commence after the reporting date.

Deferred revenue represents the unearned elements of revenue relating to the media business. The amount comprises subscriptions for magazines to be delivered after the reporting date and revenue for advertising to be included after the reporting date.

26 Loans and borrowings

	2017 £'m	2016 £'m
Bank loans	**380.0**	480.0
Revolving credit facility	**100.0**	75.0
Accrued interest payable	**0.1**	0.6
	480.1	555.6
Less: deferred issue costs	**(4.9)**	(7.9)
	475.2	547.7

In April 2014, the Group entered into a Senior Facilities Agreement and drew £1,250.0m. At the end of May 2014, it used the receipt of £550.0m from the Group's flotation to reduce the outstanding principal to £700.0m.

The debt matures in April 2019, and interest is incurred at a variable rate of LIBOR plus 2.25%. The Group is required to comply with a leverage covenant on a quarterly basis and had significant headroom against this covenant at 31 January 2017.

Under the facilities, the Group has access to a multi-currency revolving credit facility of £150.0m. During the year, the Group repaid £100.0m (2016: £220.0m) of its Senior Facilities Agreement, and at 31 January 2017 had drawn £100.0m (2016: £75.0m) of its £150.0m revolving credit facility. The Group incurs commitment fees on undrawn facilities and interest at a rate of LIBOR plus 2.25% on drawn facilities.

During the year, the Group charged £17.6m (2016: £21.8m) to the income statement in respect of fees and interest associated with the Senior Facilities Agreement. In addition, interest charged to the income statement includes £1.0m (2016: £3.4m) relating to interest on finance lease liabilities, net finance expense on pension schemes and other interest costs.

27 Called up share capital

			Ordinary shares
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 31 January 2015	1,110,705,405	0.01	11.1
Free shares allotted – 5 June 2015	7,300,000	0.01	0.1
As at 31 January 2016	1,118,005,405	0.01	11.2
As at 31 January 2017	**1,118,005,405**	**0.01**	**11.2**

On 29 May 2014, Saga plc was admitted to the London Stock Exchange. On the same date, the Group issued 13,408,108 shares into the associated Employee Benefit Trust predominantly in respect of the share options issued to certain Directors and employees on the same date (see note 29).

a. Bonus issue – free shares

As part of the IPO, an offer was made to customers and employees of the Group under which they would receive one free share for every twenty shares purchased in the IPO and held continuously for a period of one year following flotation. On 5 June 2015, 7,300,000 shares were issued in respect of this bonus offer.

b. Employee Benefit Trust

The Employee Benefit Trust purchased 13,408,108 shares at their nominal value of £134,000 during the year ended 31 January 2015. There were no associated transaction costs.

During the year, employees exercised options over 3,154,051 (2016: 5,973,991; 2015: 539,320) of these shares which were transferred from the Employee Benefit Trust into the direct ownership of the employee. The remaining 3,465,048 shares have been treated as treasury shares at 31 January 2017.

28 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital comprises total equity as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

The Group's financial services businesses are regulated primarily by the Financial Services Commission ('FSC') in Gibraltar and by the Financial Conduct Authority ('FCA') in the UK; and the capital requirements of its travel businesses are regulated by the Civil Aviation Authority ('CAA') in the UK. It is the Group's policy to comply with the requirements of these regulators in respect of capital adequacy or other similar tests at all times.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 January 2017 or 31 January 2016, other than those driven from changes to the requirements of the various regulators, notably the European Union's Solvency II Directive for insurance companies.

The Group's regulated underwriting business is based in the Gibraltar and regulated by the FSC. The underwriting business is required to comply with various tests to ensure that it has a sufficient level of capitalisation. Under Solvency I, the FSC required the underwriting business to hold solvency capital of at least twice the required minimum margin ('RMM'). The Group has historically monitored its compliance with this and other tests.

