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

"At the end of last year, we announced our intention to invest in new customer acquisition. I am pleased to report significant progress in the first half of the year. Our Retail Broking policy count is back to the levels seen in the first half of 2017, despite a more competitive pricing landscape. Underwriting results continue to be strong, with another excellent claims management performance.

"Travel has delivered a solid performance and we are seeing encouraging demand for our new ship, *Spirit of Discovery*, in line with our ambitious plan. Construction is on track, with keel laying this summer, ahead of her maiden cruise next year.

"The Group is benefitting from lower operating expenses across the business, reflecting a more efficient operating structure and investment in our IT systems.

"The business continues to be highly cash generative allowing us to pay a dividend of 3.0p. We remain confident in the Group's prospects."

END

An interim results presentation to analysts and investors will be held at 09.45 Thursday 27 September 2018 at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BB. The presentation will be broadcast via a webcast and a conference call for registered participants. Registration for the webcast can be completed at http://corporate.saga.co.uk/. The conference call can be accessed on: UK: 0330 336 9104, all other locations: +44 (0) 330 336 9104. Participant Password: 742195.

For further information please contact:

Saga plc
Mark Watkins, Investor Relations Director
Tel: 07738 777 479
Email: mark.watkins@saga.co.uk

MHP Communications
Tim Rowntree/Simon Hockridge/Reg Hoare
Tel: 020 3128 8742 / 8572
Email: saga@mhpc.com

Notes to editors

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

Group CEO's statement

Overview

We started this year with a clear plan to invest in new customer acquisition and to reduce our costs, with a more efficient operating structure. I'm pleased to report that we have made significant progress. The investments in new business and improved retention in our Retail Broking business have seen policy count back to the levels seen in the first half of 2017. This has been driven by a 19% increase in motor and home new business volumes. Our Underwriter has performed strongly with a reported Combined Operating Ratio (excluding quota share) of 61.5% and reserve releases of £38.0m. Travel has delivered a solid performance and demand for our new ship is in line with our ambitious plan.

Reported profit before tax increased by 3.2% to £109.0m (H1 2017: £105.6m) with a benefit of £2.2m from positive movements in the fair value of derivatives. Underlying Profit Before Tax reduced to £106.8m (H1 2017: £110.9m) reflecting the investments we made in new business and improved retention during the period and a reduction in the written to earned benefit, offset by a strong underwriting performance.

The Group continues to be highly cash generative and we increased our available operating cash flow percentage to 67.2% (H1 2017: 63.4%). This resulted in £89.5m of available operating cash flow. Our continued confidence in the cash generation of the business has allowed us to declare an interim dividend of 3.0p.

Insurance

Retail Broking

The motor insurance market remained challenging during the period. We have seen lower average retail premiums, but this has been partially offset by lower net rates from our motor panel members. In the first half of 2017 we delivered a strong motor broking performance of £24.9m, when motor premiums were rising strongly. Our profitability fell significantly in the second half of 2017/18 to £14.4m because of slowing premium inflation and a fall in retention. Our profitability in the first half of this year has increased to £20.5m, reflecting an improvement in our retention levels and a lower cost base.

We have started to see an increase in the efficiency of our motor panel. During the period, 67% of the growth of motor new business volumes was from drivers below the age of 65. This demographic is typically more competitively underwritten by our third-party panel members and has resulted in third-party panel share increasing to 22.0% (H1 2017: 14.9%) of policies sold.

After a positive first half for our home product, we are now seeing upward pressure on net rates from the panel after the adverse weather conditions seen at the start of the year. This is expected to impact broker revenue and profitability in the second half.

Despite these market challenges we have seen retention rates for motor and home recover from the levels seen in H2 2017/18 and we have been able to continue writing new business on attractive terms. This resulted in our total core policies sold being flat against the first half of 2017/18 and up 6.8% against the second half of 2017/18.

The growth in customer numbers has been achieved at attractive long term values, supported by an improvement in retention and a high level of multiple product holdings.

Underwriting

AICL has again achieved a strong underwriting performance, with a reported COR (excluding quota share) of 61.5% (H1 2017: 61.2%), generating profit before tax of £45.6m (H1 2017: £47.0m). Our excellent claims management and our consistent claims experience continue to be very positive for small and large personal injury claims. This has resulted in reserve releases at approximately the same level seen in H1 2017, at £38.0m.

Underlying claims inflation continues to be in the mid-single digit percentages, reflecting the industry wide long-term downward trend in frequency, offset by a higher average claims cost.

Travel

Our Travel business continues to perform as it manages a change in mix towards higher margin products, with fewer passengers. Underlying profitability is flat despite some headwinds relating to fuel hedges and a £1.5m investment in marketing.

The construction of our new cruise ship, *Spirit of Discovery*, reached another milestone in June with the keel laying in Papenburg. The construction continues to be on time and on budget for her maiden cruise in July 2019.

Our forward sales continue to meet our ambitious plan. We have achieved over 64% of our sales target for the first 19 cruises starting June 2019, at per diems that continue to be in line with our expectations. We have now sold over 90% of targeted capacity for her first five cruises.

Multiple product holdings

We continue to see higher than industry levels of multiple product holdings demonstrating the high affinity our customers have for the Saga brand. Not only do we have a high level of product holdings between businesses, the product holdings within each business is also very high. For example, 15% of our insurance customers own both motor and home products. Within emerging businesses is the Saga Magazine which has over 300,000 monthly subscribers. These customers have a significantly higher propensity to buy more than one product from Saga.

Proportion of multiple product holdings by division (August 2018)

	% of customers buying an additional product from:		
	Insurance	Travel	Emerging businesses
Insurance	n/a	2.9%	8.8%
Travel	31.5%	n/a	31.0%
Other	30.6%	9.9%	n/a

With the replacement of IT platforms across the business and a more centralised view of the customer, we are now better positioned to focus on increasing multiple product holdings within our customer base.

Multiple product holdings (August 2018)

	Total
One product	972k
Two products	473k
Three products	186k
Four products	92k
Total	**1,723k**
Average product holding	1.7

44% of our customers own more than one product

Possibilities

The growth in our *Possibilities* membership scheme continues. We now have over 850,000 members who have joined the scheme. We are seeing high levels of engagement from our members with over 300,000 ballot entries for 111 exclusive events. We further developed the proposition with the launch of *Travel Possibilities* in April. This provides our members with exclusive offers from Saga and our travel partners.

Summary and outlook

We are now starting to see the benefits from the overhaul of our systems and our decision to make the necessary investments in new customer acquisition. Our insurance policy count is back to H1 2017 levels and demand for Spirit of Discovery continues to support our ambitious plan.

Overall, the Group has traded in line with our expectations for the first six months of the year.

For the second half, the Retail Broking business is expected to be adversely impacted by increases in net rates from our home panel and lower average premiums in the motor market. AICL's stable performance is expected to continue, albeit with a small reduction in investment returns.

This ability to win new customers that offer attractive long-term value from across the broader Group gives us confidence for the future. Continued strong cash generation allows us to make targeted investments, reduce debt and support the dividend.

Chief Financial Officer's Review

The Group has delivered an increase in profit before tax of 3.2% to £109.0m. Underlying Profit Before Tax decreased by 3.7% to £106.8m. Available operating cash flows of £89.5m have enabled us to maintain a stable debt ratio of 1.77x, compared to 31 July 2017. Net debt has reduced from £432.0m at 31 January 2018 to £429.7m at 31 July 2018. Based on these results and the stability of our highly cash generative model, we are paying an interim dividend of 3.0p (2017: 3.0p).

The Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments and is reporting its performance for the 6 months to July 2018 against a restated comparative period for the 6 months to 31 July 2017 under these new standards. For further details, see note 19.

Income Statement

Group Income Statement	**6m to July 2018**	***Growth***	**6m to July 2017 (restated)**
Revenue	**£430.6m**	***(1.7%)***	**£438.0m**
Administrative and selling expenses	(£120.0m)	*5.0%*	(£126.3m)
Trading EBITDA[1]	£133.2m	*(5.7%)*	£141.3m
Depreciation & amortisation (excluding acquired intangibles)	(£17.8m)		(£16.8m)
Trading Profit[1]	**£115.4m**	***(7.3%)***	**£124.5m**
Non-trading costs	(£0.9m)		(£2.2m)
Amortisation of acquired intangibles	(£1.9m)		(£2.5m)
Pension charge IAS19R [2]	(£0.2m)		(£2.6m)
Net finance costs [3]	(£5.6m)		(£6.3m)
Underlying Profit Before Tax [1]	**£106.8m**	***(3.7%)***	**£110.9m**
Net fair value gains/(losses) on derivatives	£2.2m		(£1.0m)
Debt write off costs	-		(£4.3m)
Profit before tax	**£109.0m**	***3.2%***	**£105.6m**
Tax expense	(£21.1m)	*(5.5%)*	(£20.0m)
Profit after tax	**£87.9m**	***2.7%***	**£85.6m**
Basic earnings per share:			
Underlying earnings per share [1]	7.7p	*(4.9%)*	8.1p
Earnings per share	7.8p	*1.3%*	7.7p

Revenue decreased by 1.7% to £430.6m (H1 2017: £438.0m). Total customer spend[1] with Saga increased by 1.6% to £627.2m (H1 2017: £617.1m), which includes gross written premiums and insurance premium tax for all insurance policies sold.

Trading Profit was £115.4m (H1 2017: £124.5m). The reduction was due to a decline in written to earned benefit in Retail Broking and a lower motor broking performance, compared to a very strong performance in H1 2017. Depreciation and amortisation increased by £1.0m due to the planned investment in Guidewire.

Note

[1] Alternative performance measures – refer to the Glossary on page 55-56 for definition and explanation

[2] Pension charge IAS19R includes the additional non-cash pension current service cost in excess of employer contributions made in the prior period and the non-cash pension interest cost that are both required under IAS19R

[3] Net finance costs excludes net fair value gains / (losses) on derivatives and IAS19R pension interest costs

Underlying Profit Before Tax decreased by 3.7% to £106.8m (H1 2017: £110.9m). There was a benefit, compared to the prior period, from a lower pension charge from IAS19R and reduced non-trading costs. The prior period non-trading costs were impacted by the charge related to changing the joint venture with Tilney to a commercial arrangement.

Profit before tax increased to £109.0m (H1 2017: £105.6m). This is due to favourable movements on foreign exchange and oil price derivatives that were recognised in the income statement and one-off costs associated with the unamortised facility fees of our previous banking facilities in the prior period.

Finance costs
Net finance costs in the period were £5.6m (H1 2017: £6.3m).

Tax expense
The Group's tax expense for the period was £21.1m (H1 2017: £20.0m) representing a tax effective rate of 19.4% (H1 2017: 18.9%).

Earnings per share
The Group's earnings per share were 7.8p (H1 2017: 7.7p) and underlying earnings per share were 7.7p (H1 2017: 8.1p).

Dividends
The Directors have declared an interim dividend of 3.0p per share. The dividend will be paid on 23 November 2018 to shareholders of ordinary shares on the register at the close of business on 19 October 2018.

Saga offers a share alternative in the form of a dividend re-investment plan ("DRIP") for those shareholders who wish to elect to use their dividend payments to purchase additional shares in the Group, rather than receive a cash payment. The last date for shareholders to elect to participate in the DRIP will be 2 November 2018.

