7 April 2021

Saga plc

Preliminary results for the full year ended 31 January 2021

Significant progress through the year, with disciplined execution of turnaround strategy

Insurance delivers resilient performance; Travel ready for restart with strong demand

Saga plc ('Saga' or 'the Group'), the UK's specialist in products and services for people over 50, announces its preliminary results for the 12 months ended 31 January 2021

	31 January 2021	31 January 2020	Change
Underlying Profit Before Tax[1]	£17.1m	£109.9m	(84.4%)
Loss before tax	(£61.2m)	(£300.9m)	79.7%
Available operating cash flow[1]	£3.4m	£92.7m	(96.3%)
Adjusted net debt (excluding Cruise)[1]	£246.9m	£361.7m	(31.7%)
Leverage ratio (net debt to Trading EBITDA, ex Cruise)	2.7x	2.4x	0.3x

Financial and operational highlights

- Underlying Profit Before Tax of £17.1m, against the backdrop of COVID-19 challenges
- Loss before tax of £61.2m reflecting £59.8m impairment of Travel goodwill in the first half
- Strong liquidity position, with total available cash of £75.4m and undrawn revolving credit facility (RCF) of £100m at 31 January 2021
- Strengthened balance sheet and improved financial resilience as a result of decisive actions taken over the last 12 months, including successful £150m capital raise in September 2020, recent review of covenants attached to term loan and RCF, and further deferral in relation to ship facilities
- Leverage ratio (excluding Cruise) of 2.7x, well within the covenant of 4.75x
- Robust response to COVID-19 challenges, with tight grip maintained on business: colleagues supported through the transition from office to home working, with no interruption to business; Travel reset and ready to operate once restrictions lifted; Insurance clearly focused on supporting customers through pandemic
- Positive progress made against all five pillars of the strategy outlined in September 2020, designed to return Saga to sustainable growth

[1] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Divisional performance

Insurance: resilient financial performance; range of COVID-19 care measures implemented to support customers

Retail Broking

- Continued progress in the second half, with launch of online self-serve portal and new motor price-comparison website proposition
- Saga-branded motor and home core policies of 1.6m are 1.1% higher than the previous period, with retention 5.4ppts higher than the prior year at 80.5%; performance represents return to growth, underpinned by success of three-year fixed-price policy
- Motor and home margins (after marketing costs) of £74 per policy, in line with expectations
- Growth in direct channels driven by three-year fixed-price product, with 610k policies sold in the year, representing more than 63% of direct new business sales

Underwriting

- Underwriting generated profit of £58.7m, including £37.6m of reserve releases, primarily due to continued favourable experience on large bodily injury claims relating to prior accident years
- Claims frequency fell, with customers driving fewer miles during COVID-19 lockdowns. This resulted in reduced current year combined operating ratio of 91.4%, excluding impact of the Group's quota share reinsurance arrangement
- Cautious approach to reserving for the 2020/21 accident year, holding additional component of reserve margin for increased uncertainty over claims development

Travel: detailed work completed for return to service; customer retention strong and high demand for post pandemic travel

- Saga ready to resume its Tour Operations and Cruise businesses in 2021 with specific timing being subject to government restrictions
- Customer demand remains strong, with evidence of significant pent-up demand from customers ready to travel. Total Cruise bookings of £154m for 2021/22 and 2022/23 combined, in comparison to £128m at the same point last year, representing a 20% improvement. This excludes 2020/21 bookings that have been cancelled where the customer has indicated that they want to rebook but have yet to do so on a specific cruise
- Significant number of operational changes implemented, ensuring highest level of health and safety standards; Saga awarded first Lloyd's Register Shield+ accreditation, highest level of health assurance available; introduction of policy that guests are fully vaccinated at time of travel
- Cash burn rate for the second half at lower end of £6-8m per month guidance

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

"Saga has made significant progress in a year of unprecedented challenge, during which our key focus has been on serving our customers and keeping our colleagues safe. At the same time, we have continued the work to strengthen our financial position and started to deliver against our new strategy, outlined in September, which will return Saga to sustainable growth. Central to this is our plan for our people which saw us launch a new purpose, values and engagement programme. Overwhelmingly positive feedback has been received to date and is reflected in our colleague engagement score which has increased from September 2020. I want to thank our colleagues for their hard work in delivering exceptional, differentiated products and services for our customers.

“The progress we have made is clear in the resilient performance delivered by our Insurance business and in Cruise where our high levels of customer retention show clear loyalty to our differentiated boutique offering. At the same time, we have been working to develop the plans to refresh our brand and to invest in data and digital to improve the customer experience.

“Looking ahead, while we are mindful of economic headwinds and the potential ongoing impacts of COVID-19, it is clear that there is significant pent-up demand among our customer base, the vast majority of whom have now been vaccinated and are ready to enjoy post-lockdown freedom. Saga is a proud British business, with a strong brand, loyal customers and great people and we are excited about the opportunities ahead. We look forward to relaunching our brand later in 2021 which will only enhance our ability to unlock the potential in Saga, returning the business to sustainable growth and creating significant long-term value for all our investors and stakeholders."

END

A presentation for analysts and investors on the preliminary results will be available to view on Saga’s corporate website from 07.00 today. The webcast can be found at: https://www.corporate.saga.co.uk/investors/results-reports-presentations/.

Euan Sutherland and James Quin will hold a conference call for analysts and investors at 09.30. The conference call can be accessed on: UK: +44 (0) 20 3936 2999, all other locations: +44 (0) 20 3936 2999. Participant access code: 805740.

For further information please contact:

Saga plc

Emily Roalfe, Head of Investor Relations	Tel: 07732 093 007
	Email: emily.roalfe@saga.co.uk

Headland Consultancy

Susanna Voyle	Tel: 07980 894 557
Henry Wallers	Tel: 07876 562 436
	Tel: 020 3805 4822
	Email: saga@headlandconsultancy.com

Notes to editors

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

Chairman's statement

2020/21 was extraordinary for Saga. Like most other companies, we have had to deal with the unprecedented threats posed by the COVID-19 pandemic, including the lockdowns and ensuing uncertainties. We also took the opportunity to address some long-standing, fundamental issues within our organisation. Euan Sutherland, Saga's new Group Chief Executive Officer (CEO) and his senior team, most of whom have only joined the Company in the last two years, have responded to all challenges extremely effectively.

I joined the Company as its eleventh employee in 1966. When Saga was floated for the first time in 1978 and I was Managing Director, our principal business was operating holidays for older people. It was in 1984, when my father who had founded the Company retired, that I became Chairman and CEO and we began to focus on developing our Insurance and Financial Services businesses. This diversification has served Saga well through the challenges of the past financial year.

On 5 October 2020, I became Non-Executive Chairman after the Company's successful capital raise which generated £150m (approximately £140m net of costs). I personally invested £100m for just over 26% of the share capital. I did this, not only because I realised that it would substantially improve the Company's position but because I thought I was making a sound investment, and felt that my long experience with Saga could benefit the Company today.

I was attracted by Euan Sutherland's plans for the business and particularly by his determination to refocus the Company to concentrate on serving its customers better. During the last financial year, Saga sold a number of non-core businesses which no longer fit with the new strategy, as well as our old cruise ship, Saga Sapphire.

We renegotiated more favourable repayment terms for the facilities which funded the purchase of our two new cruise ships ordered in 2015 and 2017 and delivered in June 2019 and September 2020. Our balance sheet strengthened during the year and, at our year end, our net bank debt, excluding the two cruise ship facilities, was £115m lower than in the prior year, enabling us to agree flexibility within the covenants attached to our term loan and revolving credit facility (RCF). Colleague and marketing costs were £37m lower than the previous year and a decision was made not to draw on any support from government funding.

During the year, we increased the number of our Insurance customers (excluding for travel insurance) and, despite combined losses of £78m from our Travel business that was not able to generate revenues for 10 months of the financial year, we earned an underlying profit of £17m. Given the global challenges, this was a highly satisfactory result.

In January 2020, Euan Sutherland took over the executive leadership of a company which, not long after it had been floated in 2014, had begun to see a significant downward trend in the number of its Travel customers and Insurance policyholders, as well as of its income and underlying profits. In February last year, Euan introduced a plan for Saga to become more efficient and to reduce costs. However, by the end of February 2020, the senior management team realised the seriousness of the threat of the COVID-19 pandemic and began to develop a new plan which included office-based colleagues being able to work from home. Within a few hours of the Prime Minister's announcement of the first lockdown on 23 March 2020, we contacted 95% of Saga's office-based colleagues. Within a week we distributed over 1,500 laptops with access to the Company's computer systems, ensuring that Saga's customers faced no interruption as we supported the transition of over 2,000 people moving from office to home working.

Although none of our customers have been able to travel since the first lockdown, we needed substantial numbers of colleagues to assist customers who had already booked holidays and cruises, and to be able to provide a good service to those who wished to book new holidays. We also had to continue to work with our suppliers. All this was without knowing when our Travel operations could start again. We have implemented a raft of measures to ensure that our holidays will be COVID-19 secure and have recently announced that we will only take customers on holiday who have been fully vaccinated. Our Travel businesses are therefore well-prepared to start their programmes when travel is allowed again.

Saga's Insurance Broking arm saw a return to growth in the number of customers for its main lines of business, motor and home insurance. This was achieved by greatly improving customer retention. It also generated a greater proportion of direct sales, relying less on price-comparison websites. Saga's Underwriting company, AICL, experienced continued favourable development on large bodily injury claims, alongside reduced claims frequency in line with the rest of the market.

Saga's magazine continued its printed circulation with over 200,000 subscribers, and recently successfully launched the digital version of the magazine.