Solvency II incorporated a fundamental change to the capital adequacy regime for the European insurance industry and established a revised set of capital requirements and risk management standards with the aim of increasing protection for policyholders. The new regime became effective on 1 January 2016.

(The amounts set out in the following two paragraphs are unaudited)
The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2016 and received approval from the FSC for the Undertaking of Specific Parameters route prior to the effective date. Under Solvency II AICL remained well capitalised, and at 31 January 2016, available capital was £219.6m against a Solvency Capital Requirement of £128.8m giving 170% coverage. In the year to 31 January 2017, AICL continues to remain well capitalised, and at 31 January 2017, available capital was £146.7m against a Solvency Capital Requirement of £102.9m giving 142.6% coverage.

The Group's regulated insurance distribution businesses are based in the UK and regulated by the FCA. Due to the nature of these businesses, the capital requirements are significantly less than the underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of capital in respect of these businesses. The Minimum Regulatory Capital requirement of these businesses at 31 January 2017 was £6.1m (2016: £6.1m).

The regulated travel businesses are required to comply with two main tests based on liquidity and leverage and are measured against agreed covenants on the last day of each quarter in respect of these tests. The Group monitors its compliance with these tests on a monthly basis including forward-looking compliance using budgets and forecasts. At 31 January 2017 and 31 January 2016, the travel businesses had good coverage against both covenants.

29 Share-based payments

The Group has granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments:

a. Share options and free shares offer granted at the time of the IPO

- On 29 May 2014, share options over 13,132,410 shares were granted to certain Directors and employees with no exercise price and no service or performance vesting conditions. There are no cash settlement alternatives.
- Eligible customers and employees who acquired their shares under the Customer or Employee Offers in the Prospectus received one bonus share for every twenty shares they acquired and held continuously for one year to 29 May 2015. As these are bonus shares, there was no exercise price and no cash settlement alternative.

b. Long-Term Incentive Plan ('LTIP') and Deferred Bonus Plan ('DBP')

- The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. These options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, TSR.
  - On 30 June 2014 and 2 December 2014, options over 4,015,508 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 30 June 2015, options over 2,879,089 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - 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 cessation of employment of S M Howard on 30 June 2015, the options allocated to him became exercisable immediately.
  - On 16 May 2016, options over 3,749,786 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 27 May 2016, options over 334,522 shares were issued under the DBP to the Executive Directors reflecting their deferred bonus in respect of 2015/16, which vest and become exercisable on the third anniversary of the grant date.
  - On 1 October 2016, options over 83,488 shares were issued which vest and become exercisable on the third anniversary of the grant date.

c. Other share options

- On 29 May 2014, share options over 2,162,162 shares were issued to the Chief Executive Officer. Vesting occurs 25% on the third anniversary of the IPO, 25% on the fourth anniversary of the IPO and 50% on the fifth anniversary of the IPO, subject to continuing employment. The award will be equity settled and has no cash alternative. The exercise price of the share options is £1.85.
- 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, subject to continuing employment.
- On 2 December 2015, options over 99,552 shares were issued to the Chief Marketing Officer which vest on the second anniversary of his appointment, subject to continuing employment.

d. Employee free shares

- On 8 July 2015, 398,774 shares were awarded to staff eligible on the anniversary of the IPO at £nil cost. These shares become beneficially owned over a three year period from allocation subject to continuing employment.
- On 29 May 2016, 474,508 shares were awarded to eligible staff on the 2nd 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.

29 Share-based payments (continued)

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	IPO Options	LTIP	DBP	Other options	Employee free shares	Total
At 1 February 2016	6,619,099	5,504,179	256,093	2,363,646	374,210	15,117,227
Granted	–	3,833,274	334,522	–	474,508	4,642,304
Forfeited	–	(371,482)	–	–	(66,711)	(438,193)
Exercised	(3,154,051)	–	–	(50,966)	(20,968)	(3,225,985)
At 31 January 2017	3,465,048	8,965,971	590,615	2,312,680	761,039	16,095,353
Exercise price	£nil	£nil	£nil	£1.73	£nil	£0.25
Exercisable at 31 January 2017	3,465,048	–	–	–	6,231	3,471,279
Average remaining contractual life	7.3 years	1.5 years	1.9 years	1.5 years	1.9 years	2.8 years
Average fair value at grant	£1.85	£2.01	£2.11	£1.86	£2.07	£1.96

The following information is relevant in the determination of the fair value of options granted during the year under the equity- and cash-settled share based remuneration schemes operated by the Group.