Cash flow and liquidity

Available operating cash flow is made up of the unrestricted cash flows from the Retail Broking and Emerging Businesses and Central Costs, plus any dividends paid by our restricted businesses, Acromas Insurance Company Limited ("AICL") and Travel. As well as a regulatory restriction on the cash within our Travel business, the capex for *Spirit of* Discovery and *Spirit of* Adventure is being funded from Travel cash. Therefore, until both ships are delivered, Travel is not expected to contribute to the Group's available operating cash flow.

The Group delivered a strong cash flow performance in the six months to 31 July 2018, achieving available operating cash flow of £89.5m, 67.2% of Trading EBITDA. This cash flow decreased by £0.1m on the previous period, which was primarily driven by the reduction in available Trading EBITDA offset by an increased dividend paid from AICL.

Available Cash Flow	**6m to July 2018**	***Growth***	**6m to July 2017 (restated)**
Retail Broking Trading EBITDA	£69.1m	*(10.1%)*	£76.9m
AICL Trading EBITDA	£46.1m	*(2.5%)*	£47.3m
Travel Trading EBITDA	£21.0m	*(2.8%)*	£21.6m
Emerging Businesses and Central Costs Trading EBITDA	(£3.0m)	*(33.3%)*	(£4.5m)
Group Trading EBITDA[1]	**£133.2m**	***(5.7%)***	**£141.3m**
Less Trading EBITDA relating to restricted businesses	(£67.1m)	*2.6%*	(£68.9m)
Intra-group dividends paid by AICL	£50.0m	*11.1%*	£45.0m
Intra-group dividends paid by Travel	£0.0m	*0.0%*	£0.0m
Working capital and non-cash items[2]	(£16.5m)	*(10.7%)*	(£14.9m)
Capital expenditure funded with available cash	(£10.1m)	*21.7%*	(£12.9m)
Available operating cash flow [1]	**£89.5m**	***(0.1%)***	**£89.6m**
Available operating cash flow %	*67.2%*	*3.8%*	*63.4%*

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

	6m to July 2018	**6m to July 2017**
Net cash flow from operating activities (reported)	£81.7m	£96.8m
Exclude cash impact of:		
Trading of restricted divisions	(£59.8m)	(£61.4m)
Non-trading costs	£4.3m	£2.9m
Interest paid	£6.5m	£4.3m
Tax paid	£16.9m	£14.9m
	(£32.1m)	(£39.3m)
Cash released from restricted divisions	£50.0m	£45.0m
Include capital expenditure funded from available cash	(£10.1m)	(£12.9m)
Available operating cash flow	**£89.5m**	**£89.6m**

Per the condensed consolidated statement of cash flows on page 23, there has been a net decrease in cash and cash equivalents in the period to 31 July 2018 of £55.7m which is due to a net purchase of financial assets of £44.3m.

Note

[1] Alternative performance measure - refer to glossary on page 55-56 for definition and explanation

[2] Restated to exclude IAS19R pension current service costs

Financing

Continued strong cash flows have enabled the Group to maintain a stable debt ratio of 1.77x compared to 31 July 2017. The debt ratio is higher than the year end position of 1.73x, as the final dividend is paid during H1, which is consistent with the prior year. The Group's net debt has decreased by £2.3m to £429.7m from £432.0m at 31 January 2018 and by £30.7m from £460.4m at 31 July 2017. It is made up as follows:

Net debt	**31 July 2018**	**31 January 2018**
Corporate bond	£250.0m	£250.0m
Term loan	£170.0m	£180.0m
Revolving credit facility	£30.0m	£15.0m
Less - available cash [1]	(£20.3m)	(£13.0m)
Total Net debt	£429.7m	£432.0m

Pensions

Over the six month period, the valuation of the Group's pension scheme has strengthened on an IAS19R basis by £11.6m to a surplus of £4.6m (31 January 2018: deficit £7.0m):

Saga Scheme	**31 July 2018**	**31 January 2018**
Fair value of scheme assets	£314.5m	£307.3m
Present value of defined benefit obligation	(£309.9m)	(£314.3m)
Defined benefit scheme surplus/(liability)	£4.6m	(£7.0m)

The strengthening has been driven by a £7.2m increase in the fair value of the scheme assets to £314.5m (January 2018: £307.3m); and a decrease in the scheme liabilities of £4.4m to £309.9m (January 2018: £314.3m), which was driven by a small increase in corporate bond yields over the period and a slight reduction in the expected future rate of inflation.

Net assets

Since 31 January 2018, total assets have increased by £12.3m and total liabilities have decreased by £29.0m, increasing overall net assets by £41.3m.

The increase in total assets is the result of an increase in cash and short-term deposits of £37.1m mainly as a result of higher levels of cash deposits received in our Travel business at this time of year, an increase in property, plant and equipment of £12.3m, primarily due to the fourth stage payment for the Spirit of Discovery being paid in July 2018 of £13.4m and an increase in trade and other receivables of £13.2m. This was partly offset by a decrease in financial assets of £52.0m, which coincides with the release of surplus solvency capital from the Group's Underwriting business.

The decrease in total liabilities reflects a £44.9m reduction in gross insurance contract liabilities in line with further positive claims experience in the period, a £7.0m reduction in pension scheme obligations and a decrease in financial liabilities of £10.3m as a result of improved performance in cash flow hedges in the period. This was partly offset by a £32.4m increase in other liabilities due to a higher deferred revenue driven by the seasonality of the Travel business.

Note

[1] Refer to note 13 of the Financial Statements for information as to how this reconciles to a statutory measure of cash

Segmental Performance

	6m to July 2018	*Growth*	6m to July 2017 (restated)
Revenue			
Motor broking (written)	£56.8m	*(9.7%)*	£62.9m
Home broking (written)	£38.7m	*(2.5%)*	£39.7m
Other broking (written)	£39.6m	*(1.0%)*	£40.0m
Total Retail Broking (written)	£135.1m	*(5.3%)*	£142.6m
Written to earned adjustment	£3.0m	*15.4%*	£2.6m
Total Retail Broking (earned)	£138.1m	*(4.9%)*	£145.2m
Underwriting	£47.6m	*(0.8%)*	£48.0m
Total Insurance	£185.7m	*(3.9%)*	£193.2m
Travel	£228.7m	*(0.7%)*	£230.4m
Emerging Businesses and Central Costs	£16.2m	*12.5%*	£14.4m
	£430.6m	***(1.7%)***	**£438.0m**
Underlying Profit Before Tax			
Motor broking (written)	£20.5m	*(17.7%)*	£24.9m
Home broking (written)	£24.6m	*(3.9%)*	£25.6m
Other broking (written)	£18.3m	*7.0%*	£17.1m
Total Retail Broking (written)	£63.4m	*(6.2%)*	£67.6m
Written to earned adjustment	£0.3m	*(92.1%)*	£3.8m
Total Retail Broking (earned)	£63.7m	*(10.8%)*	£71.4m
Underwriting	£45.6m	*(3.0%)*	£47.0m
Total Insurance	£109.3m	*(7.7%)*	£118.4m
Travel	£12.0m	*0.8%*	£11.9m
Emerging Businesses and Central Costs	(£14.5m)	*25.3%*	(£19.4m)
	£106.8m	***(3.7%)***	**£110.9m**
KPIs			
Total core policies			
- Saga branded	1,252k	*(0.3%)*	1,256k
- Non-Saga branded	176k	*(6.4%)*	188k
	1,428k	*(1.1%)*	1,444k
Passengers travelled			
- Tour operations	89k	*(7.3%)*	96k
- Cruise	14k	*7.7%*	13k
	103k	*(5.5%)*	109k
Pure COR (underlying excl. QS)	97.0%	0.0%	97.0%

Total revenue for the Retail Broking business reduced to £135.1m (H1 2017: £142.6m) on a written basis, with a strong performance of motor broking in the first half of the prior year. Revenue for the Underwriting business was £47.6m (H1 2017: £48.0m) and Travel revenue was relatively flat at £228.7m (H1 2017: £230.4m).

Profit in Retail Broking was £63.4m (H1 2017: £67.6m) on a written basis. The prior period motor broking performance benefitted from strongly rising motor premiums, while the current period includes additional investment in policy growth, but still represents a strong improvement on the H2 2017 written motor profit. As guided, there was a reduction in the written to earned adjustment principally driven by our decision to outsource the underwriting of add-on home products.

Underwriting profit was £45.6m (H1 2017: £47.0m) with reserve releases of £38.0m (H1 2017: £39.0m). Profit in Travel was broadly flat against the prior period with higher average revenues and fewer ship maintenance days offset by increased marketing spend to drive future passenger growth and the recognition of undesignated fuel hedging benefit in the prior year. Emerging Businesses and Central Costs saw a 25.3% decrease in underlying loss before tax, reflecting the reduction in non-trading items and IAS19R pension charge.

Motor broking

	6m to July 2018			*Written*	6m to July 2017 (restated)		
	Earned	**WTE**	**Written**	***Growth***	**Earned**	**WTE**	**Written**
GWP							
Broked	£62.1m	-	£62.1m	*14.2%*	£54.4m	-	£54.4m
Underwritten	£105.7m	-	£105.7m	*(7.0%)*	£113.7m	-	£113.7m
	£167.8m	-	£167.8m	*(0.2%)*	£168.1m	-	£168.1m
Broker revenue	£19.5m	£3.0m	£16.5m	*(35.8%)*	£21.1m	(£4.6m)	£25.7m
Instalment revenue	£3.6m	-	£3.6m	*20.0%*	£3.0m	-	£3.0m
Add-on revenue	£14.7m	-	£14.7m	*(2.6%)*	£19.5m	£4.4m	£15.1m
Other revenue	£22.0m	-	£22.0m	*15.2%*	£19.1m	-	£19.1m
Revenue	**£59.8m**	**£3.0m**	**£56.8m**	***(9.7%)***	**£62.7m**	**(£0.2m)**	**£62.9m**
Gross profit	**£58.7m**	**£3.0m**	**£55.7m**	***(9.0%)***	**£61.0m**	**(£0.2m)**	**£61.2m**
Marketing expenses	(£9.8m)	(£0.2m)	(£9.6m)	*(15.7%)*	(£9.7m)	(£1.4m)	(£8.3m)
Other operating expenses	(£28.1m)	(£2.5m)	(£25.6m)	*8.6%*	(£25.4m)	£2.6m	(£28.0m)
Underlying Profit Before Tax	**£20.8m**	**£0.3m**	**£20.5m**	***(17.7%)***	**£25.9m**	**£1.0m**	**£24.9m**
Number of policies sold							
- core			662k	*0.2%*			661k
- add-ons			831k	*(1.2%)*			841k
			1,493k	*(0.6%)*			1,502k
- Core Saga branded			486k	*2.7%*			473k
- Core non-Saga branded			176k	*(6.4%)*			188k
			662k	*0.2%*			661k
Core Saga branded third-party panel share (by policy count)			22.0%	*7.1ppt*			14.9%

The first half of the prior year benefitted from strongly rising premiums in the motor market and the approach AICL adopted in relation to pricing the Ogden rate change. As a result, revenue and profit per core policy sold in the prior period were £95 and £38 respectively. In H2 of the prior year, these reduced to £89 and £23 respectively with Underlying Profit Before Tax reducing to £14.4m. The profit reduction in H2 resulted from significantly lower persistency affecting policy volumes. Core policies sold reduced from 661k in H1 to 620k in H2.

During the first half of this year, our investment in policy growth and improved persistency compared to the second half of last year enabled us to increase core policies sold to 662k. While revenue per core policy has reduced to £86, reflecting the increased proportion of new policies sold, profit per core policy has improved to £31 and profit to £20.5m, benefitting not only from increased policy volumes but also from reductions in other expenses due to cost reduction programmes and savings from the closure of Direct Choice.