During the year, despite the massive distraction caused by the pandemic, Euan Sutherland successfully launched Saga's new strategic plan, and this is now being embedded in the organisation. The strategy requires us all to work hard to understand the lives and needs of people in our market, and to deliver relevant products and services of high quality and excellent value, always striving to achieve the best standards of customer service. The plan sets these objectives in the context of our digital age and requires the Company to continue to invest in its technology. It restructures the business with a leaner operating model that will lead to a more efficient and collaborative way of working. Management layers have been reduced from 17 to 5.

To ensure excellent virtual communication within the organisation, technology has been used very effectively and considerable emphasis has been placed on providing support for the wellbeing of all those working from home. Despite the uncertainty created by the pandemic and the major changes the organisation has been through, our surveys show that our team morale remains strong and is better now than at the beginning of the financial year.

During the last financial year, we sought ways to meet our Environmental, Social and Governance (ESG) responsibilities even more effectively and we will continue to develop our reporting to reflect the progress we are making.

I would like to thank everyone at Saga, including our Board, for working so hard and embracing so enthusiastically the changes we have had and have chosen to adopt. I would also like to congratulate Euan Sutherland and his senior management team. Given our circumstances, the financial results were very encouraging and we are beginning to lay the foundations for the Company to prosper in the future. I look forward to celebrating our 70th anniversary this year.

Group Chief Executive Officer's statement

I could never have foreseen the challenges that Saga would face in my first full year as Group CEO. With that being said, I am very proud of the way we responded, and I am confident that Saga is in a stronger position, with a clearer direction now, than when I joined in January 2020. Despite the issues that the year presented, we made good progress against our strategy, all the while placing the safety of our colleagues and customers at the forefront of our thinking.

As for many other businesses, the COVID-19 pandemic has had a significant impact on Saga, both financially and operationally. We have shown tremendous resilience in navigating the impact of the pandemic and every single one of our colleagues has played their part.

As such, I am pleased to report that despite the challenging backdrop, the Group generated an Underlying Profit Before Tax of £17.1m, reflecting resilient trading in the Insurance business as it makes progress against the targets set in April 2019, and the suspension of the Travel business from March 2020. Overall, the Group reported a loss before tax of £61.2m, due to an impairment of Travel goodwill in the first half of the year.

In Insurance, motor and home policies returned to growth, with sales volumes 1.1% higher than in 2019/20, following several years in decline. Our three-year fixed-price product continues to improve customer loyalty with motor and home retention at 80.5%, 5ppts higher than the prior year, with over a third of customers choosing the three-year product. Acquiring new business on a direct basis continued to be a priority and in 2020/21, 59% of customers came to us through this route, representing a 2ppt improvement on the prior year. Motor and home margins per policy were £74, in line with the expectations set at the beginning of the year.

Despite the Travel business being suspended, customer demand remained strong; with £154m of total Cruise bookings across 2021/22 and 2022/23, in comparison with £128m at the same point last year, representing a 20% improvement. This excludes 2020/21 bookings that have been cancelled where the customer has indicated that they want to rebook but have yet to do so on a specific cruise. Customer retention across both businesses remains high with Cruise at 73% and Tours at 43%.

Focus continued on managing our levels of debt and maintaining sufficient liquidity through the period of Travel disruption. Following the actions taken to provide further flexibility, the Group had available cash of £75.4m at the year end, excluding the £100m RCF which remained undrawn.

With the actions taken, I am certain we are on the right path to ensuring Saga gets back to doing what it does best, delivering exceptional experiences for our customers.

Strategic update

Saga launched its strategic turnaround plan, Transforming Saga – Experience is Everything, in September 2020. The new strategy is firmly rooted in our heritage and aims to create a refreshed, contemporary and confident brand with a data and digital-led approach to improving our customers' experiences.

At our core, we remain the same, a unique British business focused on providing exceptional, differentiated products and services to our distinct customer group. We are aligning our people and products to focus on delivering exceptional experiences for our customers every day, whilst being a driver of positive change in our markets and communities. This will strengthen our relationship with our customers, and it will address many of the challenges the business has faced in the last few years.

The strategy is designed to drive growth in revenues, profit and cash over the long term, while improving the financial strength of the business by reducing debt and delivering sustainable returns for our investors. It is focused on delivery under each of the following five pillars.

People and culture step change

We recognise our colleagues underpin our success, and so they, and the culture in which they operate, represent our first priority. Promoting an environment of openness, transparency, and trust, where colleagues can feel that they are heard and be themselves is of great importance to me. To foster this culture, we launched our new internal communications platform, Workplace, which encourages colleagues to share experiences, communicate, collaborate, and also have fun. We expanded our continuous listening strategy to include several new channels of communication, including a series of focus groups and inclusion forums, providing colleagues with the opportunity to feel as though they belong, encouraging them to speak up and express their views.

I am pleased with the way that all colleagues have interacted with the changes and to date, we have received overwhelmingly positive feedback. Despite the difficult year that we had, the result of our most recent colleague survey was an improved engagement score of 7.3 (out of 10), and a record 92% participation rate. This compares with a score of 7.0 in September 2020, with the highest scores seen in categories including management support and peer relationships. We recognise that there is still work to do, and that it is not something we can change overnight. As such, we will continue to monitor engagement, building the appropriate action plans and work with colleagues to make the changes that matter to them.

We have launched a set of core values that underpin our purpose and represent who we are and the way in which we work. These values include precision pace, empathy, curiosity and collaboration, all of which are key qualities needed to ensure we deliver the best experiences for each other and our customers. Colleagues have welcomed these new values, applying them to situations they encounter every day in life at Saga.

The unique challenges of 2020 impacted us all and our colleagues were no different. As with many people, the adjustment to new ways of working, separation from loved ones and, for many, home schooling young children, have been difficult to manage. The mental wellbeing of our colleagues has been a key focus, with enhanced support provided via additional on-call Mental Health First Aiders, the introduction of a dedicated Wellbeing Manager and the use of national campaigns and awareness days to highlight the support available. We believe mental health should be understood, nurtured and celebrated, and to ensure our colleagues have access to the right care at the right time, we invested in the Unmind platform. This app is aimed at empowering colleagues to improve their mental health through a variety of self-help tools and techniques.

Despite the fantastic progress, our people and culture step change will continue to be a priority for the coming years, as the changes made will take time to embed. Our immediate focus for 2021/22 will centre around living the new values and leadership behaviours, further building capability in key roles, reassessing our framework for colleague reward and continuing to create exceptional experiences for our colleagues.

Data, digital and brand transformation

As a leadership team, we have also been focusing on assessing the investments made over the last few years so that we can build on and further optimise them, repurposing technology wherever possible in order to reduce complexity. Given the nature and size of the ambition, our data, digital and brand transformation represents a multi-year strategy.

Since the launch of our strategy, a key focus has been the ease with which customers are able to interact with us in the digital landscape. We launched a series of improvements to our mobile app, including the addition of web chat functionality, alongside our recently launched Saga Magazine app, which has been well received, achieving an Apple App Store rating of 4.7 out of 5.0.

Our priorities for the short to medium term include the relaunch of our brand essence, Experience is Everything, planned for later in 2021. This will form part of a multi-year campaign designed to enhance brand awareness and optimise marketing activity, whilst representing a contemporary brand.

Work has started on the development of a single Group-wide customer digital data platform which builds on and optimises the investment made in recent years. This will continue to be a key focus for 2021/22. Once complete, it will enable us to reduce complexity across our systems and provide a clearer view of each customer across all our businesses.

Optimising our businesses

Insurance

During the COVID-19 pandemic, we have all needed a little extra support, and our customers have been no different. We proactively contacted customers to encourage them to let us know if their circumstances had changed; whether that be a reduction in mileage or the requirement to add another driver to their policy. For customers facing financial hardship, we offered support through payment holidays and fee waivers, where appropriate. We continue to proactively review our pricing, applying premium reductions to reflect reduced driving activity throughout the pandemic.

Aside from a lower volume of claims, reflecting a reduction in miles driven during lockdown periods, the Underwriting business observed continued favourable experience in relation to large bodily injury claims. This resulted in reserve releases of £38m for the year.

Saga continuously looks at ways to evolve our product offering with the needs of our customers in mind. Innovation continued within Insurance with the launch of our new motor price-comparison website product, offering customers greater flexibility when determining the product that is right for them. Given the increasing number of consumers utilising digital platforms, we also launched our self-serve portal, allowing customers to make common policy amendments online. Additionally, in response to the current uncertain times, we were one of the first insurers to offer COVID-19 inclusive travel insurance, ensuring that our customers have peace of mind whilst travelling.

The quality of the products we sell and the exceptional service we offer continue to be recognised formally by our customers. Most recently, Saga was awarded 'Best Home Insurance Provider' as well as 'Best Big Insurance Company' at the 2020 Insurance Choice Awards.

As we look to 2021/22, we continue to actively review and develop our product offering in order to meet the desires of our customers and the requirements of the regulatory landscape, whilst completing the foundations required to set the business on the track of longer-term growth.

Travel

Saga's Travel business suspended operations in March 2020. Through these extraordinary times, we prioritised the safety and wellbeing of our customers and crew. This was demonstrated through the repatriation of all guests and crew and the flexibility we offered in relation to cancelled departures, with the option for a cash refund, voucher towards a future booking, or the opportunity to rebook a specific destination.