	LTIP – EPS tranche	LTIP – TSR tranche	Employee free shares
Model used	Black-Scholes	Monte-Carlo	Black-Scholes
Dividend yield (%)	n/a	n/a	n/a
Risk-free interest rate (%)	0.95%	0.95%	n/a
Expected life of share option	3 years	3 years	3 years
Weighted average share price (£)	£2.09	£2.09	£2.01
Share price volatility	24.4%	24.4%	n/a

As historical data for the Group's share price is not available, the Group has estimated the Company's share price volatility as an average of the volatilities of its TSR comparator group over a historical period commensurate with the expected life of the award immediately prior to the date of the grant.

For future valuations, at a date when sufficient Saga share price data becomes available, the Group intends to estimate the Company volatility directly from this data.

The total amount charged to the income statement in the year ended 31 January 2017 is £4.7m (2016: £2.8m). This has been charged to administrative and selling expenses £4.2m (2016: £2.5m) and non-trading items £0.5m (2016: £0.3m) (note 4b).

The Group did not enter into any share-based payment transactions with parties other than employees during the current period.

30 Commitments and contingencies

a. Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain land and buildings and plant and machinery. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 January are as follows:

	Land and buildings		Plant and machinery	
	2017 £'m	2016 £'m	**2017 £'m**	2016 £'m
Within one year	**1.0**	1.0	**0.7**	0.8
Between one and five years	**2.8**	3.3	**0.8**	1.6
After five years	**4.4**	4.8	**–**	–
	8.2	9.1	**1.5**	2.4

b. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal and no purchase options. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present values of the net minimum lease payments are as follows:

	2017 £'m	2016 £'m
Within one year	**0.9**	0.5
Between one and five years	**2.0**	1.7
Total minimum lease payments	**2.9**	2.2
Less amounts representing finance charge	**(0.3)**	(0.4)
Present value of minimum lease payments	**2.6**	1.8

c. Commitments

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase a new cruise ship for delivery in July 2019, with an option to purchase a second similar cruise ship for delivery in 2021. The new ship will replace one of the Group's existing two ships.

The first stage payment for the new ship was made in February 2016. Three similar stage payments will be made during the construction period (24 months, 18 months, and 12 months prior to delivery) funded via cash resources of the Group. The remaining element of the contract price is due on delivery of the ship, and the Group entered into appropriate financing for this on 21 December 2015.

As at 31 January 2017, the capital amount contracted but not provided for in the financial statements in respect of the ship amounted to £280.1m (2016: £280.1m).

The financing represents a 12 year fixed rate sterling loan, backed by an export credit guarantee. The loan value of approximately £245m will be repaid in 24 broadly equal instalments, with the first payment 6 months after delivery. The effective interest rate on the loan (including arrangement and commitment fees) is 4.29%.

On the date the finance was entered into, the Group purchased Euro currency forwards totalling £273.2m to lock the cost of the ship. These have been designated as cash flow hedges and remain outstanding as at 31 January 2017 (note 17d).

The Group has an option to purchase a second ship for the same price within the contract; the option must be exercised by 21 December 2017. The Group may be released from this option at any time although should the option to purchase not be exercised, a fee would become payable. The likelihood of incurring such a fee is considered remote.