Gross written premiums decreased by 0.2% as average gross written premiums were 0.4% lower and core policies 0.2% higher. Saga branded polices increased by 2.7% after the discontinuation of the Direct Choice brand last year.

Gross written premiums from business underwritten by AICL decreased by 7.0% to £105.7m (H1 2017: £113.7m), given the more competitive position of third party underwriters on the panel in H1 this year.

Written marketing expenses have increased by 15.7%, reflecting an increase in new business volumes. Overall Underlying written profit before tax has decreased by 17.7% to £20.5m (H1 2017: £24.9m).

Home broking

	6m to July 2018			*Written*	6m to July 2017 (restated)		
	Earned	**WTE**	**Written**	***Growth***	**Earned**	**WTE**	**Written**
GWP							
Broked	£72.1m	-	£72.1m	*(3.5%)*	£74.7m	-	£74.7m
Underwritten	-	-	-	*0.0%*	-	-	-
	£72.1m	-	£72.1m	*(3.5%)*	£74.7m	-	£74.7m
Broker revenue	£22.9m	-	£22.9m	*(7.7%)*	£24.8m	-	£24.8m
Instalment revenue	£1.4m	-	£1.4m	*0.0%*	£1.4m	-	£1.4m
Add-on revenue	£5.8m	-	£5.8m	*(6.5%)*	£9.0m	£2.8m	£6.2m
Other revenue	£8.6m	-	£8.6m	*17.8%*	£7.3m	-	£7.3m
Revenue	**£38.7m**	**-**	**£38.7m**	***(2.5%)***	**£42.5m**	**£2.8m**	**£39.7m**
Gross profit	**£38.7m**	**-**	**£38.7m**	***(2.5%)***	**£42.5m**	**£2.8m**	**£39.7m**
Marketing expenses	(£3.4m)	-	(£3.4m)	*(13.3%)*	(£3.0m)	-	(£3.0m)
Other operating expenses	(£10.7m)	-	(£10.7m)	*3.6%*	(£11.1m)	-	(£11.1m)
Underlying Profit Before Tax	**£24.6m**	**-**	**£24.6m**	***(3.9%)***	**£28.4m**	**£2.8m**	**£25.6m**
Number of policies sold (all Saga branded)							
- core			595k	*(1.2%)*			602k
- add-ons			284k	*2.9%*			276k
			879k	*0.1%*			878k

The home market remains challenging. We have delivered a small reduction in revenues and underlying profits. At the same time we have maintained comparable core policy numbers to H1 2017. Average gross written premiums per policy have reduced marginally, resulting in decreases in written revenue and written profit to £38.7m and £24.6m respectively (H1 2017: £39.7m and £25.6m).

The reduction in the written to earned adjustment in the current period is due to the Group no longer underwriting any add-on home products following the outsourcing of home products.

Other insurance broking

	6m to July 2018			*Written*	6m to July 2017 (restated)		
	Earned	**WTE**	**Written**	***Growth***	**Earned**	**WTE**	**Written**
GWP							
Broked	£66.6m	-	£66.6m	*1.2%*	£65.8m	-	£65.8m
Underwritten	£2.4m	-	£2.4m	*(11.1%)*	£2.7m	-	£2.7m
	£69.0m	-	£69.0m	*0.7%*	£68.5m	-	£68.5m
Broker revenue	£27.0m	-	£27.0m	*(6.9%)*	£29.0m	-	£29.0m
Instalment revenue	£0.1m	-	£0.1m	*0.0%*	£0.1m	-	£0.1m
Other revenue	£12.5m	-	£12.5m	*14.7%*	£10.9m	-	£10.9m
Revenue	**£39.6m**	**-**	**£39.6m**	***(1.0%)***	**£40.0m**	**-**	**£40.0m**
Gross profit	**£34.5m**	**-**	**£34.5m**	***0.3%***	**£34.4m**	**-**	**£34.4m**
Marketing expenses	(£6.2m)	-	(£6.2m)	*4.6%*	(£6.5m)	-	(£6.5m)
Other operating expenses	(£10.0m)	-	(£10.0m)	*7.4%*	(£10.8m)	-	(£10.8m)
Underlying Profit Before Tax	**£18.3m**	**-**	**£18.3m**	***7.0%***	**£17.1m**	**-**	**£17.1m**
Number of policies sold (all Saga branded)							
- core			171k	*(5.5%)*			181k
- add-ons			5k	*0.0%*			5k
			176k	*(5.4%)*			186k

Gross written premiums have increased by 0.7%. Higher premiums on private medical insurance (“PMI”) have been offset by lower travel insurance volumes. PMI premium rises in the market reflected increasing claims frequency, given the ongoing pressures within the NHS. Our broker revenue has reduced 6.9%, as we have managed the balance between price increases on PMI to our customers and the net rate increases that we have received from our PMI underwriter.

The policy reduction is wholly due to travel insurance, where we have seen aggressive pricing actions by certain competitors, leading to us reducing marketing spend and maintaining the right balance between volume and value.

Within other revenue, we include the results of our credit hire business, which has performed well in the period.

Overall with the benefit of lower marketing spend and reductions in other operating costs, we have delivered an increase in Underlying Profit Before Tax of 7.0% to £18.3m (H1 2017: £17.1m).

Insurance Underwriting

		6m to July 2018				6m to July 2017 (restated)		
		Reported	**Quota Share (QS)**	**Underlying (excl. QS)**	***Growth***	**Reported**	**Quota Share (QS)**	**Underlying (excl. QS)**
Revenue	**A**	**£47.6m**	**(£59.3m)**	**£106.9m**	***(1.9%)***	**£48.0m**	**(£61.0m)**	**£109.0m**
Claims costs	**B**	(£36.4m)	£53.8m	(£90.2m)	*(2.3%)*	(£36.8m)	£55.5m	(£92.3m)
Reserve releases	**C**	£38.0m	-	£38.0m	*(2.6%)*	£39.0m	-	£39.0m
Other cost of sales	**D**	(£5.0m)	£6.0m	(£11.0m)	*(0.9%)*	(£4.9m)	£6.2m	(£11.1m)
	E	(£3.4m)	£59.8m	(£63.2m)	*(1.9%)*	(£2.7m)	£61.7m	(£64.4m)
Gross profit		**£44.2m**	**£0.5m**	**£43.7m**	***(2.0%)***	**£45.3m**	**£0.7m**	**£44.6m**
Operating expenses	**F**	(£1.0m)	£1.5m	(£2.5m)	*(8.7%)*	(£1.2m)	£1.1m	(£2.3m)
Investment return		£2.4m	(£2.9m)	£5.3m	*(8.6%)*	£2.9m	(£2.9m)	£5.8m
Quota share net cost		-	£0.9m	(£0.9m)	*18.2%*	-	£1.1m	(£1.1m)
Underlying Profit Before Tax		**£45.6m**	**-**	**£45.6m**	***(3.0%)***	**£47.0m**	**-**	**£47.0m**
Reported loss ratio	**(B+C)/A**	(3.4%)		48.8%	(0.1%)	(4.6%)		48.9%
Expense ratio	**(D+F)/A**	12.6%		12.6%	0.3%	12.7%		12.3%
Reported COR	**(E+F)/A**	9.2%		61.5%	0.3%	8.1%		61.2%
Pure COR	**(E+F-C)/A**	89.1%		97.0%	0.0%	89.4%		97.0%
Number of earned policies				426k	*(8.2%)*			464k

Excluding the impact of the quota share agreement, Underwriting revenue decreased by 1.9% to £106.9m (H1 2017: £109.0m) as AICL underwrote a lower number of policies, with external panel members winning a greater share compared with H1 in the prior year. This was partially offset by higher revenue per policy. Excluding the impact of quota share, the Underwriting business delivered a consistent pure combined operating ratio of 97.0%. Including the quota share, the pure combined operating ratio was 89.1%

Reserve releases of £38.0m (H1 2017: £39.0m) have resulted in an Underlying Profit Before Tax of £45.6m (H1 2017: £47.0m) and a stable reported combined operating ratio of 61.5% (H1 2017: 61.2%) which excludes the impact of the quota share.

Reserve releases

	6m to July 2018	*Growth*	6m to July 2017
Motor insurance	£38.0m	*(2.6%)*	£39.0m
Home insurance	-		-
Other insurance	-		-
Total	£38.0m	*(2.6%)*	£39.0m

Continued strong claims management and favourable claims development experience during the six months to 31 July 2018 has resulted in a reduction in the reserves required in respect of prior year claims. This has been driven by the experience on large and small personal injury claims and has enabled reserve releases on motor totalling £38.0m during the period. There has been no deterioration in the underlying reserve margin held over best estimate in percentage terms.

Analysis of insurance contract liabilities at 31 July 2018 and 31 Jan 2018 is as follows:

	At 31 July 2018			At 31 Jan 2018 (restated)		
	Gross	Reinsurance Assets [1]	Net	Gross	Reinsurance Assets [1]	Net
Reported claims	£296.6m	(£77.7m)	£218.9m	£306.5m	(£76.1m)	£230.4m
Incurred but not reported[2]	£124.6m	(£17.5m)	£107.1m	£149.3m	(£17.9m)	£131.4m
Claims handling provision	£9.2m	-	£9.2m	£10.6m	-	£10.6m
Total claims outstanding	£430.4m	(£95.2m)	£335.2m	£466.4m	(£94.0m)	£372.4m
Unearned premiums	£106.1m	(£4.1m)	£102.0m	£115.0m	(£6.2m)	£108.8m
Total	£536.5m	(£99.3m)	£437.2m	£581.4m	(£100.2m)	£481.2m

The Group's total insurance contract liabilities net of reinsurance assets have reduced by £44.0m as at 31 July 2018 from the previous year end, driven by a decrease in reported claims of £11.5m, a £24.3m reduction in IBNR claims reserves, a £1.4m decrease in the claims handling provision and £6.8m less in unearned premium reserve. The reduction in IBNR claims reserves was mainly due to favourable experience on large and small personal injury claims.

Note

[1] Excludes funds-withheld quota share agreement

[2] Includes amounts for reported claims that are expected to become periodical payment orders

Investment portfolio

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

The amount held in invested funds decreased by £58.3m compared with the year end, from £475.1m as at 31 January 2018 to £416.8m as at 31 July 2018. As at 31 July 2018, 96% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is in line with the previous year and reflects the stable credit risk rating of the Group's counterparties.

At 31 July 2018	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
Underwriting investment portfolio:						
Deposits with financial institutions	-	£30.3m	£20.3m	£23.5m	-	£74.1m
Debt securities	£15.0m	£123.0m	£55.9m	£78.5m	£10.3m	£282.7m
Money market funds	£53.6m	-	-	-	-	£53.6m
Loan funds	-	-	-	-	£6.4m	£6.4m
Total invested funds	£68.6m	£153.3m	£76.2m	£102.0m	£16.7m	£416.8m
Hedging derivative assets	-	-	£43.3m	£1.4m	-	£44.7m
Total financial assets	**£68.6m**	**£153.3m**	**£119.5m**	**£103.4m**	**£16.7m**	**£461.5m**

Solvency Capital

	6m to July 2018[1]	**12m to Jan 2018**
Undertaking-specific parameters		
Solvency Capital Requirement (SCR)	£71.2m	£79.9m
Available capital	£110.9m	£137.0m
Surplus	£39.7m	£57.1m
Coverage	*156%*	*171%*

Under Solvency II the Group had an SCR of £71.2m at 31 July 2018 (Jan 2018: £79.9m) and available capital was £110.9m (Jan 2018 £137.0m), giving a coverage ratio of 156% (Jan 2018: 171%).