Following the arrival of *Spirit of Adventure* in September 2020, Saga's ocean cruise fleet comprises two new, technologically advanced cruise ships. One of the key benefits of this is that it will allow us to offer our guests the highest level of health and safety standards in the industry at a time when that is of paramount importance. Given the further considerations arising from the COVID-19 pandemic, Saga has worked to develop the very best safety protocols allowing us to operate in the COVID-19 world once we are able. As we restart cruises, we are keeping all our current health and safety measures in place to ensure our cruises are as safe as possible. This includes our vaccination policy and initially operating a reduced guest capacity. Keeping to a restricted number of guests feels like the right thing to do as we restart, but we will look to take more guests and move back to full capacity over time. Our enhanced safety procedures include:

- increasing our crew to guest ratio, to enhance our onboard cleaning regimes;

- a private chauffeur car per household up to a range of 250 miles, for departures within the initial restart period;
- additional enhancements to our state-of-the-art air conditioning which already provides 100% fresh air in all cabins and public areas; and
- improved and expanded medical facilities with a new dedicated isolation area and a doubled medical team.

Following the implementation of these and other measures, Saga was awarded the first Lloyd's Register Shield+ accreditation, the highest level of health assurance available.

During the COVID-19 suspension period, we took the opportunity to reset the Tours business. Tour Operations will return to the DNA that contributed to the success of Saga Holidays for so many years, offering a higher-quality, differentiated product portfolio; emphasising peace of mind, unique and aspirational holidays tailored specifically for our customers. Leveraging the insights gained from our Cruise transformation programme, we are extending our Tours product proposition to include a second new river cruise ship. Launching in 2022, Spirit of the Danube will join its sister ship, Spirit of the Rhine, to allow customers to enjoy our luxury cruise experience whilst voyaging on the riverways of Europe.

We have maintained an agile approach throughout the year and are ready to resume operations in 2021, although any changes to government travel guidance may impact those plans.

Driving simplicity and efficiency

We continue to adopt a cost-conscious approach, ensuring that where possible we maximise efficiency by reducing both cost and complexity across the Group.

Following our review of the organisational structure, looking at both the services we needed to provide and the resources we had to do so, we had no option but to make the difficult decision to reduce our number of colleagues. Treating all colleagues with the utmost care and respect during this process was paramount in our approach to enhancing redundancy terms, outplacement offers and maintaining transparent two-way conversations. As a result of this process, the number of colleagues was reduced by 36% (including non-core disposals, permanent reductions and temporary travel measures).

Through disciplined cost management during the suspension period, the Travel businesses were also able to achieve significant savings in both marketing and administration costs and delivered cash burn costs in the second half of the year at the lower end of £6-8m per month guidance.

Saga remains on track to achieve run rate cost savings of £20m over time and will continue to assess possible efficiencies in the business to ensure that it is operating at the optimum level for the future.

Reducing our debt

One of Saga's key objectives has always been to proactively take decisive action to strengthen the balance sheet, reduce debt and maintain financial resilience. This has been more important than ever given the uncertainty of the COVID-19 pandemic.

Our focus in this area during 2020/21 was on reducing covenanted short-term debt, with a net debt to EBITDA leverage ratio (excluding the Cruise business) of 2.7x at 31 January 2021, broadly in line with the prior year, despite lower EBITDA.

Following the actions taken throughout the year to enhance our financial flexibility, including the capital raise which generated approximately £140m of proceeds and agreement of further extensions in relation to both the corporate and ship facilities, we remain well placed to support the delivery of our strategy and the planned restart of the Travel business.

Acknowledging that the actions taken would not have been possible without our shareholders or financing partners, I would like to take this opportunity to thank them for their continued support through a difficult year.

The Group continues to focus on the preservation of cash and management of debt levels, with the objective of reducing total debt leverage to under 3.5x EBITDA, providing Saga with a strong foundation for future growth.

FCA market study

The final recommendations of the Financial Conduct Authority (FCA) market study on general insurance pricing practices are expected in the second quarter of 2021 with implementation due to be complete by the end of 2021. The FCA is proposing that when a customer renews their motor and home insurance, the price offered should be no greater than if the customer were new to the insurance company. Although we expect some short-term financial impact from the change, as pricing adjusts across both new business and renewals, we approach the implementation of the expected recommendations with confidence and, following our recent pricing changes and planned enhancements to our product offering, believe that we are well placed to operate successfully in a price equalisation market.

The future

The current financial year will be a hugely important period of transition, against the continued backdrop of the COVID-19 pandemic.

Within Travel, ahead of the full roll out of the vaccine programme, we are poised to restart both operations in 2021, as soon as government restrictions allow.

We will continue to prioritise the preservation of cash and manage levels of debt; however, given the continued uncertainty arising from COVID-19, we are not in a position to provide earnings guidance for the 2021/22 financial year. We remain confident that the disciplined execution of our turnaround strategy will unlock the potential that exists within Saga, creating significant long-term value for our investors.

Finally, I would like to acknowledge the strength, agility, resilience, and determination I have witnessed from our colleagues in what has been a particularly challenging year, and I would like to thank each and every one for their contribution.

Operating and Financial Review

The Group has reported an Underlying Profit Before Tax (PBT) of £17.1m, a decrease of 84.4% in comparison with the prior year. This reflects:

- resilient trading in the Insurance business with both the Retail Broking and Underwriting businesses continuing to make good progress against the targets set in April 2019, and with positive claims experience in relation to both current and prior years; and
- the suspension of the Travel business in March 2020 due to the government advice against travel, the impact of which is in line with the stress modelling for the 2020/21 year.

The Group has reported an overall loss before tax of £61.2m (2020: loss before tax of £300.9m) due to an impairment of Travel goodwill in the first half of the year. The significant impact of COVID-19 on travel companies led to an increase in risk and cost of debt levels and, therefore, market-participant views of discount rates as at 31 July 2020, particularly in the cruise industry. Whilst the Group is confident that the Travel business will recover over time and believes that its Cruise operations are well placed for a post COVID-19 world, given the current position and uncertainty over the pace of the recovery, the Group took the decision to impair in full the goodwill assets allocated to the Tour Operations and Cruise businesses totalling £59.8m as at 31 July 2020. Market risk and cost of debt levels have since reduced, reflecting a more positive outlook and stronger recovery prospects in the travel industry than was the case at the half year. Goodwill impairments, however, are irreversible under International Financial Reporting Standards (IFRS).

In September 2020, the Group raised approximately £140m of net proceeds from the issuance of additional equity shares, with Roger De Haan as a cornerstone investor. The Group used these proceeds to repay the full £40m drawn on the revolving credit facility (RCF) at that date and reduce the term loan to £70m. In addition, the Group agreed with its lending banks to extend the maturity of the remaining term loan to May 2023, along with a series of covenant changes as reported at the time in the interim statement.

Due to the combination of the equity capital raise and other actions taken by management to improve cash flow and costs, the Group ends the year with a strong financial position and ample liquidity. As at 31 January 2021, the Group had £75.4m of available cash resources in addition to the full £100m available and undrawn on the RCF that is available through to May 2023.

The uncertainty that COVID-19 has created continues into 2021, and whilst the Group is confident of a resumption of its Travel business later in the year, management has taken further precautionary measures to provide financial flexibility in the event that the suspension of the Travel business continues into 2022. These measures include further amendments to the covenant tests attached to the term loan and RCF as at 31 January 2022, combined with the extension of a repayment holiday on the Group's ship debt facilities to 31 March 2022. Given the priority of reducing debt levels, no final dividend is proposed for the year.

Operating Performance

Group income statement

£m	12m to Jan 2021	Change	12m to Jan 2020
Revenue[2]	**337.6**	***(57.7%)***	**797.3**
Underlying Profit Before Tax[3]			
Total Retail Broking (earned)	75.9	*(15.9%)*	90.2
Underwriting	58.7	*44.6%*	40.6
Total Insurance	134.6	*2.9%*	130.8
Travel	(78.5)	*(496.5%)*	19.8
Other Businesses and Central Costs	(22.4)	*17.4%*	(27.0)
Net finance costs[4]	(16.6)	*(21.2%)*	(13.7)
Total Underlying Profit Before Tax	**17.1**	***(84.4%)***	**109.9**
Net fair value gains / (losses) on derivatives	1.7		(1.1)
Profit on disposal / (impairment) of assets	2.0		(16.9)
Thomas Cook insolvency	-		(3.9)
Restructuring costs	(30.8)		(5.9)
Net profit on disposal of businesses	8.6		-
Impairment of goodwill	(59.8)		(383.0)
Loss before tax	**(61.2)**	***79.7%***	**(300.9)**
Tax expense	(6.6)	*44.5%*	(11.9)
Loss after tax	**(67.8)**	***78.3%***	**(312.8)**
Basic earnings per share:			
Underlying earnings per share[3, 4]	13.2p	*(89.1%)*	121.0p
Loss per share[5]	(67.0p)	*82.4%*	(381.7p)

The Group's business model is based on providing high-quality and differentiated products to its target demographic, predominantly focused on insurance and travel.

The Insurance business operates mainly as a broker, sourcing underwriting capacity from selected third-party insurance companies, and, for motor and home, also from the Group's in-house underwriter. Travel is comprised of Tour Operations and Cruise. Other Businesses comprises Saga Personal Finance, Saga Publishing and MetroMail, a mailing and printing business.

Revenue

Revenue decreased by 57.7% to £337.6m (2020: £797.3m) due to the suspension of the Travel business from March 2020, combined with lower Retail Broking revenues largely as a result of a reduction in sales of travel insurance policies combined with the sale of the Bennetts business in August 2020.

[2] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £142.8m (2020: £145.7m)

[3] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

[4] Net finance costs exclude net fair value gains/(losses) on derivatives and IAS 19R pension interest costs

[5] The figure for the prior year has been restated to reflect the effect of the share consolidation that was completed in October 2020

***Underlying Profit Before Tax*[6]**

Underlying Profit Before Tax decreased by 84.4% to £17.1m (2020: £109.9m).