30 Commitments and contingencies (continued)

d. Contingent liabilities

At 31 January 2017, the Group had secured £20.2m (2016: £31.8m) of financial bonds and other guarantees on a revolving credit facility provided to Saga Mid Co Limited. If these bonds were called, the facility would be treated as drawn and recognised as a liability on the Group's balance sheet. The revolving credit facility is secured by a floating charge over the Group's assets.

The Association of British Travel Agents regulates the Group's UK tour operating business and requires the Group to put in place bonds to provide customer protection. These bonds are included within the financial bonds described above.

On 17 February 2017, certain entities in the Group were served with legal proceedings by the broker who acted on behalf of the ship yard for the committed purchase of the new cruise ship (see note 30c). The claimant has brought a claim alleging that these Saga companies are liable to pay commission on the first ship, plus interest and legal costs and separately, commission on the second ship should the option to purchase be exercised. The amount of the claim is up to €7 million, depending on whether the option for the purchase of a second ship is exercised.

It is too early in the litigation process to evaluate Saga's position on liability and quantum. As such, no amounts have been provided for this in the financial statements. Furthermore, in the event the claim is successful, the cost will be capitalised as part of assets in the course of construction within property, plant and equipment.

31 Discontinued operations and assets held for sale

On 30 November 2015, the Group completed the sale of the local authority section of the healthcare business, Allied Healthcare.

The impact of the discontinued operation on the profit for the prior year was as follows:

	2016 £'m
Loss after tax, before amortisation of acquired intangibles	(7.9)
Gain on disposal of discontinued operations	1.0
	(6.9)

The impact of the discontinued operation on the reported earnings per share was as follows:

	2016
Basic and diluted earnings per share from discontinued operations	(0.6p)

The gain on disposal of Allied Healthcare was as follows:

	£'m
Cash consideration received	10.1
Fair value of other consideration receivable	3.8
Pension scheme contribution	(9.2)
Net assets disposed (including cash of £2.5m)	(3.1)
Costs of disposal not previously provided for	(0.6)
	1.0

31 Discontinued operations and assets held for sale (continued)

The results of Allied Healthcare for the prior period were as follows:

	2016 £'m
Revenue	206.2
Cost of sales	(149.2)
Gross profit	57.0
Administrative and selling expenses	(58.4)
Non-trading items	(6.4)
Net finance expense on retirement benefit schemes	(0.4)
Loss before tax	(8.2)
Tax expense	0.3
Loss for the period from discontinued operations	(7.9)
Attributable to:	
Equity holders of the parent	(8.2)
Non-controlling interest	0.3
	(7.9)

The net cash flows of Allied Healthcare during the prior period to disposal were as follows:

	2016 £'m
Operating	(12.2)
Investing	0.1
Financing	8.4
Net cash outflow	(3.7)

32 Related party transactions

During the year ended 31 January 2016, the Saga Group agreed terms for the utilisation under the group relief rules of corporation tax losses from Acromas SPC Co Limited and Acromas Mid Co Limited, indirect investees in the Group, at a cost of 50% of the tax affected face value. Amounts payable by the Group in respect of the surrender of these tax losses of £7.6m were unpaid at 31 January 2016 (see note 9) and settled in February 2016.

G Williams, an independent Non-Executive Director of Saga plc, serves on the board of WNS (Holdings) Limited, the parent company of WNS Global Services (UK Limited) and WNS Assistance Limited, both of which Acromas Insurance Company Limited and PEC Services Limited, subsidiaries of Saga plc, traded with during the year. These subsidiaries of WNS (Holdings) Limited provided claim handling management services to Acromas Insurance Company Limited and PEC Services Limited, and during the year ended 31 January 2017 earned total fees of £3.6m (2016: £3.5m); further payments to these subsidiaries of WNS (Holdings) Limited in respect of repair costs on claims handled totalled £37.2m (2016: £40.2m). As at 31 January 2017, amounts owing to these subsidiaries of WNS (Holdings) Limited for fees and repair costs totalled £2.2m (2016: £1.5m).