Note

[1] The amounts shown for 6m to July 2018 are estimated and unaudited

Travel

	6m to July 2018				6m to July 2017 (restated)		
	Tour Operations	**Cruising**	**Total Travel**	***Growth***	**Tour Operations**	**Cruising**	**Total Travel**
Revenue	**£181.1m**	**£47.6m**	**£228.7m**	***(0.7%)***	**£185.5m**	**£44.9m**	**£230.4m**
Gross profit	**£35.3m**	**£12.5m**	**£47.8m**	***0.0%***	**£35.5m**	**£12.3m**	**£47.8m**
Marketing expenses	(£10.0m)	(£4.5m)	(£14.5m)	*(11.5%)*	(£9.4m)	(£3.6m)	(£13.0m)
Other operating expenses	(£18.2m)	(£3.2m)	(£21.4m)	*7.0%*	(£19.0m)	(£4.0m)	(£23.0m)
Investment return	£0.1m	-	£0.1m	*0.0%*	£0.1m	-	£0.1m
Underlying Profit Before Tax	**£7.2m**	**£4.8m**	**£12.0m**	***0.8%***	**£7.2m**	**£4.7m**	**£11.9m**
Number of holidays passengers	89k	n/a	89k	*(7.3%)*	96k	n/a	96k
Number of cruise passengers	n/a	14k	14k	*7.7%*	n/a	13k	13k
Number of cruise passenger days	n/a	167k	167k	*1.8%*	n/a	164k	164k

The Tour operations business generated a revenue of £181.1m (H1 2017: £185.5m) with lower departing passenger numbers of 89k (H1 2017: 96k). This was partially offset by an increase in spend per passenger due to a continued shift in product mix towards higher value long haul, river cruise and third party cruise products. As a result of the mix shift and improved cost control, the gross profit margin has improved from 19.1% to 19.5%. We have increased marketing spend within tour operating by £0.6m compared to H1 in the previous year to drive passenger bookings. Underlying Profit Before Tax from Tour Operations is in line with the prior period at £7.2m at an increased profit margin of 4.0% (H1 2017: 3.9%).

Saga Cruising delivered a 6.0% increase in revenue to £47.6m (H1 2017: £44.9m) reflecting an increase in passenger days of 3k with increased capacity. There were no scheduled maintenance days in the period compared with 19 days of maintenance on the Saga Pearl in the comparable period.

The Gross profit for Cruising was impacted by the treatment of hedging gains on fuel. Owing to the significant rise in the price of oil through December 2017 and January 2018, the year-end derivatives charge included a £1.6m mark-to-market benefit on undesignated fuel hedges related to the current financial year. Of this, £0.8m related to the first half of the year. This will not be an issue after this financial year with the introduction of IFRS9, which will enable improved matching of hedging contracts.

Underlying Profit Before Tax from the Cruising business was £4.8m (H1 2017: £4.7m). Increased marketing spend was partially offset by cost savings from operational efficiencies.

Trading to week ending 16 September 2018	**2018/19 departures**			**2019/20 departures**		
	2018/19	***Growth***	**2017/18**	**2018/19**	***Growth***	**2017/18**
Tour operating revenue £'m	342.3	*(0.2%)*	342.9	113.6	*(2.4%)*	116.4
Tour operating passengers	172.7	*(5.0%)*	181.7	48.1	*(5.9%)*	51.1
Cruise revenue £'m	87.6	*8.0%*	81.1	66.5	*26.7%*	52.5
Cruise passengers	25.8	*7.9%*	23.9	19.7	*37.8%*	14.3

Emerging Businesses and Central Costs

	6m to July 2018				6m to July 2017 (restated)		
	Emerging Businesses	**Central costs**	**Total**	***Growth***	**Emerging Businesses**	**Central costs**	**Total**
Revenue	**£15.6m**	**£0.6m**	**£16.2m**	***12.5%***	**£13.4m**	**£1.0m**	**£14.4m**
Profit before interest, tax & the IAS19R pension charge	£2.1m	(£10.8m)	(£8.7m)	*17.1%*	£0.5m	(£11.0m)	(£10.5m)
IAS19R pension charge	-	(£0.2m)	(£0.2m)	*92.3%*	-	(£2.6m)	(£2.6m)
Net finance costs	-	(£5.6m)	(£5.6m)	*11.1%*	-	(£6.3m)	(£6.3m)
Underlying Profit / (Loss) Before Tax	**£2.1m**	**(£16.6m)**	**(£14.5m)**	***25.3%***	**£0.5m**	**(£19.9m)**	**(£19.4m)**

Revenue from Emerging Businesses (which includes personal finance, healthcare services, retirement villages and the media businesses) increased by 16.4% to £15.6m (H1 2017: £13.4m) and delivered an improved profit of £2.1m (H1 2017: £0.5m).

Central Costs reduced slightly to £10.8m (H1 2017: £11.0m). There was a £2.4m reduction in the additional IAS19R pension charge following the completion of the triennial review of the Group's defined benefit pension scheme in the previous year that aligned the pension current service cost with the employer contributions being paid. This resulted in a reduced loss from Central Costs of £16.6m (H1 2017: £19.9m).

Condensed consolidated income statement for the period ended 31 July 2018

	Note	**Unaudited 6m to Jul 2018 £'m**	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
Revenue	3	430.6	438.0	860.3
Cost of sales	3	(198.8)	(199.6)	(412.8)
Gross profit		**231.8**	**238.4**	**447.5**
Administrative and selling expenses		(120.0)	(126.3)	(254.3)
Investment income		0.6	1.4	7.6
Finance costs		(5.6)	(8.1)	(19.1)
Finance income		2.2	0.7	1.5
Share of loss of joint ventures		-	(0.5)	(2.2)
Profit before tax from continuing operations		**109.0**	**105.6**	**181.0**
Tax expense	5	(21.1)	(20.0)	(33.9)
Profit for the period from continuing operations		**87.9**	**85.6**	**147.1**
Loss after tax for the year from discontinued operations		-	-	(7.6)
Profit for the year		**87.9**	**85.6**	**139.5**
Attributable to:				
Equity holders of the parent		**87.9**	**85.6**	**139.5**
Earnings per share:				
Basic	7	7.9p	7.7p	12.5p
Diluted	7	7.9p	7.6p	12.4p
Earnings per share for continuing operations:				
Basic	7	7.8p	7.7p	13.2p
Diluted	7	7.8p	7.6p	13.1p

Condensed consolidated statement of comprehensive income for the period ended 31 July 2018

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
Profit for the period	**87.9**	**85.6**	**139.5**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net gains/(losses) on hedging instruments during the period	17.5	9.5	(5.3)
Recycling of previous gains to income statement on matured hedges	(2.6)	(11.4)	(18.8)
Total net gain/(loss) on cash flow hedges	14.9	(1.9)	(24.1)
Associated tax effect	(2.5)	0.3	4.1
Net (losses)/gains on fair value financial assets	(1.3)	1.3	(0.3)
Recycling of previous gains to income statement on sale of fair value financial assets during the year	-	-	(4.4)
Total net (losses)/gains on fair value financial assets	(1.3)	1.3	(4.7)
Associated tax effect	0.2	(0.2)	0.8
Total other comprehensive gains/(losses) with recycling to income statement	11.3	(0.5)	(23.9)
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement gains on defined benefit plans	9.3	5.8	10.2
Tax effect	(1.6)	(1.0)	(1.7)
Total other comprehensive gains without recycling to income statement	**7.7**	**4.8**	**8.5**
Total other comprehensive income/(losses)	**19.0**	**4.3**	**(15.4)**
Total comprehensive income for the period	**106.9**	**89.9**	**124.1**
Attributable to:			
Equity holders of the parent	**106.9**	**89.9**	**124.1**

Condensed consolidated statement of financial position as at 31 July 2018

Assets	Note	**Unaudited As at Jul 2018 £'m**	Unaudited As at Jul 2017 (restated) £'m	As at Jan 2018 (restated) £'m
Goodwill	9	1,485.0	1,485.0	1,485.0
Intangible assets	10	60.7	58.3	61.2
Retirement benefit scheme surplus	14	4.6	-	-
Property, plant and equipment	11	175.7	142.0	163.4
Financial assets	12	461.5	551.8	513.5
Deferred tax assets		12.3	14.1	13.7
Reinsurance assets	15	99.3	98.0	100.2
Inventories		5.7	5.6	5.8
Trade and other receivables		229.4	212.1	216.2
Assets held for sale		6.8	-	6.8
Cash and short-term deposits	13	120.3	144.5	83.2
Total assets		**2,661.3**	**2,711.4**	**2,649.0**
Liabilities				
Retirement benefit scheme obligations	14	-	8.6	7.0
Gross insurance contract liabilities	15	536.5	600.5	581.4
Provisions		3.4	0.5	4.7
Financial liabilities	12	458.2	487.6	468.5
Current tax liabilities		20.9	18.6	15.2
Deferred tax liabilities		18.3	22.6	17.2
Other liabilities		175.3	171.1	142.9
Trade and other payables		180.6	177.6	185.3
Total liabilities		**1,393.2**	**1,487.1**	**1,422.2**
Equity				
Issued capital		11.2	11.2	11.2
Share premium		519.3	519.3	519.3
Retained earnings		695.0	640.7	666.1
Share-based payment reserve		12.5	10.9	11.4
Fair value reserve		(1.8)	4.3	(0.7)
Hedging reserve		31.9	37.9	19.5
Total equity		**1,268.1**	**1,224.3**	**1,226.8**
Total liabilities and equity		**2,661.3**	**2,711.4**	**2,649.0**

Condensed consolidated statement of changes in equity for the period ended 31 July 2018

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total equity £'m
Unaudited							
At 1 February 2018 (as reported)	**11.2**	**519.3**	**662.8**	**11.4**	**(0.6)**	**19.4**	**1,223.5**
Effect of adoption IFRS 9 and 15	-	-	3.3	-	(0.1)	0.1	3.3
At 1 February 2018 (restated)	**11.2**	**519.3**	**666.1**	**11.4**	**(0.7)**	**19.5**	**1,226.8**
Profit for the period	-	-	87.9	-	-	-	87.9
Other comprehensive income/(losses) excluding recycling	-	-	7.7	-	(1.1)	14.5	21.1
Recycling of previous gains to income statement	-	-	-	-	-	(2.1)	(2.1)
Total comprehensive income	-	-	95.6	-	(1.1)	12.4	106.9
Dividends paid	-	-	(67.3)	-	-	-	(67.3)
Share-based payment charge	-	-	-	2.3	-	-	2.3
Exercise of share options	-	-	0.6	(1.2)	-	-	(0.6)
At 31 July 2018	**11.2**	**519.3**	**695.0**	**12.5**	**(1.8)**	**31.9**	**1,268.1**

	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total equity £'m
Unaudited							
At 1 February 2017 (as reported)	**11.2**	**519.3**	**607.8**	**15.6**	**3.3**	**38.0**	**1,195.2**
Effect of adoption IFRS 9 and 15	-	-	1.3	-	(0.1)	1.5	2.7
At 1 February 2017(restated)	**11.2**	**519.3**	**609.1**	**15.6**	**3.2**	**39.5**	**1,197.9**
Profit for the period (restated)	-	-	85.6	-	-	-	85.6
Other comprehensive income/(losses) excluding recycling (restated)	-	-	4.8	-	1.1	7.8	13.7
Recycling of previous gains to income statement	-	-	-	-	-	(9.4)	(9.4)
Total comprehensive income/(losses) (restated)	-	-	90.4	-	1.1	(1.6)	89.9
Dividends paid	-	-	(64.9)	-	-	-	(64.9)
Share-based payment transactions	-	-	-	2.1	-	-	2.1
Exercise of share options	-	-	6.1	(6.8)	-	-	(0.7)
At 31 July 2017 (restated)	**11.2**	**519.3**	**640.7**	**10.9**	**4.3**	**37.9**	**1,224.3**