This was primarily due to a £98.3m reduction in Travel profitability, largely resulting from the suspension of operations in March 2020 due to government travel restrictions in response to the COVID-19 pandemic.

Net finance costs in the year were £16.6m (2020: £13.7m), an increase of 21.2%, which was largely due to the additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in April 2019, April 2020 and September 2020. This excludes finance costs relating to the Travel business that are included within the Travel division of £13.6m (2020: £6.9m).

Loss before tax

Loss before tax for the year of £61.2m includes a £59.8m impairment to Travel goodwill and £30.8m of restructuring costs, offset by an £8.6m profit on the disposal of non-core businesses, £2.0m of net gains on the disposal of assets and a £1.7m fair value gain on derivatives de-designated in the period due to the suspension of Travel operations.

The restructuring costs include £21.3m of expenses associated with a Group-wide restructuring programme to improve the operating efficiency of both the trading businesses and the central support functions, including specifically the removal of roles not required in Travel whilst that business has suspended trading in the short term. The remaining £9.5m of costs relate to the impairment and operating losses of non-core businesses, principally the Destinology travel business.

The £8.6m net profit on disposal of non-core businesses relates to the sale of: Consolidated Healthcare Agencies Limited, which traded as Country Cousins and Patricia White's; Bennetts Motorcycling Services Limited, the Group's bike insurance broking business; and Destinology, one of the Group's tour operating businesses.

The £2.0m net gain on the disposal of assets reflects a £3.8m profit on the sale of the *Saga Sapphire* ocean cruise ship and a £3.2m gain on the curtailment of a property lease, partially offset by a £5.0m impairment to the carrying value of owned properties that have been classified as held for sale. The corresponding £16.9m loss in the prior year primarily relates to a £6.3m impairment of *Saga Sapphire* at the point when it was classified as held for sale, combined with a £7.0m impairment of assets relating to the divested Destinology business and a £3.3m impairment of machinery in the Group's printing business.

Tax expense

The Group's tax expense for the year was £6.6m (2020: £11.9m) representing an abnormally high tax effective rate of 471.4% (2020: 14.5%) when excluding the goodwill impairment charge. The Group's tax effective rate is higher than the standard rate of corporation tax, mainly due to the Group's Cruise business entering the tonnage tax regime on 1 February 2020. This regime is specific to the shipping industry and provides a source of tax efficiency by fixing an element of tax payable based on the tonnage of each ship. While this is the appropriate long-term approach, in the short term, losses accumulated in the Cruise business as a result of the COVID-19 suspension are not eligible for group relief to other profitable companies within the Group. Excluding the losses on Cruise, the tax effective rate for the year was 17.6%.

Earnings Per Share

The Group's Underlying Earnings Per Share[4] were 13.2p (2020: 121.0p). The Group's reported Earnings Per Share were a loss of 67.0p (2020: loss of 381.7p). The figures for the prior year have been restated to reflect the effect of the share consolidation that was completed in October 2020.

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[6] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Retail Broking

The Retail Broking business provides tailored insurance products and services, principally motor, home, private medical and travel insurance. Its role is to price the policies and source the lowest cost of risk, whether through the panel of motor and home underwriters or through solus arrangements for private medical and travel insurance. The Group's in-house insurer, Acromas Insurance Company Limited (AICL), sits on the motor and home panels and competes for that business with other panel members on equal terms. AICL offers its underwriting capacity on the home panel through a coinsurance deal with a third party, and so the Group takes no underwriting risk for that product. Even if underwritten by a third party, the product is presented as a Saga product and the Group will manage the customer relationship.

	12m to Jan 2021					**12m to Jan 2020**			
£m	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**	***Change***	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**
Gross written premiums (GWP):									
Broked	131.3	151.9	90.2	373.4	*(4.8%)*	124.8	154.1	113.2	392.1
Underwritten	204.6	-	3.5	208.1	*(8.6%)*	224.0	-	3.6	227.6
GWP	335.9	151.9	93.7	581.5	*(6.2%)*	348.8	154.1	116.8	619.7
Broker revenue	37.6	28.7	36.2	102.5	*(16.7%)*	43.6	32.4	47.1	123.1
Instalment revenue	8.1	3.0	-	11.1	*0.0%*	8.1	3.0	-	11.1
Add-on revenue	14.5	10.7	-	25.2	*(10.0%)*	17.9	10.0	0.1	28.0
Other revenue	31.3	17.8	4.4	53.5	*(28.3%)*	36.8	17.1	20.7	74.6
Written revenue	**91.5**	**60.2**	**40.6**	**192.3**	***(18.8%)***	**106.4**	**62.5**	**67.9**	**236.8**
Written gross profit	**88.8**	**60.2**	**36.5**	**185.5**	***(16.1%)***	**103.6**	**62.5**	**55.0**	**221.1**
Marketing expenses	(17.3)	(6.0)	(2.7)	(26.0)	*30.3%*	(21.6)	(8.2)	(7.5)	(37.3)
Other operating expenses	(40.1)	(26.3)	(19.3)	(85.7)	*7.6%*	(53.1)	(21.2)	(18.4)	(92.7)
Written Underlying PBT[7]	**31.4**	**27.9**	**14.5**	**73.8**	***(19.0%)***	**28.9**	**33.1**	**29.1**	**91.1**
Written to earned adjustment	2.1	-	-	2.1	*333.3%*	(0.9)	-	-	(0.9)
Earned Underlying PBT	**33.5**	**27.9**	**14.5**	**75.9**	***(15.9%)***	**28.0**	**33.1**	**29.1**	**90.2**
Thousands									
Core policies sold:									
Saga-branded	924	693	112	1,729	*(5.6%)*	918	682	232	1,832
Non-Saga-branded	144	-	-	144	*(38.7%)*	235	-	-	235
	1,068	693	112	1,873	*(9.4%)*	1,153	682	232	2,067
Third-party panel share[8]	30.4%				*5.8ppt*	24.6%			

Retail Broking profit before tax on a written basis (which excludes the impact of the written to earned adjustment) reduced to £73.8m from £91.1m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £75.9m from £90.2m.

The reduction in profit before tax on a written basis was mainly due to a £24.3m reduction in written gross profit, after also deducting marketing expenses but before overheads. Analysis of the main components of the change in this metric is shown below, separately identifying the element of the change that the Group estimates is related directly to the COVID-19 pandemic.

[7] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

[8] Third-party underwriter's share of the motor panel for Saga-branded policies

Written gross profit after marketing costs £m	Change excluding COVID-19	Estimated element of change directly attributable to COVID-19	Total change
Written gross profit after marketing costs in 2020			**183.8**
Saga-branded motor	(0.5)	(1.2)	(1.7)
Home	(0.1)	-	(0.1)
Bennetts	(7.9)	(0.9)	(8.8)
Travel	-	(7.2)	(7.2)
Other	(3.1)	(3.4)	(6.5)
Written gross profit after marketing costs in 2021	**(11.6)**	**(12.7)**	**159.5**

While Retail Broking performance has been resilient in light of COVID-19 challenges, there has been some impact on the full year results, mainly due to a significant reduction in sales of travel insurance and lower credit hire and repair volumes. In aggregate, the Group estimates that factors directly related to COVID-19 reduced profits by £12.7m. Excluding the impact of COVID-19, the balance of the change in written gross profits is largely due to the disposal of Bennetts.

For Saga-branded motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits improved by £4.4m, while there was a £5.0m reduction in renewal profits. The impact of COVID-19 is estimated at around £1.2m, reflecting a reduction in claim referral fee income.

The increase in new business profits is due to lower costs of acquisition in comparison with the prior year. The reduction in renewal profits is principally due to pricing actions for long-tenured customers that were implemented in July 2019. Excluding these actions, renewal profits were broadly flat, with the impact of slightly lower underlying renewal margins offset by a 4% increase in the total number of motor and home renewals policies.

The overall gross margin per policy for Saga-branded motor and home combined, and calculated as written gross profit less marketing expenses divided by the number of policies, was £73.8 in the year (£74.5 excluding COVID-19 impacts), compared with £75.6 in the prior year.

Although Retail Broking earnings have reduced in the year, the Insurance business has shown good progress despite the challenges presented by COVID-19:

- After several years of a decline in policy count, Saga-branded motor and home policies increased by 1.1% in the year.
- The higher policy count is due to improved customer retention of 80.5% across motor and home, which was 5.4ppt higher than the prior year. This includes the beneficial impact of the three-year fixed-price policy introduced in April 2019 on customer loyalty.
- 610k three-year fixed-price policies were sold in the year; 38% of total motor and home policies incepting, with 63% of direct new business taking the product.
- The margin per policy is tracking in line with expectations set at the time of the insurance strategy reset in April 2019, on a basis that is consistent with how that range was calculated.

Written profit and gross margin per policy for motor and home are stated after allowing for deferral of part of the revenues from three-year fixed-price policies, recognising inflation risk inherent in this product. As at 31 January 2021, £9.9m of income had been deferred in relation to three-year fixed-price policies, £5.0m of which related to income written in the year to 31 January 2021.

Motor Broking

Gross written premiums decreased by 3.7% due to the sale of the Bennetts business in the year. Excluding Bennetts, gross written premiums increased by 1.2% due to a 0.7% increase in the number of core policies and an increase in average gross written premiums reflecting a higher contribution from the renewal book and the three-year fixed-price product. Gross written premiums from business underwritten by AICL decreased by 8.7% to £204.6m (2020: £224.0m) in line with a 5.8ppt increase in third-party panel share to 30.4% (2020: 24.6%). This was due to price cuts implemented by AICL in February 2019, with third-party panel members then becoming relatively more competitive since August 2019 and therefore winning more share in 2020. Other revenue declined by £5.5m due primarily to the sale of Bennetts.