33 Subsidiaries

The entities listed below are subsidiaries of the Company or Group. All of the undertakings are wholly owned and included within the consolidated financial statements. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The registered office address for all entities registered in Spain is Auxadi Contables & Consultores S.A., Calle Nanclares de Oca 1B, 28022 Madrid, Spain. The registered office address of Acromas Insurance Company Limited is 57/63 Line Wall Road, Gibraltar.

Name	Country of registration	Nature of business
Acromas Financial Services Limited	England	Regulated investment products
ST&H Limited	England	Tour operating
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
Saga Cruises Limited	England	Cruising
ST&H Transport Limited	England	Tour operating
Bennetts Biking Services Limited	England	Insurance services
CHMC Limited	England	Motor accident management
PEC Services Limited	England	Repairer of automotive vehicles
Saga Retirement Villages Limited	England	Marketing of retirement villages
Destinology Limited	England	Tour operating
Direct Choice Insurance Services Limited	England	Insurance services
Enbrook Cruises Limited	England	Cruising
MetroMail Limited	England	Mailing house
Premium Funding Limited	England	Insurance services
Saga Cruises IV Limited	England	Cruising
Saga Cruises I Limited	England	Cruising
Saga Healthcare Limited	England	Provision of domiciliary care
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Insurance services
Titan Transport Limited	England	Tour operating
Driveline Group Limited	England	Holding company
CHMC Holdings Limited	England	Holding company
Saga 200 Limited	England	Holding company
Saga 300 Limited	England	Holding company
Saga 400 Limited	England	Holding company
Saga Establecimientos Hoteleros, S.L.	Spain	Holding company
Saga Group Limited	England	Holding company
Saga Holdings Limited	England	Holding company
Saga Leisure Limited	England	Holding company
Saga Overseas SL	Spain	Holding company
Saga Properties Limited	England	Holding company
ST&H Group Limited	England	Dormant company
Confident Services Limited	England	Dormant company

33 Subsidiaries (continued)

Name	Country of registration	Nature of business
Country Cousins (Horsham) Limited	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Patricia White's Personal Home Care Limited	England	Dormant company
Saga 500 Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Cruises V Limited	England	Dormant company
Saga Cruises VI Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Personal Finance Limited	England	Dormant company
Saga Property Management Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Saga Tours Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

34 Investment in joint ventures

During the current and prior year, the Group's interests in joint ventures were:

a. Saga Investment Services Limited

The Group holds a 50% interest in Saga Investment Services Limited, a company registered in England and Wales. This is accounted for using the equity method in the consolidated financial statements. The joint venture contributed a share of a loss of £1.4m after tax (2016: £1.3m loss after tax). The investment has a carrying value at 31 January 2017 of £1.4m (2016: £1.6m).

b. Saga Law Limited

The Group held a 49% interest in Saga Law Limited, a company registered in England and Wales, up to 23 November 2015. This was accounted for using the equity method in the consolidated financial statements. The joint venture contributed a share of profit of £0.1m after tax in the year to 31 January 2016.

Company financial statements of Saga Plc Balance Sheet

	Note	2017 £'m	2016 £'m
Non-current assets			
Investment in subsidiaries	2	**2,102.7**	2,100.6
Current assets			
Debtors	3	**1.9**	0.9
Creditors – amounts falling due within one year	4	**(206.2)**	(114.1)
Net current liabilities		**(204.3)**	(113.2)
Net assets		**1,898.4**	1,987.4
Capital and reserves			
Called up share capital	5	**11.2**	11.2
Share premium account		**519.3**	519.3
Profit and loss reserve		**1,352.1**	1,439.0
Other reserves		**15.8**	17.9
Total shareholders' funds		**1,898.4**	1,987.4

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the 'Act'). The loss included in the financial statements of the Company, determined in accordance with the Act, was £6.9m (2016: £8.8m loss).

Company number: 08804263

Signed for and on behalf of the Board on 28 March 2017 by

L H L Batchelor
Group Chief Executive Officer

J S Hill
Group Chief Financial Officer

The notes on pages 168-170 form an integral part of these financial statements.