	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total equity £'m
At 1 February 2017 (as reported)	**11.2**	**519.3**	**607.8**	**15.6**	**3.3**	**38.0**	**1,195.2**
Effect of adoption IFRS 9 and 15	-	-	1.3	-	(0.1)	1.5	2.7
At 1 February 2017 (restated)	**11.2**	**519.3**	**609.1**	**15.6**	**3.2**	**39.5**	**1,197.9**
Profit for the year (restated)	-	-	139.5	-	-	-	139.5
Other comprehensive income/(losses) excluding recycling (restated)	-	-	8.5	-	(0.3)	(4.4)	3.8
Recycling of previous gains to income statement	-	-	-	-	(3.6)	(15.6)	(19.2)
Total comprehensive income/(losses) (restated)	-	-	148.0	-	(3.9)	(20.0)	124.1
Dividends paid	-	-	(98.5)	-	-	-	(98.5)
Share-based payment transactions	-	-	-	4.0	-	-	4.0
Exercise of share options	-	-	7.5	(8.2)	-	-	(0.7)
At 31 January 2018 (restated)	**11.2**	**519.3**	**666.1**	**11.4**	**(0.7)**	**19.5**	**1,226.8**

Condensed consolidated statement of cash flows for the period ended 31 July 2018

	Note	**Unaudited 6m to Jul 2018 £'m**	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
Profit before tax from continuing operations		109.0	105.6	180.8
Loss before tax from discontinued operations		-	-	(7.8)
Profit before tax		109.0	105.6	173.0
Depreciation, impairment and loss on disposal of property, plant and equipment		9.4	10.2	20.0
Amortisation and impairment of intangible assets		10.3	9.1	18.5
Share-based payment transactions		2.2	1.2	3.0
Accelerated amortisation of debt issue costs		-	4.3	4.3
Impairment of investment in joint venture		-	1.9	1.9
Impairment of financial assets		-	-	6.6
Finance costs		5.6	8.1	14.9
Finance income		(2.2)	(0.7)	(1.5)
Share of loss of joint ventures		-	0.5	0.5
Interest income from investments		(0.5)	(1.4)	(7.7)
Movements in other assets and liabilities		(29.2)	(24.1)	(62.0)
		104.6	114.7	171.5
Interest received		0.5	1.3	7.4
Interest paid		(6.5)	(4.3)	(10.9)
Income tax paid		(16.9)	(14.9)	(32.8)
Net cash flows from operating activities		**81.7**	**96.8**	**135.2**
Investing activities				
Proceeds from sale of property, plant and equipment		0.1	0.4	0.4
Purchase of property, plant and equipment and intangible assets		(30.1)	(32.9)	(82.5)
Net (purchase)/disposal of financial assets		(44.3)	61.4	93.1
Investment in joint venture		-	(1.0)	(1.0)
Net cash flows (used in)/from investing activities		**(74.3)**	**27.9**	**10.0**
Financing activities				
Proceeds from exercise of share options		-	0.2	0.3
Payment of finance lease liabilities		(0.8)	(0.3)	(1.1)
Proceeds from borrowings	16	20.0	480.0	485.0
Repayment of borrowings	16	(15.0)	(480.0)	(520.0)
Debt issue costs		-	(5.1)	(5.1)
Dividends paid		(67.3)	(65.1)	(98.8)
Net cash flows used in financing activities		**(63.1)**	**(70.3)**	**(139.7)**
Net (decrease)/increase in cash and cash		**(55.7)**	**54.4**	**5.5**
Net foreign exchange differences		-	-	-
Cash and cash equivalents at the start of the period		227.0	221.5	221.5
Cash and cash equivalents at the end of the period	**13**	**171.3**	**275.9**	**227.0**

Notes to the condensed consolidated interim financial statements

1 Corporate information

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

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2018 were authorised for issue in accordance with a resolution of the Directors on 26 September 2018.

2.1 Basis of preparation

These condensed financial statements comprise the interim financial statements of the Group for the six month period to 31 July 2018.

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

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3 and 2.4. The Group has applied all IFRS standards and interpretations adopted and endorsed by the EU effective for the period ending 31 January 2019. The condensed consolidated interim financial statements have been reviewed by KPMG LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006. Statutory financial statements for the year ended 31 January 2018 have been delivered to the Registrar of Companies. The auditor's report on those financial statements:

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

2.2 Basis of consolidation

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

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies

The condensed set of interim financial statements for the period ended 31 July 2018 have been prepared applying the same accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 January 2018, except for changes required as a result of the transition to two new accounting standards, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers for the first time in the year ended 31 January 2019. The Group applied IFRS 15 retrospectively and the details of the new accounting policies for revenue recognition and cost recognition are disclosed below, with note references corresponding to the financial statements for the year ended 31 January 2018:

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 as and when each performance obligation inherent in contracts with customers is satisfied. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Insurance

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 as 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 in line with the performance obligations. A proportion of the insurance premium received, and all of the arrangement fee is recognised on inception of the policy when the obligation to arrange insurance for the customer has been satisfied. The remaining proportion of revenue is deferred until the Group's post placement obligations have been satisfied, namely claims handling services. The portion of insurance premiums received for risks which are not underwritten by the Group that is passed to a third party insurer is not recognised in the income statement.

Insurance premiums and sales revenues received in advance of the inception date of a policy are treated as 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 that 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 premiums over the life of their policy is treated as part of the revenue from insurance operations and recognised over the period of the policy in proportion to the outstanding premium balance.

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

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

i) Insurance (continued)

For credit hire and repair revenue the Group initially recognises the associated financial asset at fair value, based on a historical assessment of debt recovery, including any discounts offered retrospectively. Credit hire revenue is recognised from the date a vehicle is placed on hire equally over the duration of the hire. Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed. Late payment penalties afforded under the terms of the ABI GTA are recognised as they become payable by the insurance company.

ii) Travel

Revenue from tour operations and cruise holidays where the Group does not operate the cruise ship is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied.

Revenue in respect of cruise holidays where the Group operates the cruise ship is also recognised in line with the performance obligations being the cruise itself, flights (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to each of flights (where applicable), travel insurance and transfers is recognised as and when each performance obligation is satisfied.

An element of revenue which represents the non-refundable deposit received at the time of booking is recognised in the income statement immediately in line with the prevailing rate of cancellation.

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

Revenue from all tour operations and cruising holidays received in advance of when each performance obligation is satisfied 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, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product.

There are no significant changes to each of the Healthcare, Magazine subscriptions, Retirement Villages and Sale of goods accounting policies.

2.3 Summary of significant accounting policies (continued)

b. Cost recognition

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 receivables in the statement of financial position.

Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites are recognised as an asset on the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporate the propensity for that contract to renew for several years into the future based on the prevailing rate of renewal for these types of contract. If the expected amortisation period is one year or less, then incremental costs are expensed when incurred.

There are no other significant changes to accounting policies for Cost recognition under IFRS 15.

See note 19 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 15.

l. Financial Instruments

The Group has adopted IFRS 9 Financial Instruments for the first time for the year ended 31 January 2019. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. As such, the Group has changed its accounting policy and applied it retrospectively, for financial instruments as detailed below.

i) Financial Assets

On initial recognition, a financial asset is classified as either amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial Assets at Amortised Cost
Initial Recognition

A financial asset is measured at amortised cost if it meets both of the following conditions and is not elected to be designated as a FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent Measurement

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies (continued)

I. Financial Instruments (continued)

i) Financial assets (continued)

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
Initial Recognition

A debt investment is measured at FVOCI if it meets both of the following conditions and is not elected to be designated as FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Subsequent Measurement

Debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss.

Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Assets at Fair Value through Profit and Loss (FVTPL)
Initial Recognition

All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This election is made on an investment by investment basis.

A financial asset is initially measured at fair value less, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship.

Derecognition

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

2.3 Summary of significant accounting policies (continued)

I. Financial Instruments (continued)

ii) Impairment of financial assets

The IFRS 9 expected credit loss (ECL) impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from probable default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to 12-month ECLs, except for the following, which are measured as lifetime ECLs:
- Debt securities that are determined to have high credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables at an amount equal to 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Group considers this to be BBB or higher as per Standard & Poor's rating scale.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. ECLs are recognised as a reduction in carrying value of financial assets in the statement of financial position with a corresponding charge to the income statement or statement of other comprehensive income, in line with the recognition criteria of the underlying asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. In such an event, the lifetime ECL will be recognised in lieu of the 12-month ECL.

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies (continued)

I. Financial Instruments (continued)

iii) Financial liabilities
Initial recognition and measurement

Financial liabilities are classified as financial liabilities at FVTPL, amortised cost 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.

Subsequent measurement
Financial liabilities at amortised cost

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate (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.

iv) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as hedges are initially recognised in other comprehensive income until maturity when any gain or loss is 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.

2.3 Summary of significant accounting policies (continued)

I. Financial Instruments (continued)

v) Fair Values

The Group measures financial instruments, such as derivatives and financial instruments not designated as a hedge classified as FVOCI 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.

vi) Hedge accounting

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

The Group has elected to adopt the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts and commodity swap contracts to hedge the variability in cash flows arising from changes in foreign currency rates and oil prices. For foreign exchange contracts, the Group designates the fair value change of the full forward price as the hedging instrument in cash flow hedging relationships. For commodity hedging, the Group designates the fair value change of the benchmark price. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

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

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies (continued)

I. Financial Instruments (continued)

See note 19 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 9.

Full details of all other accounting policies of the Group can be found in the annual report and accounts for the year ended 31 January 2018 available at www.corporate.saga.co.uk.

2.4 Standards issued but not yet effective

Standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2018 continue to be not yet effective or not adopted by the Group at 31 July 2018 and can be found in the annual report and accounts for the year ended 31 January 2018 available at www.corporate.saga.co.uk with the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments which have been implemented from the beginning of the financial period.

The transition to IFRS 15 has increased profit after tax by £0.5m for the period ended 31 July 2017 and £0.4m for the year ended 31 January 2018. Net assets have increased by £3.9m as at 31 July 2017 and by £3.8m as at 31 January 2018.

The transition to IFRS 9 has increased profit after tax by £1.7m for the period ended 31 July 2017 and by £1.6m for the year ended 31 January 2018. Net assets have decreased by £0.6m as at 31 July 2017 and by £0.5m as at 31 January 2018.

Refer to note 19 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 9 and IFRS 15.

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the annual report and accounts for the year ended 31 January 2018 available at www.corporate.saga.co.uk. There have been no changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period.

2.6 Going concern

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

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

Notes to the condensed consolidated financial statements (continued)

3 Segmental information

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

- *Insurance*: primarily comprising general insurance products, further analysed into four sub-segments:
  - Motor Broking
  - Home Broking
  - Other Insurance Broking
  - Underwriting

- *Travel*: primarily comprising the operation and delivery of package tours and cruise holiday products

- *Emerging Businesses and Central Costs*: comprises the Group's other businesses and its central cost base. The other businesses include the financial services product offering including the wealth management joint venture, the domiciliary care services offering, the retirement villages offering, a monthly subscription magazine product and the Group's internal mailing house.