Written gross profit minus marketing expenses was £71.5m (2020: £82.0m), contributing £66.9/policy (2020: £71.1/policy). Excluding Bennetts, motor written gross profit minus marketing expenses was £65.0m (2020: £66.7m), contributing £70.3/policy (2020: £72.6/policy).

The reduction in written gross profits excluding Bennetts is mainly due to pricing actions for long-tenured customers that were implemented in July 2019 and the impact of COVID-19 on other income. This was partially offset by lower costs of acquisition and a 0.5ppt increase in the proportion of renewal policies.

Bennetts gross profits reduced due to changes to a contractual arrangement with a third party, as well as short-term factors relating to the impact of COVID-19. The sale of Bennetts completed on 7 August 2020, so the 2020/21 results only include six months' worth of trading compared with 12 months in the prior year.

The positive written to earned impact in the current year of £2.1m is due to reduced margins per policy in the current year on a written basis relative to the margins on earned business. The negative written to earned adjustment of £0.9m in the prior year was due to price reductions implemented by AICL in February 2019, which were included within written profits in the prior year but on an earned basis are spread over a 12-month period.

Home Broking

Gross written premiums decreased by 1.4% due to a 4.5% decrease in average renewal premiums more than offsetting a 1.6% increase in core policies.

Written gross profit minus marketing expenses was £54.2m (2020: £54.3m), and on a per policy basis this was £78.2/policy (2020: £79.6/policy).

Within gross profits the impact of pricing actions for long-tenured customers was offset by lower costs of acquisition and a 6.6% increase in the number of renewal policies, predominately due to high three-year fixed-price retention rates. Written gross profit on a per policy basis was stable, with a reduction resulting from pricing actions implemented last year but a positive impact from a 4ppt increase in the proportion of renewal policies written relative to total policies.

Other Broking

The other insurance broking business is primarily comprised of private medical insurance (PMI) and travel insurance.

Gross written premiums declined 19.8% as a result of lower sales of travel insurance, which declined from 171k in the prior year to 54k. This was due to the impact of COVID-19 related travel restrictions. Gross profits after marketing costs relating to the travel product declined by £7.2m, or 69%, as a result.

Sales for the PMI product were broadly stable, however gross profit after marketing costs was £2.9m lower. The Group is not recognising any upside from a reduction in claims costs in the year that has occurred as a result of a significant decline in elective procedures during the period of COVID-19 lockdown. While these amounts could be receivable under profit share arrangements, both Saga and the solus insurance provider have committed to returning any such benefits to customers.

Profitability of the Group's claims management and credit hire businesses was also impacted during the year due to lower claims volumes as a result of reduced repair activity during the COVID-19 lockdown, as well as the exit from a claims handling contract for a third party.

Insurance Underwriting

£m		12m to Jan 2021 Reported	Quota Share	Underlying	*Change*	12m to Jan 2020 Reported	Quota Share	Underlying
Net earned premium		54.7	(128.7)	183.4	(6.5%)	63.1	(133.1)	196.2
Other revenue		19.7	20.7	(1.0)	(42.9%)	6.0	6.7	(0.7)
Revenue	**a**	**74.4**	**(108.0)**	**182.4**	**(6.7%)**	**69.1**	**(126.4)**	**195.5**
Claims costs	**b**	(42.2)	96.1	(138.3)	*22.1%*	(57.3)	120.2	(177.5)
Reserve releases	**c**	30.6	(7.0)	37.6	*(6.0%)*	29.6	(10.4)	40.0
Other cost of sales	**d**	(4.9)	12.9	(17.8)	*(0.6%)*	(2.4)	15.3	(17.7)
	e	(16.5)	102.0	(118.5)	*23.6%*	(30.1)	125.1	(155.2)
Gross profit		**57.9**	**(6.0)**	**63.9**	***58.6%***	**39.0**	**(1.3)**	**40.3**
Operating expenses	**f**	(2.9)	7.7	(10.6)	*(51.4%)*	(2.4)	4.6	(7.0)
Investment return		3.7	(4.6)	8.3	*(11.7%)*	4.0	(5.4)	9.4
Quota share net cost		-	2.9	(2.9)	*(38.1%)*	-	2.1	(2.1)
Underlying Profit Before Tax[9]		**58.7**	**-**	**58.7**	***44.6%***	**40.6**	**-**	**40.6**
Reported loss ratio	**(b+c)/a**	15.6%		55.2%	(15.1ppt)	40.1%		70.3%
Expense ratio	**(d+f)/a**	10.5%		15.6%	3.0ppt	6.9%		12.6%
Reported COR	**(e+f)/a**	26.1%		70.8%	(12.2ppt)	47.0%		83.0%
Current year COR	**(e+f-c)/a**	67.2%		91.4%	(12.0ppt)	89.9%		103.4%
Number of earned policies				764k	(6.5%)			817k

The Group's in-house underwriter AICL continues to play an important role on the motor panel, providing a source of competitively priced risk. AICL also underwrites a portion of the home panel, although all of the risk in the home insurance business is passed on to a third-party insurance company.

Excluding the impact of the quota share reinsurance arrangement, net earned premiums decreased by 6.5% to £183.4m (2020: £196.2m) in line with the decline in the number of earned policies underwritten by AICL.

Also excluding the impact of the quota share arrangement, the Underwriting business saw a decrease in the current year combined operating ratio (COR) to 91.4% (2020: 103.4%). This was due to lower claims frequencies in the year as a result of customers driving fewer miles during COVID-19 lockdowns. The Group has taken an appropriately cautious approach to reserving for the 2020/21 accident year and is holding an additional component of reserve margin for the increased uncertainty over claims development.

Reserve releases of £37.6m (2020: £40.0m) have resulted in a reported COR of 70.8% (2020: 83.0%), excluding the impact of the quota share arrangement. The Group retains economic interest in motor reserve releases. To the extent they are commuted under the quota share arrangement they are recognised within other revenue as a profit share. Reserve releases are analysed as follows:

£m	12m to Jan 2021 Reported	Quota share	Underlying	*Change*	12m to Jan 2020 Reported	Quota share	Underlying
Motor insurance	28.1	(8.6)	36.7		29.5	(9.3)	38.8
Home insurance	(0.4)	-	(0.4)		(1.1)	(1.1)	-
Other insurance	2.9	1.6	1.3		1.2	-	1.2
	30.6	(7.0)	37.6	*(6.0%)*	29.6	(10.4)	40.0

[9] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Reserve releases primarily reflect continued favourable experience on large bodily injury claims relating to prior accident years mainly due to a reduction in severity, with favourable settlements on claims paid and reductions in case reserves for claims outstanding.

Excluding the impact of the quota share arrangement, the investment return decreased by £1.1m to £8.3m (2020: £9.4m) due to a reduced investment portfolio and lower reinvestment yields.

Travel

	12m to Jan 2021				12m to Jan 2020		
£m	**Tour Operations**	**Cruising**	**Total Travel**	***Change***	**Tour Operations**	**Cruising**	**Total Travel**
Revenue	**32.7**	**18.9**	**51.6**	***(88.9%)***	**346.1**	**118.0**	**464.1**
Gross profit	**(2.6)**	**(13.9)**	**(16.5)**	***(116.6%)***	**61.2**	**37.9**	**99.1**
Marketing expenses	(7.8)	(7.1)	(14.9)	*53.3%*	(18.3)	(13.6)	(31.9)
Other operating expenses	(26.4)	(7.3)	(33.7)	*17.6%*	(33.6)	(7.3)	(40.9)
Investment return	-	0.2	0.2	*(50.0%)*	0.3	0.1	0.4
Finance costs	(0.1)	(13.5)	(13.6)	*97.1%*	(0.4)	(6.5)	(6.9)
Underlying (Loss) / Profit Before Tax[10]	**(36.9)**	**(41.6)**	**(78.5)**	***(496.5%)***	**9.2**	**10.6**	**19.8**
Average revenue per passenger (£)	2,515	3,150	2,716	*12.9%*	2,150	3,688	2,405
Holidays passengers ('000)							
Stays	8		8	*(87.9%)*	66		66
Escorted tours	5		5	*(91.9%)*	62		62
River cruise	-		-	*(100.0%)*	25		25
Third-party ocean cruise	-		-	*(100.0%)*	8		8
	13		13	*(91.9%)*	161		161
Cruise passengers ('000)		6	6	*(81.3%)*		32	32
Cruise passenger days ('000)		61	61	*(85.1%)*		409	409
Load factor		83%	83%	*(1.2%)*		84%	84%
Per diems (£)		241	241	*(6.9%)*		259	259

The Group's Travel businesses were suspended in mid-March 2020 as a result of COVID-19, which has led to a decline in revenues in comparison to budget expectations of around 90% for the financial year for both Tour Operations and Cruise.

The Group has focused on ensuring customers whose holidays have been cancelled are rebooked on future trips or offered a cash refund. The Group has experienced high levels of customer loyalty, particularly in Cruise, with 73% of Cruise advance receipts transferred to a future booking. Similarly, 43% of Tour Operations advance receipts were also transferred to a future booking.

Other operating expenses and marketing costs have declined by £24.2m as a result of actions taken after the decision to suspend operations.

A significant number of changes have been made to how the Travel businesses operate to provide peace of mind and ensure the safety of customers and colleagues once operations restart, including the requirement that all guests must be fully vaccinated against COVID-19 at least 14 days before departure.

In April 2020, the Group indicated that, for the full year, it expected a 'drop through' from lower revenues to Underlying Profit Before Tax of 15-20% for Tour Operations and 55-60% for Cruise, relative to plan assumptions. For the year, the drop through rate was 20% and 46% respectively.