Company financial statements of Saga Plc Statement of changes in equity

	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Share-based payment reserve £'m	Total equity £'m
At 31 January 2015	11.1	519.4	1,494.3	40.8	2,065.6
Loss for the financial year	–	–	(8.8)	–	(8.8)
Bonus shares issued	0.1	(0.1)	–	–	–
Dividends paid	–	–	(70.4)	–	(70.4)
Share-based payment charge	–	–	–	2.8	2.8
Exercise of share options	–	–	11.0	(12.8)	(1.8)
Issue of free shares (note 5)	–	–	12.9	(12.9)	–
At 31 January 2016	11.2	519.3	1,439.0	17.9	1,987.4
Loss for the financial year	–	–	(6.9)	–	(6.9)
Dividends	–	–	(86.1)	–	(86.1)
Share-based payment charge	–	–	–	4.9	4.9
Exercise of share options	–	–	6.1	(7.0)	(0.9)
At 31 January 2017	**11.2**	**519.3**	**1,352.1**	**15.8**	**1,898.4**

1 Accounting policies

a. Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company's financial statements are presented in sterling and all values are rounded to the nearest million (£'m) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 'Financial Instruments: Disclosures'.
b) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'.
c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
e) the requirements of IAS 7 'Statement of Cash Flows'.
f) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'.
g) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.
h) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

b. Investments

Investments in subsidiaries are accounted for at the lower of cost and net realisable value and reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

1 Accounting policies (continued)

c. Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

d. Share-based payments

The Company provides benefits to employees (including Directors) of Saga plc and its subsidiary undertakings, in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes modelling techniques. In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

Where the equity-settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in share-based payments reserve.

Upon vesting of an equity instrument, the cumulative cost in the share-based payments reserve is reclassified to reserves.

2 Investment in subsidiaries

	£'m
Cost	
At 31 January 2015	4,125.6
Capital contributions arising from share-based payments	1.4
At 31 January 2016	4,127.0
Capital contributions arising from share-based payments	2.1
At 31 January 2017	4,129.1
Amounts provided for	
At 31 January 2015	2,026.4
Amounts provided in the year	–
At 31 January 2016	2,026.4
Amounts provided in the year	–
At 31 January 2017	2,026.4
Net book value	
At 31 January 2017	2,102.7
At 31 January 2016	2,102.7

See note 33 to the consolidated financial statements for a list of the Company's investments.

3 Debtors

	2017 £'m	2016 £'m
Deferred tax asset	**0.7**	0.3
Other debtors	**1.2**	0.6
	1.9	0.9

All amounts above are due in less than one year.

4 Creditors – amounts falling due in less than one year

	2017 £'m	2016 £'m
Amounts owed to Group undertakings	**204.4**	109.7
Other creditors	**1.8**	4.4
	206.2	114.1

5 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
At 31 January 2015	1,110,705,405	0.01	11.1
Free shares allotted – 5 June 2015	7,300,000	0.01	0.1
As at 31 January 2016	1,118,005,405	0.01	11.2
As at 31 January 2017	1,118,005,405	0.01	11.2

On 29 May 2014, Saga plc was admitted to the London Stock Exchange. As part of the IPO, an offer was made to customers and employees of the Group under which they would receive one free share for every twenty shares purchased in the IPO and held continuously for a period of one year following flotation. On 5 June 2015, 7,300,000 shares were issued in respect of this bonus offer.

Shareholder Information

Financial calendar
2017 Annual General Meeting
– 22 June 2017

Final dividend dates
Announcement date – 29 March 2017
Ex-dividend date – 11 May 2017
Record date – 12 May 2017
Last day for DRIP elections – 5 June 2017
Payment date – 30 June 2017

Shareholder information online
The Company will publish annual reports, notices of shareholder meetings and other documents which we are required to send to shareholders ('shareholder information') on a website. Consenting shareholders will be notified either by post or email if preferred each time the Company publishes shareholder information. This allows us to increase speed of communication, reduce our impact on the environment and keep costs to a minimum.