Seasonality

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

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

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

When the seasonalities of the various segments are considered in aggregate, the resultant half yearly Underlying Profit Before Tax is broadly consistent with half of the full year result.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2018	Insurance: Motor Broking £m	Insurance: Home Broking £m	Insurance: Other Insurance Broking £m	Insurance: Under-writing £m	Insurance: Total £m	Travel £m	Emerging Businesses & Central Costs £m	Adjust-ments £m	Total £m
Revenue	**59.8**	**38.7**	**39.6**	**47.6**	**185.7**	**228.7**	**19.6**	**(3.4)**	**430.6**
Cost of sales	(1.1)	-	(5.1)	(3.4)	(9.6)	(180.9)	(8.3)	-	(198.8)
Gross profit	**58.7**	**38.7**	**34.5**	**44.2**	**176.1**	**47.8**	**11.3**	**(3.4)**	**231.8**
Administrative and selling expenses	(37.9)	(14.1)	(16.2)	(1.0)	(69.2)	(35.9)	(18.3)	3.4	(120.0)
Investment income	-	-	-	2.4	2.4	0.1	(1.9)	-	0.6
Finance costs	-	-	-	-	-	-	(5.6)	-	(5.6)
Finance income	-	-	-	-	-	-	-	-	-
Share of loss of joint venture	-	-	-	-	-	-	-	-	-
Underlying Profit Before Tax	**20.8**	**24.6**	**18.3**	**45.6**	**109.3**	**12.0**	**(14.5)**	**-**	**106.8**
Net fair value gain on derivative financial instruments	-	-	-	-	-	2.2	-	-	2.2
Profit before tax	**20.8**	**24.6**	**18.3**	**45.6**	**109.3**	**14.2**	**(14.5)**	**-**	**109.0**

Unaudited 6m to Jul 2017 (restated)	Insurance: Motor Broking £m	Insurance: Home Broking £m	Insurance: Other Insurance Broking £m	Insurance: Under-writing £m	Insurance: Total £m	Travel £m	Emerging Businesses & Central Costs £m	Adjust-ments £m	Total £m
Revenue	**62.7**	**42.5**	**40.0**	**48.0**	**193.2**	**230.4**	**17.8**	**(3.4)**	**438.0**
Cost of sales	(1.7)	-	(5.6)	(2.7)	(10.0)	(182.6)	(7.0)	-	(199.6)
Gross profit	**61.0**	**42.5**	**34.4**	**45.3**	**183.2**	**47.8**	**10.8**	**(3.4)**	**238.4**
Administrative and selling expenses	(35.1)	(14.1)	(17.3)	(1.2)	(67.7)	(36.0)	(21.7)	3.4	(122.0)
Investment income	-	-	-	2.9	2.9	0.1	(1.6)	-	1.4
Finance costs	-	-	-	-	-	-	(7.1)	-	(7.1)
Finance income	-	-	-	-	-	-	0.7	-	0.7
Share of loss of joint venture	-	-	-	-	-	-	(0.5)	-	(0.5)
Underlying Profit Before Tax	**25.9**	**28.4**	**17.1**	**47.0**	**118.4**	**11.9**	**(19.4)**	**-**	**110.9**
Net fair value loss on derivative financial instruments	-	-	-	-	-	(1.0)	-	-	(1.0)
Accelerated amortisation of debt issue costs	-	-	-	-	-	-	(4.3)	-	(4.3)
Profit before tax	**25.9**	**28.4**	**17.1**	**47.0**	**118.4**	**10.9**	**(23.7)**	**-**	**105.6**

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

12m to Jan 2018 (restated)	Insurance								
	Motor broking £m	Home broking £m	Other insurance broking £m	Under-writing £m	Total £m	Travel £m	Emerging Businesses & Central Costs £m	Adjust-ments £m	Total £m
Revenue	**121.4**	**85.0**	**76.5**	**99.0**	**381.9**	**448.8**	**36.4**	**(6.8)**	**860.3**
Cost of sales	(2.5)	-	(11.9)	(28.0)	(42.4)	(355.9)	(14.5)	-	(412.8)
Gross Profit	**118.9**	**85.0**	**64.6**	**71.0**	**339.5**	**92.9**	**21.9**	**(6.8)**	**447.5**
Administrative and selling expenses	(76.0)	(28.7)	(33.1)	(2.3)	(140.1)	(72.4)	(43.8)	6.8	(249.5)
Investment income	-	-	-	10.6	10.6	0.2	(3.2)	-	7.6
Finance costs	-	-	-	-	-	-	(14.2)	-	(14.2)
Finance income	-	-	-	-	-	-	1.5	-	1.5
Share of loss of joint venture	-	-	-	-	-	-	(2.2)	-	(2.2)
Underlying Profit Before Tax	**42.9**	**56.3**	**31.5**	**79.3**	**210.0**	**20.7**	**(40.0)**	**-**	**190.7**
Net fair value loss on derivative financial instruments	-	-	-	-	-	(0.6)	-	-	(0.6)
Accelerated amortisation of debt issue costs	-	-	-	-	-	-	(4.3)	-	(4.3)
Restructuring costs	-	-	-	-	-	-	(4.8)	-	(4.8)
Profit before tax from continuing operations	**42.9**	**56.3**	**31.5**	**79.3**	**210.0**	**20.1**	**(49.1)**	**-**	**181.0**

Revenue is generated solely in the UK.

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

Notes to the condensed consolidated financial statements (continued)

3a Analysis of Insurance revenue

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
Gross earned premiums on insurance underwritten by the Group	123.2	137.8	259.6
Less: ceded to reinsurers	(68.7)	(69.4)	(139.9)
Net earned premiums on insurance underwritten by the Group			
- Motor broking	11.3	20.7	30.4
- Home broking	-	4.6	3.6
- Other insurance broking	0.8	0.7	1.5
- Underwriting	42.4	42.4	84.2
	54.5	68.4	119.7
Other income from insurance products	131.2	124.8	262.2
	185.7	193.2	381.9

3b Analysis of Insurance cost of sales

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 £'m	12m to Jan 2018 (restated) £'m
Gross claims incurred on insurance underwritten by the Group	63.5	65.6	156.1
Less: ceded to reinsurers	(59.8)	(61.8)	(127.1)
Net claims incurred on insurance underwritten by the Group			
- Motor broking	1.1	1.7	2.5
- Underwriting	2.6	2.1	26.5
	3.7	3.8	29.0
Other cost of sales	5.9	6.2	13.4
	9.6	10.0	42.4

Notes to the condensed consolidated financial statements (continued)

4 Non-trading items

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 £'m	12m to Jan 2018 £'m
Share-based payment costs (note 17)	0.1	0.2	0.3
Flotation and other costs	-	0.1	-
Redundancy costs	0.8	0.7	1.4
Non–trading items included within Administrative and Selling expenses	0.9	1.0	1.7
Impairment of joint venture	-	1.2	1.7
Total non-trading items	0.9	2.2	3.4

Non-trading items represent one-off or extraneous costs or revenues that are related to the primary trading activities of the Group. These items are reported separately to enable the user of the accounts to understand these items in more detail. Further detail on each category of item is provided as follows:

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.

Redundancy 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.

Impairment of joint venture represents the write-down of the carrying value of the Group's joint venture, Saga Investment Services Limited, following the decision to replace the current legal structure with a new, more cost-efficient structure.

Notes to the condensed consolidated financial statements (continued)

5 Tax

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
Current income tax			
Current income tax charge	22.1	19.1	34.3
Adjustments in respect of previous years	0.4	(0.6)	(1.0)
	22.5	18.5	33.3
Deferred tax			
Origination and reversal of temporary differences	(1.4)	1.5	0.6
Effect of change in tax rate on opening balance	-	-	-
Tax expense in the income statement	21.1	20.0	33.9

Reconciliation of net deferred tax (liabilities)/assets:

	Unaudited 6m to Jul 2018 £'m	Unaudited 6m to Jul 2017 (restated) £'m	12m to Jan 2018 (restated) £'m
At 1 February	(3.5)	(6.1)	(6.1)
Tax charge in the income statement	1.4	(1.5)	(0.6)
Tax charge in other comprehensive income	(3.9)	(0.9)	3.2
At the end of the period	(6.0)	(8.5)	(3.5)

For further detail on the tax impact of IFRS 15 and IFRS 9, see note 19.

Measures were enacted in the Finance Act 2015 to reduce the corporation tax 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 (July 2017: £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 (July 2017: £0.7m).

6 Dividends

The Company paid an ordinary dividend of 6.0p per share during the period. The total dividend paid was £67.2m (July 2017: £64.8m).

7 Earnings per share

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

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

The calculation of basic and diluted EPS is as follows:

	Unaudited 6m to Jul 2018	Unaudited 6m to Jul 2017 (restated)	12m to Jan 2018 (restated)
	£'m	£'m	£'m
Profit attributable to ordinary equity holders	87.9	85.6	139.5
Profit from continuing operations	87.9	85.6	147.1
Weighted average number of ordinary shares	'm	'm	'm
Shares in issue at 1 February	1,118.1	1,114.0	1,114.0
IPO share options exercised	-	2.8	3.1
LTIP share options exercised	0.5	0.4	0.9
Deferred bonus plan options exercised	0.1	-	-
Other share options exercised	-	0.1	0.1
Weighted average number for Basic EPS	1,118.7	1,117.3	1,118.1
Dilutive options			
IPO share options not yet exercised	0.4	0.6	0.4
Other share options not yet vested	-	0.1	-
LTIP share options not yet vested	4.8	4.9	4.7
Deferred bonus plan share options not yet vested	0.3	0.3	0.4
Free shares options not yet vested	0.1	-	-
Weighted average number for Diluted EPS	1,124.3	1,123.2	1,123.6
Basic EPS	**7.9p**	**7.7p**	12.5p
Basic EPS for continuing operations	**7.9p**	**7.7p**	13.2p
Diluted EPS	**7.8p**	**7.6p**	12.4p
Diluted EPS for continuing operations	**7.8p**	**7.6p**	13.1p

8 Acquisitions

The Group made no acquisitions during the six month period ended 31 July 2018 or six month period ended 31 July 2017.

9 Goodwill

The net book value of goodwill is £1,485.0m (July 2017: £1,485.0m).

The Group has tested all goodwill for impairment at 31 July 2018. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value. No impairment of goodwill has been recognised following the impairment test.

10 Intangible fixed assets

During the period, the Group capitalised £9.8m (July 2017: £13.6m) of software assets and charged £10.3m of amortisation to its intangible assets (July 2017: £9.1m).

The Group has performed a review for indicators of impairment of the acquired contracts, brands and customer relationships at 31 July 2018, and concluded that no indicators of impairment exist at that date.

11 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £21.7m (July 2017: £21.3m).

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase Spirit of Discovery for delivery in July 2019, with an option to purchase a second similar cruise ship for delivery in 2021. On 24 April 2017, the Group signed an agreement with the shipyard to bring forward the delivery date by one month to June 2019. On 20 September 2017, the Saga plc Board approved the purchase of the second cruise ship, Spirit of Adventure, with an earlier delivery date of August 2020, and the Group exercised the option in December 2017.

Four stage payments for Spirit of Discovery were made between February 2016 and July 2018. 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.

The first stage payment for Spirit of Adventure was made in December 2017. 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 20 September 2017.

As at 31 July 2018, capital amounts contracted for but not provided in the financial statements in respect of the ships amounted to £562.8m (July 2017: £266.9m).