[10] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

The Cruise business took delivery of its second new ship, *Spirit of Adventure*, on 29 September 2020. The sale of *Saga Sapphire* was completed on 12 June 2020 on terms broadly in line with previous expectations.

Forward Travel sales

Tour Operations bookings for 2021/22 are below the same point last year by 52% and 51% for revenue and passengers respectively. This is due to our decision to suspend operations as a result of the government's COVID-19 travel restrictions. Customer demand for 2021/22 is primarily focused on the second half and Saga has maintained a disciplined approach to marketing activity during this period as we expect customer confidence to return when restrictions start to be lifted. Bookings for 2022/23 departures are ahead of the same point last year by 64% and 52% for revenue and passengers respectively, which demonstrates the strong level of pent-up demand for Saga's holidays. Around 63% of revenue booked for 2021/22 is from customers choosing to rebook holidays cancelled in 2020.

Similarly, Cruise bookings for 2021/22 are lower than the same point last year by 20% and 23% for revenue and passenger days respectively due to our decision to suspend operations for *Spirit of Discovery* until at least June 2021 and for *Spirit of Adventure* until at least July 2021. However, demand is very strong for 2022/23 departures, with revenue and passenger days ahead of the prior year by 160% and 142% respectively. Around 45% of revenue booked for 2021/22 is from customers choosing to rebook cruises cancelled in 2020. These figures exclude bookings cancelled in 2020/21 where the customer has indicated that they want to rebook but have yet to rebook onto a specific cruise.

Trading to week ended 28 March 2021

	2021/22 departures			**2022/23 departures**		
	2020/21	***Change***	**2019/20**	**2020/21**	***Change***	**2019/20**
Saga Holidays and Titan combined revenue (£m)	85.3	*(52.5%)*	179.4	37.4	*64.0%*	22.8
Saga Holidays and Titan combined passengers ('000)	38.6	*(51.3%)*	79.3	11.7	*51.9%*	7.7
Cruise revenue (£m)	79.3	*(20.4%)*	99.6	74.9	*160.1%*	28.8
Cruise passenger days ('000)	272.9	*(23.5%)*	356.6	269.8	*141.5%*	111.7

Other Businesses and Central Costs

	12m to Jan 2021				12m to Jan 2020		
£m	**Other Businesses**	**Central Costs**	**Total**	***Change***	**Other Businesses**	**Central Costs**	**Total**
Revenue:							
Personal Finance	6.0	-	6.0	*(18.9%)*	7.4	-	7.4
Healthcare	0.9	-	0.9	*(85.2%)*	6.1	-	6.1
Media	9.1	-	9.1	*(31.6%)*	13.3	-	13.3
Other	-	2.0	2.0	*(9.1%)*	-	2.2	2.2
Total revenue	**16.0**	**2.0**	**18.0**	***(37.9%)***	**26.8**	**2.2**	**29.0**
Cost of sales	(10.4)	(1.1)	(11.5)		(16.5)	(1.7)	(18.2)
Consolidation adjustment	-	2.8	2.8		-	3.1	3.1
Gross profit	**5.6**	**3.7**	**9.3**	***(33.1%)***	**10.3**	**3.6**	**13.9**
Operating expenses	(2.8)	(26.3)	(29.1)	*28.9%*	(5.7)	(35.2)	(40.9)
Investment income	-	-	-		-	0.1	0.1
IAS 19R pension charge	-	(2.6)	(2.6)		-	(0.1)	(0.1)
Net finance costs	-	(16.6)	(16.6)	*(21.2%)*	-	(13.7)	(13.7)
Underlying Profit/(Loss) Before Tax[11]	**2.8**	**(41.8)**	**(39.0)**	***4.2%***	**4.6**	**(45.3)**	**(40.7)**

The Group's other businesses include Saga Personal Finance, the Saga Publishing business and a mailing and printing business. After several years of operating a trial in Healthcare, the Group has completed the closure of this business. The non-Saga branded healthcare businesses of Country Cousins and Patricia White's were sold in March 2020, and the Saga-branded businesses have since been transferred to a third party with an outstanding Care Quality Commission rating.

Underlying Profit Before Tax decreased by £1.8m due to the closure of the Healthcare business coupled with a non-recurring supplier contribution of £1.0m for the equity release product in the prior year.

Central operating expenses decreased to £26.3m (2020: £35.2m) due to a £5.2m net increase in recharges to the operating divisions following a change in methodology, coupled with cost savings driven by the Group's restructuring programme that were retained centrally.

Net finance costs in the year were £16.6m (2020: £13.7m), an increase of 21.2% largely due to the additional debt issue costs incurred in connection with amendments to the Group's debt covenants in April 2019, April 2020 and September 2020.

[11] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Cash flow and liquidity

Available operating cash flow

Available operating cash flow is made up of the cash flows of unrestricted businesses and the dividends paid by restricted companies, less any cash injections to those businesses. Unrestricted businesses include Retail Broking (excluding specific ring-fenced funds to satisfy Financial Conduct Authority (FCA) regulatory requirements), Other Businesses and Central Costs, and from the start of the current financial year, the Group's Cruise business. Restricted businesses include AICL and Tour Operations, and prior to 1 February 2020, Cruise.

Excluding cash transfers to and from the Travel business, Group cash flows demonstrated considerable resilience in the year, with available operating cash flow of £92.3m compared with £95.0m in the prior year. Key movements were as follows:

- Trading EBITDA for unrestricted businesses reduced by £10.1m, in part due to the impact of COVID-19 on sales of travel insurance.
- There was an expected reduction in dividends from AICL of £15.5m.
- Working capital improved from an outflow of £9.5m to an inflow of £7.0m. The outflow in the prior year was mainly due to a £15m one-off payment in February 2019.
- Capital expenditure reduced by £6.4m due to the Group's focus on conserving cash in the short term.

Trading in the Group's Travel businesses was suspended in March 2020. Since then, the Group has provided additional liquidity into the Travel businesses to meet supplier and other trading payments, and to enable repayment of customer refunds where requested.

For Tour Operations, which operates as a ring-fenced fund, a significant portion of the cash outflow was met from the £55.1m of funds available at the start of the financial year. During the year, the Group provided an additional £64.1m of cash to the Tour Operations business to cover trading cash flows, £46.0m of which was provided in the first half of the year when the business experienced higher cash outflows for customer refunds and overheads. The Group has since taken action to reduce the cash burn for the business by removing costs whilst operations are suspended, which, coupled with lower refund levels, has resulted in much lower cash outflows in the second half of the year. The combination of cash within the ring-fenced fund at 1 February 2020 and this additional injection of liquidity has enabled the Tour Operations business to refund £48.2m of advance receipts (£39.5m of which was in the first half of the year), and pay £43.2m of other trading costs and capital expenditure (£31.1m of which was in the first half of the year). The Group also disposed of Destinology in October 2020, which incurred a £2.5m net cash outflow in the second half of the year.

In the second half of the year, following discussions with the Civil Aviation Authority (CAA), the main regulator for the Tour Operations business, the Group created a trust arrangement for new and existing bookings within the current ring-fenced setup. On this basis, 100% of customer cash is held in a separate trust and will only be passed back to the business once the customer has either returned from holiday or has cancelled their booking and been refunded. The Travel business had £22.4m of cash held in trust as at 31 January 2021, and the Group had to inject a one-off payment of £16.2m into the Tour Operations business to fund the initial set-up of this arrangement (included in the £61.7m cash injection stated above). The move into trust has enabled the Group to remove £32.8m of bonding facilities that it held previously to satisfy CAA requirements. In addition to the £61.7m cash injected, the Group also funded £6.2m of restructuring costs for Tour Operations shown below available operating cash flow.

During the year, the Cruise business reported a net cash outflow of £36.6m, of which £30.7m related to the first half and £5.9m related to the second half. The Group paid £25.7m of trading costs, refunded £8.1m of advance customer receipts, paid restructuring costs of £3.2m and interest costs of £8.6m. In addition, the Group had a positive cash inflow from net capital expenditure of £9.0m relating to the sale of *Saga Sapphire* and the recovery of owners' supply payments on completion of *Spirit of Adventure* under ship financing arrangements entered into when the new vessel was commissioned. The higher cash outflow in the first half is due to a reduction in working capital levels, with £14.2m of customer refunds in the first six months compared to an increase in advance receipts of £6.1m in the second half. In addition, net capital expenditure contributed a positive £1.4m in the first half and £7.6m in the second half.

The cash outflows for the Travel business since the onset of the COVID-19 crisis are within modelled assumptions and stress test scenarios.

In the prior year, the Group released £22.7m of cash relating to the Cruise business from the Travel restricted ring-fenced fund as the two operations were financially and operationally separated following discussions with the CAA. As a result of the cash injections to the Travel business in the last 12 months, available operating cash flow reduced from £92.7m in the prior year to £3.4m in the current year.