You can change your communication preference via the Saga Shareholder Services Portal www.sagashareholder.co.uk or by contacting Saga Shareholder Services. In order to register on the portal you require your 11-digit investor code ('IVC'). You can find your IVC on communications such as your share certificate. The Saga Shareholder Services Portal allows you to manage your shareholding easily and securely online. You can also change your personal details, view your holding and get an indicative valuation, view dividend information, register proxy voting instructions, reinvest your dividends to buy additional Saga plc shares, buy and sell shares and register bank details so that dividends can be paid directly to your account.

Shareholder fraud
Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If any such unsolicited communication is received please check the company or person contacting you is properly authorised by the Financial Conduct Authority ('FCA') before getting involved. Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you may potentially lose your money. 5,000 people contact the FCA about share fraud each year, with victims losing an average of £20,000. For more information, or if you are approached by fraudsters, please visit the FCA website www.fca.org.uk/consumers/scams, where you can report and find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Advisers

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J.P. Morgan Cazenove
25 Bank St
Canary Wharf
London E14 5JP

Joint Corporate Broker
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London EC4M 7LT

Joint Financial Adviser
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133 Fleet Street
London EC4A 2BB

Media relations advisers
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6 Agar Street
London WC2N 4HN

Independent auditors
Ernst & Young LLP
(resigning at the Annual General Meeting)
1 More London Riverside
London SE1 2AF

KPMG LLP (to be appointed at the Annual General Meeting)
15 Canada Square
London E14 5GL

Legal advisers
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EG4Y 1HT

Information for investors
Information for investors is provided on the internet as part of the Group's corporate website which can be found at www.corporate.saga.co.uk.

Registrars
Capita Asset Services

For shareholder enquiries contact:
Saga Shareholder Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder Helpline: 0800 015 5429 – calls to Freephone numbers will vary by provider. If you are outside the United Kingdom call +44 (0)333 300 1581 – calls outside the United Kingdom will be charged at the applicable international rate. Lines are open are open 9am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

enquiries@sagashareholder.co.uk

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Corporate websites
Information made available on the Group's websites does not, and is not intended to, form part of these Results.

Glossary

ABC1 households social grading based on a system of demographic classification used in the UK, as defined by Experian Mosaic data

Accident year the financial year in which an insurance loss occurs

Add-on an insurance policy that is actively marketed and sold as an addition to a core policy

AGM Annual General Meeting

AICL Acromas Insurance Company Limited

Available cash cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries

Available operating cash flow net cash flow from operating activities after capital expenditure but before tax and interest paid and non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction

Board Saga plc Board of Directors

Claims frequency the number of claims incurred divided by the number of policies earned in a given period

Claims reserves accounting provisions that have been set to meet outstanding insurance claims, IBNR and associated claims handling costs

Code the UK Corporate Governance Code published by the UK Financial Reporting Council setting out guidance in the form of principles and provisions to address the principal aspects of corporate governance

Combined operating ratio the ratio of the claims costs and expenses incurred to underwrite insurance (numerator) to the revenue earned by AICL (denominator) in a given period. Can otherwise be calculated as the sum of the loss ratio and expense ratio

Companies Act the UK Companies Act 2006, as amended from time to time

Company Saga plc

Continuing operations operations that are not classified as discontinued

Core policy an insurance policy that is actively marketed and sold on its own

Cruise passenger days the total number of days passengers have travelled on a ship, or ships, in a given period

Cruise passengers the number of passengers that have travelled on a Saga cruise in a given period

Customer spend Customer spend represents the total amount that customers spent on products provided by the Saga group of companies, including gross written premiums, ancillary income and Insurance Premium Tax for all of the core policies and add-ons sold in the period