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2018 £'m**	Unaudited As at Jul 2017 (restated) £'m	As at Jan 2018 (restated) £'m
Fair value through profit or loss				
Foreign exchange forward contracts		0.5	0.7	0.1
Fuel oil swaps		1.9	0.8	1.8
Loan funds		6.4	6.5	6.4
Money market funds	13	53.6	135.6	153.2
Unlisted equity shares		-	1.7	1.7
Loan notes		-	5.9	-
Hedge funds		-	21.1	7.5
Equities		-	-	31.4
		62.4	**172.3**	**202.1**
Fair value through other comprehensive income				
Foreign exchange forward contracts		39.8	48.8	35.2
Fuel oil swaps		2.5	0.6	1.3
Debt securities		282.7	78.3	159.4
		325.0	**127.7**	**195.9**
Amortised cost				
Deposits with financial institutions		74.1	251.8	115.5
		74.1	**251.8**	**115.5**
Total financial assets		**461.5**	**551.8**	**513.5**
Current		409.0	307.9	229.4
Non-current		52.5	243.9	284.1
		461.5	**551.8**	**513.5**

The Group's financial assets are analysed by Moody's rating on page 16 of the Chief Financial Officer's Review.

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	Note	**Unaudited As at Jul 2018 £'m**	Unaudited As at Jul 2017 (restated) £'m	As at Jan 2018 (restated) £'m
Fair value through profit or loss				
Foreign exchange forward contracts		0.1	0.6	1.0
Fuel oil swaps		-	0.1	0.1
		0.1	**0.7**	**1.1**
Fair value through other comprehensive income				
Foreign exchange forward contracts		3.2	1.4	11.4
Fuel oil swaps		-	-	0.2
		3.2	**1.4**	**11.6**
Amortised cost				
Bank loans	16	448.6	477.4	443.0
Finance leases and hire purchase obligations		3.7	3.9	3.4
Bank overdrafts	13	2.6	4.2	9.4
		454.9	**485.5**	**455.8**
Total financial liabilities		**458.2**	**487.6**	**468.5**
Current		8.0	9.1	34.8
Non-current		450.2	478.5	433.7
		458.2	**487.6**	**468.5**

c) Fair value hierarchy

	Unaudited As at Jul 18				Unaudited As at Jul 17 (restated)			
	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	-	40.3	-	**40.3**	-	49.5	-	**49.5**
Fuel oil swaps	-	4.4	-	**4.4**	-	1.4	-	**1.4**
Loan funds	6.4	-	-	**6.4**	6.5	-	-	**6.5**
Hedge funds	-	-	-	**-**	21.1	-	-	**21.1**
Debt securities	282.7	-	-	**282.7**	78.3	-	-	**78.3**
Money market funds	-	53.6	-	**53.6**	-	135.6	-	**135.6**
Unlisted equity shares	-	-	-	**-**	-	-	1.7	**1.7**
Loan notes	-	-	-	**-**	-	-	5.9	**5.9**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	3.3	-	**3.3**	-	2.0	-	**2.0**
Fuel oil swaps	-	-	-	**-**	-	0.1	-	**0.1**
Assets for which fair values are disclosed								
Deposits with institutions	-	74.1	-	**74.1**	-	251.8	-	**251.8**
Liabilities for which fair values are disclosed								
Bank loans	-	448.6	-	**448.6**	-	477.4	-	**477.4**
Finance leases and hire purchase obligations	-	3.7	-	**3.7**	-	3.9	-	**3.9**
Bank overdrafts	-	2.6	-	**2.6**	-	4.2	-	**4.2**

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy (continued)

	As at Jan 18 (restated)			
	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value				
Foreign exchange forwards	-	35.3	-	**35.3**
Fuel oil swaps	-	3.1	-	**3.1**
Loan funds	6.4	-	-	**6.4**
Equities	31.4	-	-	**31.4**
Hedge funds	7.5	-	-	**7.5**
Debt securities	159.4	-	-	**159.4**
Money market funds	153.2	-	-	**153.2**
Unlisted equity shares	-	-	1.7	**1.7**
Financial liabilities measured at fair value				
Foreign exchange forwards	-	12.4	-	**12.4**
Fuel oil swaps	-	0.3	-	**0.3**
Assets for which fair values are disclosed				
Deposits with institutions	-	115.5	-	**115.5**
Liabilities for which fair values are disclosed				
Bank loans	-	443.0	-	**443.0**
Finance leases and hire purchase obligations	-	3.4	-	**3.4**
Bank overdrafts	-	9.4	-	**9.4**

d) Other information

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 255 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods, and designated no fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2018, the Group has designated 707 forward currency contracts and 99 fuel oil swaps as hedges.

During the period, the Group recognised net gains of £9.8m on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net gains of £6.9m through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of a new ship. The overall net gains of £16.7m are supplemented by a net £0.8m gain on forecast transactions recognised in the financial statements. The Group recognised a £0.2m loss through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the period as a result of cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. During the period, the Group recognised a £2.6m 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.

Notes to the condensed consolidated financial statements (continued)

13 Cash and cash equivalents

	Unaudited As at Jul 2018 £'m	Unaudited As at Jul 2017 £'m	As at Jan 2018 £'m
Cash at bank and in hand	65.5	59.3	33.4
Short term deposits	54.8	85.2	49.8
Cash and short term deposits	120.3	144.5	83.2
Money markets funds (note 12a)	53.6	135.6	153.2
Bank overdraft (note 12b)	(2.6)	(4.2)	(9.4)
Cash and cash equivalents in the cash flow statement	171.3	275.9	227.0

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 £151.0m (July 2017: £256.3m). Available cash excludes these amounts and any amounts held by disposal groups.

14 Retirement benefit schemes

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

	Unaudited As at Jul 2018 £'m	Unaudited As at Jul 2017 £'m	As at Jan 2018 £'m
Fair value of scheme assets	314.5	291.3	307.3
Present value of defined benefit obligation	(309.9)	(299.9)	(314.3)
Defined benefit scheme surplus/(liability)	4.6	(8.6)	(7.0)

The present values of the defined benefit obligation at 31 January 2018, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2018 have been estimated by rolling forward from 31 January 2018, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2018, the net liability of the Saga Scheme has improved by £11.6m to a total scheme asset of £4.6m.

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2018 £'m	Unaudited As at Jul 2017 (restated) £'m	As at Jan 18 (restated) £'m
Gross			
Claims outstanding	430.4	480.1	466.4
Provision for unearned premiums	106.1	120.4	115.0
Total gross liabilities	536.5	600.5	581.4
Recoverable from reinsurers			
Claims outstanding	95.2	95.3	94.0
Provision for unearned reinsurance premiums	4.1	2.7	6.2
Total reinsurers' share of insurance liabilities (as presented on the face of the condensed statement financial position)	99.3	98.0	100.2
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	115.9	76.5	100.2
Provision for unearned premiums	62.7	65.6	63.2
Total reinsurers' share of insurance liabilities after funds withheld quota share	277.9	240.1	263.6
Net			
Claims outstanding	335.2	384.8	372.4
Provision for unearned premiums	102.0	117.7	108.8
Total net insurance liabilities	437.2	502.5	481.2
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	(115.9)	(76.5)	(100.2)
Provision for unearned premiums	(62.7)	(65.6)	(63.2)
Total net insurance liabilities after funds withheld quota share	258.6	360.4	317.8

The total loss on purchasing reinsurance recognised during the period was £4.1m (July 2017: £12.8m).

Notes to the condensed consolidated financial statements (continued)

16 Loans and borrowings

	Unaudited As at Jul 2018	Unaudited As at Jul 2017	As at Jan 2018
	£'m	£'m	£'m
Bond	250.0	250.0	250.0
Bank loans	170.0	200.0	180.0
Revolving credit facility	30.0	30.0	15.0
Accrued interest payable	2.2	2.2	2.2
	452.2	482.2	447.2
Less: deferred issue costs	(3.6)	(4.8)	(4.2)
	448.6	477.4	443.0

On 12 May 2017, the Group refinanced its existing bank facilities with the launch of a debut £250.0m seven-year senior unsecured bond, a £200.0m five-year term loan facility and a £100.0m five-year revolving credit facility with an option to extend the term by two years. The Bond was issued on 12 May 2017 on the Irish Stock Exchange.

At 31 July 2018, the Group had drawn £30.0m of its £100.0m revolving credit facility.

Interest on the bond is incurred at an annual interest rate of 3.375%. Interest on the term loan and revolving credit facility is incurred at a variable rate of LIBOR plus between 1% and 2.2%, which is linked to and dependent on the Group's leverage ratio.

During the period the Group charged £5.4m (July 2017: £6.6m) to the income statement in respect of fees and interest associated with the bonds, term loan and revolving credit facility. In addition, finance costs recognised in the income statement includes £0.2m (July 2017: £0.5m) relating to interest on finance lease liabilities, net finance expense on pension schemes and other interest costs. The Group recognised £2.2m of net fair value gains on derivatives (July 2017: £1.0m losses).

17 Share-based payments

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

a) On 1 May 2018, options over 4,314,573 shares were issued under the Long-Term Incentive Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date and are 30% linked to ROCE performance, 30% linked to Organic EPS performance and 40% linked to TSR performance;

b) On 11 July 2018, 700,815 shares were awarded to eligible staff on the 4th anniversary of the IPO and allocated at £nil cost; these shares become beneficially owned over a three-year period from allocation subject to continuing service.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £2.3m during the period (July 2017: £2.1m) to the income statement in respect of equity-settled share-based payment transactions. Of this, £0.1m (July 2017: £0.2m) is included within non-trading items (note 4), which represents the share based payment charge on options awarded at the IPO that are still vesting.

18 Related party transactions

Related party transactions during the six months ended 31 July 2018 were consistent in nature, scope and quantum with those disclosed in the Group's annual report and accounts for the year ended 31 January 2018 available at www.corporate.saga.co.uk.