£m	**12m to Jan 2021**	***Change***	**12m to Jan 2020**
Retail Broking Trading EBITDA	81.6	*(17%)*	98.4
Other Businesses and Central Costs Trading EBITDA	(10.0)	*40%*	(16.7)
Trading EBITDA from unrestricted businesses [12, 13]	**71.6**	***(12%)***	**81.7**
Dividends paid by Underwriting business	24.5	*(39%)*	40.0
Working capital and non-cash items [14]	7.0	*174%*	(9.5)
Capital expenditure funded with available cash	(10.8)	*37%*	(17.2)
Available operating cash flow before cash injections to Travel operations	**92.3**	***(3%)***	**95.0**
Cash injection into Tour Operations business	(64.1)	*(156%)*	(25.0)
Cruise available operating cash flow	(24.8)	*(209%)*	22.7
Available operating cash flow[12]	**3.4**	***(96%)***	**92.7**
Restructuring costs paid	(23.0)	*(1,253%)*	(1.7)
Interest and financing costs	(27.3)	*(38%)*	(19.8)
Business disposals	30.1	*100%*	-
Tax receipts / (payments)	2.8	*127%*	(10.4)
Other payments	(10.2)	*(264%)*	(2.8)
Dividends to shareholders	-	*n/a*	(25.8)
Change in cash flow from operations	(24.2)	*175%*	32.2
Net proceeds from capital raise	138.7	*100%*	-
Change in bank debt	(80.0)	*(100%)*	(40.0)
Cash at 1 February	40.9	*(16%)*	48.7
Available cash at 31 January	**75.4**	*84%*	**40.9**

The Group is in discussion with the FCA regarding the magnitude of the Threshold Condition 2.4 balance that the Retail Broking business holds as restricted cash and the potential need to hold an additional amount on a temporary basis as a result of COVID-19. Any additional temporary liquidity provision is not expected to be significant in a Group context and allowance has been made for this in going concern and viability assessments on a prudent basis

Other cash flow movements

Non-operating cash flow movements in the current year include significant cash costs relating to the restructuring activities undertaken in the first half of the year, which principally relate to redundancy costs.

Interest and financing costs increased due to a full year of financing costs relating to the *Spirit of Discovery* debt facility and the financing costs relating to the new *Spirit of Adventure* debt facility that was drawn

[12] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

[13] Trading EBITDA includes the line item impact of IFRS 16 with the corresponding impact to net finance costs included in net cash flows used in financing activities

[14] Adjusted to exclude IAS19R pension current service costs

down at the end of September 2020, combined with an increase in the interest rate that was agreed as part of covenant renegotiations.

Business disposals relate to the cash received from the sale of the Healthcare, Destinology and Bennetts businesses, net of related sale costs and expenses.

The Group continued to make the agreed payments to the defined benefit pension fund as part of the deficit recovery plan and paid a portion of the sales proceeds relating to the Healthcare and Bennetts businesses to the fund, which totalled £4.8m (2020: £2.8m) and is included within other payments.

In October 2020 the Group raised £138.7m net proceeds from the issuance of new equity shares and used part of this to repay £80m of bank debt. The balance of the proceeds, together with the available cash brought forward from the prior year, provided sufficient liquidity to fund the cash injections to the Travel businesses and increase the cash reserves that the Group takes forward into the new financial year.

Reconciliation between operating and reported metrics

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

£m	**12m to Jan 2021**	**12m to Jan 2020**
Net cash flow from operating activities (reported)	(78.4)	91.9
Exclude cash impact of:		
Trading of restricted divisions	73.8	(46.5)
Non-trading costs	21.6	4.5
Interest paid	24.1	19.9
Tax paid	10.7	25.1
	130.2	3.0
Cash (paid to)/released from restricted divisions	(26.8)	15.0
Include capital expenditure funded from available cash	(10.8)	(17.2)
Include capital expenditure disposal proceeds	6.9	-
Include net impact of Spirit of Adventure purchase cash flows	(5.2)	-
Less cash in businesses disposed of	(12.5)	-
Available operating cash flow[15]	**3.4**	**92.7**

[15] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Trading EBITDA reconciles to Underlying Profit Before Tax as follows:

£m	**12m to Jan 2021**	***Change***	**12m to Jan 2020**
Retail Broking Trading EBITDA	81.6		98.4
Underwriting Trading EBITDA	59.2		41.7
Tour Operations Trading EBITDA	(32.6)		24.8
Cruise Trading EBITDA	(19.5)		33.5
Other Businesses and Central Costs Trading EBITDA	(10.0)		(16.7)
Trading EBITDA[15]	**78.7**	***(56.7%)***	**181.7**
Depreciation & amortisation (excluding acquired intangibles)	(28.8)		(48.0)
Amortisation of acquired intangibles	-		(3.0)
Pension charge IAS 19R	(2.6)		(0.1)
Net finance costs	(30.2)		(20.7)
Underlying Profit Before Tax[15]	**17.1**	***(84.4%)***	**109.9**

Adjusted Trading EBITDA is used in the Group's leverage calculation and is calculated as follows:

£m	**12m to Jan 2021**	***Change***	**12m to Jan 2020**
Trading EBITDA[16]	**78.7**	***(56.7%)***	**181.7**
Less Trading EBITDA of disposed companies not disclosed below Underlying Profit Before Tax	(1.6)		-
Impact of IFRS 16	(3.0)		(13.5)
Spirit of Discovery and Spirit of Adventure Trading EBITDA[17]	18.7		(16.1)
Adjusted Trading EBITDA[164]	**92.8**	***(39.0%)***	**152.1**

<u>Balance Sheet</u>

Goodwill

The Group has assessed the carrying value of goodwill for impairment at 31 July 2020 and 31 January 2021. The impairment test compares the recoverable amount of each cash generating unit (CGU) with the carrying value of the net assets including goodwill for each CGU, namely Insurance, Tour Operations and Cruise.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five-year plan to 2025/26, and after allowing for certain stress test scenarios. This stress testing has included the latest and cautiously balanced estimates of the impact of the COVID-19 crisis as at the time of each test.

Based on this analysis, the Group remains comfortable that there is headroom over and above the carrying value of the goodwill allocated to the Insurance CGU of £718.6m.

In the first half of the year and as reported in the interim statement in September 2020, for the Cruise and Tour Operations businesses, the underlying forecast cash flows were updated for the impact of COVID-19 as assessed at that point in time, with the expectation then that ocean cruises would recommence in November 2020 and Tour Operations trading would remain suspended until April 2021. In addition to this, a further downside scenario was considered that reflected the need for a further suspension of ocean cruises between January 2021 and May 2021, with a long-term impact on demand levels for both cruises and package holidays. As a result of the continued uncertainty and adverse impact of COVID-19 on the travel industry, increases in perceived travel industry risk resulting in higher asset betas and cost of debt levels, particularly in Cruise in the first half of 2020, led to a marked increase in the market-participant view of

[16] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

[17] EBITDA includes central Cruise overheads

discount rates used in the calculation of recoverable amount. Consequently, the Group determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs were below their respective carrying values and took the decision to impair in full the £59.8m goodwill allocated to Tour Operations and Cruise in the Group's interim results. Whilst the outlook for the travel industry has improved since then, characterised by an improvement in industry betas and cost of debt levels, goodwill impairments are irreversible, so the impairment charge remains in the full-year results.

Carrying value of ocean cruise ships

As at 31 January 2021, the carrying value of the Group's ocean cruise ships totalled £635.0m, which increased by £331.1m in the year following the purchase of *Spirit of Adventure* in September 2020. Due to the suspension of Cruise for most of the year, the Group carried out an impairment review of both of its vessels. The results of the review showed that there was headroom in both the central and stress test scenarios for *Spirit of Discovery*, and so it was concluded that no impairment was required. Given its higher carrying value, the central scenario for *Spirit of Adventure* implied a small impairment, which increased in the stress test scenario. Management considered a range of alternative data points and other factors, and taking all of these into account, considered that there was no need to impair the vessel. Please refer to note 10 on pages 54-55 for further details of the review that was undertaken.

Investment portfolio

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

The amount held in invested funds decreased by £17.8m to £359.1m (2020: £376.9m) due to payment of £24.5m of dividends from AICL in the year. As at 31 January 2021, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is broadly in line with the previous year and reflects the stable credit risk rating of the Group's counterparties.

			Risk rating			
At 31 January 2021	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Underwriting investment portfolio:						
Deposits with financial institutions	-	24.2	-	-	-	24.2
Debt securities	23.1	73.9	71.5	93.4	-	261.9
Money market funds	66.8	-	-	-	-	66.8
Loan funds	-	-	-	-	6.2	6.2
Total invested funds	89.9	98.1	71.5	93.4	6.2	359.1
Hedging derivative assets	-	-	0.2	0.5	-	0.7
Total financial assets	**89.9**	**98.1**	**71.7**	**93.9**	**6.2**	**359.8**

			Risk rating			
At 31 January 2020	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Underwriting investment portfolio:						
Deposits with financial institutions	-	30.4	-	18.6	-	49.0
Debt securities	15.3	117.5	54.1	87.3	-	274.2
Money market funds	45.9	-	-	-	-	45.9
Loan funds	-	-	-	1.6	6.2	7.8
Total invested funds	61.2	147.9	54.1	107.5	6.2	376.9
Hedging derivative assets	-	-	0.7	0.5	-	1.2
Total financial assets	**61.2**	**147.9**	**54.8**	**108.0**	**6.2**	**378.1**

Insurance reserves

Analysis of insurance contract liabilities at 31 January 2021 and 31 January 2020 is as follows:

	At 31 January 2021			At 31 January 2020		
£m	**Gross**	**Reinsurance assets[18]**	**Net**	**Gross**	**Reinsurance assets[18]**	**Net**
Reported claims	228.6	(57.8)	170.8	250.5	(48.2)	202.3
Incurred but not reported[19]	92.6	(7.4)	85.2	79.9	(7.0)	72.9
Claims handling provision	8.3	-	8.3	7.9	-	7.9
Total claims outstanding	329.5	(65.2)	264.3	338.3	(55.2)	283.1
Unearned premiums	96.8	(6.4)	90.4	105.3	(6.9)	98.4
Total	**426.3**	**(71.6)**	**354.7**	**443.6**	**(62.1)**	**381.5**

The Group's total insurance contract liabilities net of reinsurance assets have decreased by £26.8m in the year to 31 January 2021 from the previous year end due to a £31.5m reduction in reported net claims reserves coupled with a £8.0m reduction in unearned premiums. This was partially offset by a £12.3m increase in net incurred but not reported claims reserve due to increased uncertainty over claims reporting patterns resulting from the impact of COVID-19 necessitating a higher booked margin.