DBP Deferred Bonus Plan

Discontinued operations operations divested or those that have been classified as held for sale whose trading activities relate to a separate line of business or geographical area

Debt ratio (Leverage) the ratio of net debt to Trading EBITDA

DTRs (Disclosure and Transparency Rules) rules published by the UK Financial Conduct Authority relating to the disclosure of information by a company listed in the UK

Earned premium insurance premiums that are recognised in the income statement over the period of cover to which the premiums relate, deferred on a 365ths basis

Earnings per share from continuing operations (basic) profit after tax from continuing operations attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period

Expense ratio the ratio of expenses Incurred to underwrite insurance (numerator) to the revenue earned by AICL (denominator) in a given period

FCA Financial Conduct Authority

Financial Conduct Authority (FCA) the independent UK body that regulates the financial services industry, which includes general insurance

GHG Protocol a global standard for how to measure, manage, and report greenhouse gas emissions

GWP (Gross written premiums) the total premium charged to customers for a core insurance product, excluding Insurance Premium Tax but before the deduction of any outward reinsurance premiums, measured with reference to the cover start date of the policy

Group the Saga plc group

Holidays passengers the number of passengers that have travelled on a Saga, Titan or Destinology holiday in a given period

IASB International Accounting Standards Board

IBNR (incurred but not reported) a claims reserve provided to meet the estimated cost of claims that have occured, but have not yet been reported to the insurer

IFRS International Financial Reporting Standards

IPO (Initial Public Offering) the first sale of shares by a previously unlisted company to investors on a securities exchange

Leverage ratio the ratio of net debt to Trading EBITDA

LIBOR London inter-bank offered rate

Load factor in relation to cruise ships, the number of passenger days travelled divided by the maximum number of passenger days that could be travelled, in a given period

Loss ratio a ratio of the claims costs (numerator) to the net earned premium (denominator) in a given period

LR (Listing Rules) a set of mandatory regulations set from by the UK Financial Conduct Authority and applicable to a company listed in the UK

LTIP Long Term Incentive Plan

Malus an arrangement that permits the forfeiture of unvested remuneration awards, in circumstances the Company considers appropriate

Mosaic classifications Mosaic is a consumer classification system, owned by Experian, that classifies UK households into 15 main social-economic groups, each of which have specific consumer and societal trends

Net claims the cost of claims incurred in the period less any claims costs recovered under reinsurance contracts and after the release of any claims reserves

Net debt bank debt and borrowings, excluding any overdrafts held by restricted trading subsidiaries, net of available cash

Net earned premium earned premium net of any outward earned reinsurance premium paid

Net interest expense finance costs less finance income

Ogden discount rate the discount rate set by the relevant government bodies, the Lord Chancellor and Scottish Ministers, and used to calculate lump sum awards in bodily injury cases

Operating margin is a measurement of the proportion of revenue which is left over after paying for all business costs.

PBT profit before tax

PMI private medical insurance

Policies sold the number of core and add-on insurance policies sold to customers in a given period, measured by reference to the cover start date of the policy

Reinsurance contractual arrangements where an insurer transfers part or all of the insurance risk written to another insurer, in exchange for a share of the customer premium

RMM (required minimum margin) a measure used to assess the minimum level of solvency capital an insurance underwriter must retain under Solvency I

RPI Retail Price Index

Saga Way the internal framework that guides the behaviours of our employees

SCR Solvency capital requirement as calculated under Solvency II rules

SIP Share Incentive Plan

Solvency capital/Solvency II insurance regulations designed to harmonise European Union insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk

tCO_2e tonnes of carbon dioxide equivalent, which is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO_2

Trading EBITDA earnings before interest payable, tax, depreciation and amortisation, non-trading items and fair value gains and losses on derivative financial instruments

Trading profit Trading EBITDA less depreciation and amortisation, excluding amortisation of acquired intangibles

TSR (total shareholder return) the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity

Unearned premium an amount of insurance premium that has been written but not yet earned

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