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9

	As reported 31 Jul 2017	IFRS 9/15 adjustment			As restated 31 July 2017
		Insurance	Travel	EB&CC	
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Revenue	435.4	0.4	2.2	-	438.0
Cost of sales	(197.4)	-	(2.2)	-	(199.6)
Gross profit	**238.0**	**0.4**	**-**	**-**	**238.4**
Administrative and selling expenses	(126.5)	0.2	-	-	(126.3)
Investment income	1.3	0.1	-	-	1.4
Finance costs	(10.0)	-	1.9	-	(8.1)
Finance income	0.7	-	-	-	0.7
Share of loss of joint ventures	(0.5)	-	-	-	(0.5)
Profit before tax	**103.0**	**0.7**	**1.9**	**-**	**105.6**
Tax expense	(19.6)	(0.1)	(0.3)	-	(20.0)
Profit for the period	**83.4**	**0.6**	**1.6**	**-**	**85.6**
Attributable to:					
Equity holders of the parent	**83.4**	**0.6**	**1.6**	**-**	**85.6**
Earnings per share:					
Basic	7.5p				7.7p
Diluted	7.4p				7.6p

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9 (continued)

	As reported 31 Jan 18	IFRS 9/15 adjustment			As restated 31 Jan 18
		Insurance	Travel	EB&CC	
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Revenue	860.1	0.5	-	(0.3)	860.3
Cost of sales	(412.8)	(0.3)	0.3	-	(412.8)
Gross profit	**447.3**	**0.2**	**0.3**	**(0.3)**	**447.5**
Administrative and selling expenses	(254.5)	0.2	-	-	(254.3)
Investment income	7.4	0.2	-	-	7.6
Finance costs	(20.8)	-	1.7	-	(19.1)
Finance income	1.5	-	-	-	1.5
Share of loss of joint ventures	(2.2)	-	-	-	(2.2)
Profit before tax from continuing operations	**178.7**	**0.6**	**2.0**	**(0.3)**	**181.0**
Tax expense	(33.6)	(0.1)	(0.3)	0.1	(33.9)
Profit for the period from continuing operations	**145.1**	**0.5**	**1.7**	**(0.2)**	147.1
Loss after tax for the year from discontinued operations	(7.6)	-	-	-	(7.6)
Profit for the year	**137.5**	**0.5**	**1.7**	**(0.2)**	**139.5**
Attributable to:					
Equity holders of the parent	**137.5**	**0.5**	**1.7**	**(0.2)**	**139.5**
Earnings per share:					
Basic	12.3p				12.5p
Diluted	12.2p				12.4p
Earnings per share for continuing operations:					
Basic	13.0p				13.2p
Diluted	12.9p				13.1p

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9 (continued)

	As reported 31 Jul 2017	IFRS 9/15 adjustment			As restated 31 Jul 2017
		Insurance	Travel	EB&CC	
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Profit for the period	**83.4**	**0.6**	**1.6**	**-**	**85.6**
Other comprehensive income					
Other comprehensive income to be reclassified to the income statement in subsequent periods					
Net gains/(losses) on hedging instruments during the period	11.4	-	(1.9)	-	9.5
Recycling of previous gains to income statement on matured hedges	(11.4)	-	-	-	(11.4)
Total net gain/(loss) on cash flow hedges	-	-	(1.9)	-	(1.9)
Associated tax effect	-	-	0.3	-	0.3
Net gains/(losses) on fair value financial assets	1.3	-	-	-	1.3
Recycling of previous gains to income statement on sale of fair value financial assets during the period	-	-	-	-	-
Total net gain/(loss) on fair value financial assets	1.3	-	-	-	1.3
Associated tax effect	(0.2)	-	-	-	(0.2)
Total other comprehensive gains/(losses) with recycling to income statement	1.1	-	(1.6)	-	(0.5)
Other comprehensive income not to be reclassified to the income statement in subsequent periods					
Re-measurement gains/(losses) on defined benefit plans	5.8	-	-	-	5.8
Tax effect	(1.0)	-	-	-	(1.0)
Total other comprehensive gains without recycling to income statement	**4.8**	**-**	**-**	**-**	**4.8**
Total other comprehensive income/(losses)	**5.9**	**-**	**(1.6)**	**-**	**4.3**
Total comprehensive income for the period	**89.3**	**0.6**	**-**	**-**	**89.9**

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9 (continued)

	As reported 31 Jan 18	IFRS 9/15 adjustment			As restated 31 Jan 18
		Insurance	Travel	EB&CC	
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Profit for the year	**137.5**	**0.5**	**1.7**	**(0.2)**	**139.5**
Other comprehensive income					
Other comprehensive income to be reclassified to the income statement in subsequent periods					
Net gains/(losses) on hedging instruments during the year	(3.6)	-	(1.7)	-	(5.3)
Recycling of previous gains to income statement on matured hedges	(18.8)	-	-	-	(18.8)
Total net gain/(loss) on cash flow hedges	(22.4)	-	(1.7)	-	(24.1)
Associated tax effect	3.8		0.3		4.1
Net gains/(losses) on fair value financial assets	(0.3)	-	-	-	(0.3)
Recycling of previous gains to income statement on sale of fair value financial assets during the year	(4.4)	-	-	-	(4.4)
Total net gain/(loss) on fair value financial assets	(4.7)	-	-	-	(4.7)
Associated tax effect	0.8	-	-	-	0.8
Total other comprehensive gains/(losses) with recycling to income statement	(22.5)	-	(1.4)	-	(23.9)
Other comprehensive income not to be reclassified to the income statement in subsequent periods					
Re-measurement gains/(losses) on defined benefit plans	10.2	-	-	-	10.2
Tax effect	(1.7)	-	-	-	(1.7)
Total other comprehensive gains without recycling to income statement	**8.5**	**-**	**-**	**-**	**8.5**
Total other comprehensive income/(losses)	**(14.0)**	**-**	**(1.4)**	**-**	**(15.4)**
Total comprehensive income for the year	**123.5**	**0.5**	**0.3**	**(0.2)**	**124.1**

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9 (continued)

Assets	As reported 31 Jan 17 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jan 17 £'m	As reported 31 Jul 17 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jul 17 £'m	As reported 31 Jan 18 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jan 18 £'m
Goodwill	1,485.0	-	1,485.0	1,485.0	-	1,485.0	1,485.0	-	1,485.0
Intangible assets	53.8	-	53.8	58.3	-	58.3	61.2	-	61.2
Investment in joint ventures	1.4	-	1.4	-	-	-	-	-	-
Property, plant and equipment	131.5	-	131.5	142.0	-	142.0	163.4	-	163.4
Financial assets	600.3	(0.9)	599.4	553.0	(1.2)	551.8	514.5	(1.0)	513.5
Deferred tax assets	16.3	-	16.3	14.1	-	14.1	13.7	-	13.7
Reinsurance assets	97.5	-	97.5	98.0	-	98.0	100.2	-	100.2
Inventories	5.6	-	5.6	5.6	-	5.6	5.8	-	5.8
Trade and other receivables	198.7	6.2	204.9	208.2	3.9	212.1	210.0	6.2	216.2
Assets held for sale	-	-	-	-	-	-	6.8	-	6.8
Cash and short-term deposits	108.7	-	108.7	144.5	-	144.5	83.2	-	83.2
Total assets	**2,698.8**	**5.3**	**2,704.1**	**2,708.7**	**2.7**	**2,711.4**	**2,643.8**	**5.2**	**2,649.0**
Liabilities									
Retirement benefit scheme obligations	13.7	-	13.7	8.6	-	8.6	7.0	-	7.0
Gross insurance contract liabilities	642.3	(0.9)	641.4	601.4	(0.9)	600.5	582.0	(0.6)	581.4
Provisions	4.0	-	4.0	0.5	-	0.5	4.7	-	4.7
Financial liabilities	489.8	(0.4)	489.4	488.4	(0.8)	487.6	469.2	(0.7)	468.5
Current tax liabilities	14.9	-	14.9	18.6	-	18.6	15.2	-	15.2
Deferred tax liabilities	21.5	0.9	22.4	21.6	1.0	22.6	16.3	0.9	17.2
Other liabilities	134.9	2.6	137.5	171.3	(0.2)	171.1	140.9	2.0	142.9
Trade and other payables	182.5	0.4	182.9	177.3	0.3	177.6	185.0	0.3	185.3
Total liabilities	**1,503.6**	**2.6**	**1,506.2**	**1,487.7**	**(0.6)**	**1,487.1**	**1,420.3**	**1.9**	**1,422.2**

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 15 and IFRS 9 (continued)

Equity	As reported 31 Jan 17 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jan 17 £'m	As reported 31 Jul 17 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jul 17 £'m	As reported 31 Jan 18 £'m	IFRS 9/15 adjustment £'m	As restated 31 Jan 18 £'m
Issued capital	11.2	-	11.2	11.2	-	11.2	11.2	-	11.2
Share premium	519.3	-	519.3	519.3	-	519.3	519.3	-	519.3
Retained earnings	607.8	1.3	609.1	637.2	3.5	640.7	662.8	3.3	666.1
Share-based payment reserve	15.6	-	15.6	10.9	-	10.9	11.4	-	11.4
Fair value reserve	3.3	(0.1)	3.2	4.4	(0.1)	4.3	(0.6)	(0.1)	(0.7)
Hedging reserve	38.0	1.5	39.5	38.0	(0.1)	37.9	19.4	0.1	19.5
Total equity	**1,195.2**	**2.7**	**1,197.9**	**1,221.0**	**3.3**	**1,224.3**	**1,223.5**	**3.3**	**1,226.8**
Total liabilities and equity	**2,698.8**	**5.3**	**2,704.1**	**2,708.7**	**2.7**	**2,711.4**	**2,643.8**	**5.2**	**2,649.0**

Insurance
These adjustments represent the deferral of a proportion of revenue in respect of the performance obligation associated with the provision of claims first notification and the deferral of aggregator fees as incremental contract costs over the expected customer term as required by IFRS 15.

Travel
Under IFRS 15, it is necessary to allocate tour operations and cruise revenue to various performance obligations such as the provision of flights, accommodation, transfers and travel insurance. Therefore, it is appropriate to defer a proportion of revenue and associated direct costs in line with when these obligations are discharged. Previously, revenue from tour operations and cruise holidays where the Group does not operate the cruise ship was recognised in full on the date of departure.
Under IFRS 9, the hedging requirements are more closely aligned with the Group's risk management strategy and risk management objectives.

Emerging business and central costs
This adjustment represents a deferral of a proportion of revenue in respect to the performance obligations arising from the Saga Membership scheme, Possibilities. The deferral is calculated as a proportion of the product or service purchased with respect of the costs of the membership scheme. Revenue is deferred until a time when a customer ceases to be a Saga member.

Principal Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The Directors consider that the principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those outlined on pages 24 to 29 of the annual report and accounts for the year ended 31 January 2018 available at www.corporate.saga.co.uk. The Group has in place processes to monitor and mitigate these risks.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules , being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Lance Batchelor
Chief Executive Officer
26 September 2018

INDEPENDENT REVIEW REPORT TO SAGA PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2018 which comprises condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2.1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Stuart Crisp
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

26 September 2018

Alternative Performance Measures Glossary

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

Definitions for the primary APMs used in this report and set out below. APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Underlying Profit Before Tax

Underlying Profit Before Tax represents profit before tax from continuing operations excluding unrealised fair value gains and losses on derivatives. In the prior year it also excludes the one-off costs associated with the unamortised facility fees of the previous banking facilities and the one-off restructuring costs. It is reconciled to statutory profit before tax within the Chief Financial Officer's Review on page 6.

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

Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, excluding amortisation of acquired intangibles. It also excludes the non-cash impact of IAS19R current service costs, which increased notably in the prior year, in line with the Group's latest debt covenants. It is reconciled to statutory profit before tax within the Chief Financial Officer's Review on page 6.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2014. It is presented due to it being linked to the Group's debt covenants, as it is the denominator in the Group's leverage ratio calculation.

Trading Profit

Trading Profit is defined as Trading EBITDA less depreciation and amortisation, excluding amortisation of acquired intangibles and non-cash IAS19R current service costs. It is reconciled to statutory profit before tax within the Chief Financial Officer's Review on page 6.

This measure has been presented by the Group since the Annual Report published for the year ended 31 January 2016 and was used as part of the Group's transition from Trading EBITDA to Underlying Profit Before Tax as its key performance indicator. Although it is no longer one of the Group's key performance indicators, it has been provided to ensure reporting consistency with previous periods.

Underlying basic earnings per share from continuing operations

Underlying basic earnings per share from continuing operations represents basic earnings per share from continuing operations excluding the post-tax effect of unrealised fair value gains and losses on derivatives. In the prior year it also excludes the post-tax effect of the one-off non-cash costs associated with the unamortised facility fees of the previous banking facilities and the post-tax effect of the one-off restructuring costs

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

Alternative Performance Measures Glossary (continued)

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.

Available operating cash flow

Available operating cash flow is net cashflow from operating activities after capital expenditure but before tax, 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. It is reconciled to statutory net cash flow from operating activities within the Chief Financial Officer's Review on page 8.