Financing

The Group's net debt has increased by £166.3m to £760.2m since the previous year end due to the additional £280.8m borrowed to fund the purchase of Spirit of Adventure, partially offset by repayment of £80m in bank debt and short-term facilities, and an increase in available cash. As at 31 January 2021, the £100m RCF remained undrawn and available to the Group.

Excluding the impact of debt and earnings relating to the new ocean cruise ships, the Group's leverage ratio was 2.7x as at 31 January 2021 (2020: 2.4x), well within the 4.75x covenant applicable to the Group's term loan and RCF.

No repayments were made on the ship loans during the year, with the Group agreeing two debt holidays with its lenders as part of a package of proposals to support the wider cruise industry. The first debt holiday agreed in June 2020 allowed repayments to be deferred to March 2021, and the second debt holiday agreed in March 2021 extended this further to March 2022. The Group expects to resume ship loan debt repayments after March 2022.

£m	**Maturity date[20]**	**31 January 2021**	**31 January 2020**
Corporate bond	May 2024	250.0	250.0
Term loan	May 2023	70.0	140.0
Revolving credit facility	May 2023	-	10.0
Spirit of Discovery ship loan	June 2031	234.8	234.8
Spirit of Adventure ship loan	September 2032	280.8	-
Less available cash[21]		(75.4)	(40.9)
Net debt		**760.2**	**593.9**

[18] Excludes funds-withheld quota share arrangement (please refer to note 15 for further detail)

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

[20] Maturity date represents the date that the principal must be repaid, other than the ship loans, which are repaid in instalments over the next 12 years

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

Adjusted net debt is used in the Group's leverage calculation and reconciles to net debt as follows:

£m	31 January 2021	31 January 2020
Net debt	760.2	593.9
Ship loans	(515.6)	(234.8)
Cruise available cash	2.3	2.6
Adjusted net debt[22]	**246.9**	**361.7**

Pensions

The Group's defined benefit pension scheme deficit as measured on an IAS 19R basis reduced by £1.2m to £4.3m as at 31 January 2021 (2020: £5.5m deficit).

£m	31 January 2021	31 January 2020
Fair value of scheme assets	411.2	372.3
Present value of defined benefit obligation	(415.5)	(377.8)
Defined benefit scheme liability	**(4.3)**	**(5.5)**

Whilst the present value of defined benefit obligations increased by £37.7m to £415.5m, due to a 25bps reduction in the discount rate used to value these liabilities that is based on high-quality bond yields, the fair value of scheme assets increased by £38.9m to £411.2m. The increase in asset values has been largely driven by the fall in interest rates in the year, which in turn has led to a marked increase in the value of liability hedging assets within the portfolio.

The pension trustees have largely completed the triennial valuation of the scheme as at 31 January 2020. Following discussions with the Company, the trustees are proposing a new deficit recovery plan totalling £39.0m over the next seven years, with the first payment of £4.2m paid in February 2021 and subsequent payments of £5.8m due each February thereafter until February 2027. Discussions with the trustees are ongoing but are expected to be concluded in the next two months.

Net assets

Since 31 January 2020, total assets have increased by £117.9m and total liabilities have increased by £25.4m, resulting in an overall increase in net assets of £92.5m.

The increase in total assets is primarily as a result of the purchase of *Spirit of Adventure*, which, after allowing for offsetting depreciation and a reclassification of land and buildings to assets held for sale, led to an increase in the carrying value of property, plant and equipment of £235.2m. This was partially offset by a £59.8m impairment of Travel goodwill and the derecognition of £33.8m of assets held for sale relating to the divestment of the Bennetts and Healthcare businesses during the year, plus a further £15.0m of assets derecognised in respect of the Destinology business.

The increase in total liabilities reflects a £136.3m increase in financial liabilities, which was due to an increase in gross debt from the draw-down of the facility to purchase *Spirit of Adventure,* partially offset against the repayment of bank debt following the equity raise in October 2020. This was offset by a £71.0m reduction in contract liabilities due to the level of refunds made in the Travel business following the suspension of trading since March 2020, coupled with a £17.3m reduction in insurance contract liabilities, a £10.8m decrease in trade and other payables, also driven in part by the suspension of trading in Travel, and the derecognition of £8.5m of liabilities held for sale relating to disposed businesses.

[22] Refer to the Alternative Performance Measures (APM) Glossary on pages 66 to 67 for definition and explanation

Impact of COVID-19 and going concern

The Group's largest business is its Insurance operations, which have been resilient over the last 12 months and have remained profitable. In addition, the Group has been able to maintain full operational capability throughout the year despite the impact of COVID-19, with almost all colleagues working from home.

However, the Group's Travel business has been subject to significant disruption. Following advice from the UK Government that people over 70 years old should avoid travel and given operational challenges in almost all countries, the Group took the decision to suspend Cruise and Tour Operations in March 2020. Both businesses have been suspended since then and will not resume trading until later this year.

Over the 12 months during which the Travel businesses has been suspended, the Group has taken a number of mitigating actions to strengthen its financial position, including:

- The removal of more than £50m of overhead and marketing costs in comparison to the original budget for the year, both as part of the Group's restructuring and simplification programme and in response to the suspension of Travel operations.
- The successful disposal of the Bennetts, Healthcare and Destinology businesses, which raised net cash proceeds of £31m.
- Raising approximately £139m of net proceeds from the issuance of new equity shares in September 2020, £104m of which was used to reduce debt outstanding under corporate lending facilities.
- Establishment of trust accounting for the Tour Operations business, enabling a reduction in bonding by £33m.
- Agreement to repayment holidays for the ship debt facilities from April 2020 until March 2022, and with a waiver of related ship debt covenants for the same period.
- Amendments to the covenants attached to the term loan and RCF to provide increased levels of financial flexibility, and a 12-month extension to the maturity of the term loan until May 2023.

These actions, together with the cash generated by the Insurance business, enabled the Group to reduce net debt (excluding debt relating to Cruise operations) by £115m during the year despite the provision of £104m in cash support to Travel operations.

As at 31 January 2021, the Group had significant headroom to all covenants on bank facilities. At that date, the Group was in compliance with all requirements of its banking facilities, specifically the leverage ratio (excluding the impact of debt and earnings relating to the new ocean cruise ships) was 2.7x (2020: 2.4x), compared to a 4.75x maximum covenant; interest cover was 3.3x (2020: 9.0x), well above the minimum covenant of 1.25x; and the Cruise intercompany debt was £16.2m (2020: £1.1m), significantly below the limit in bank facilities at that date of £45m (since increased to £55m).

Although the Travel business remains suspended, customer loyalty has been exceptionally positive, especially for Cruise. Given the large number of customers who have rebooked for 2021/22 travel departures and because of a level of pent-up demand, demand generation is not considered to be a near-term material challenge for the Travel business.

The Group's base case assumption is for Tour Operations to resume in July 2021 for river cruising and in September 2021 for stays and tours, and ocean cruises recommencing in June 2021 for Spirit of Discovery and in July 2021 for the inaugural cruise of Spirit of Adventure. It is also assumed that the mid-term outlook for Cruise returns to pre COVID-19 levels.

The Group believes that the base case assumption is reasonable for the following reasons:

- All customers should have been vaccinated twice by the end of May, which will be combined with a series of other safety measures implemented by the business, including a quarantine and testing procedure

for crew. This is a critical factor that makes the Saga cruise proposition safe for customers while also, over time, giving governments the confidence to allow the Group to resume trading.
- There is UK Government support to resume domestic and international tourism from June and they have confirmed that cruises will be allowed to restart to the same timetable.
- The Group believes that ocean cruise – if managed properly – is a safer proposition than some other forms of international travel. This is particularly the case for Saga given the nature of the cruise proposition and the additional steps being taken, including mandatory vaccines before travel and our third-party accreditation for COVID-19 health and safety protocols.
- A number of European countries have already indicated they will be welcoming Saga customers and look forward to UK cruise ships entering their ports in the summer of 2021. The Group's ships are particularly sought after for their modest size (at less than 1,000 passengers) and the vaccine-only policy for customers.
- If scheduled port stops are not possible because of growing levels of COVID-19 in those countries, the flexibility of Cruise allows for itineraries to be modified accordingly.

Although management are confident of a summer return, there is high degree of uncertainty in the outlook, with a number of factors that could lead to a delay in the lifting of the ban on international travel. Given this situation, which is constantly evolving, the Group has considered a range of alternative outcomes.

The main downside scenario considered assumes no Tour Operations departures until March 2022, with Cruise resuming from November 2021 for Spirit of Discovery and from December 2021 for Spirit of Adventure. In this scenario, the Group has also assumed a slower recovery in load factors (remaining at 80% until July 2022) and incremental costs in operating the business. In assessing wider downside risks the Group has also considered other trading stress tests in relation to the Insurance business.

Although this scenario would be challenging, the Group expects to remain resilient and would not expect to need to take further actions to improve financial flexibility. Specifically:

- The Group has plenty of liquidity, with £75m of available cash at 31 January 2021, and a £100m RCF that is currently undrawn.
- The Group has agreed a working capital facility with Roger De Haan that enables the Cruise business to draw down £10m in cash support if required, on the same terms as for the RCF.
- The Insurance business continues to perform well and with predictable cash generation.
- Tour Operations customer receipts are fully ring fenced and are not included in available cash.
- There are no debt maturities until after April 2022, with capital repayments not due on the two cruise ships until June 2022 for £15m on the *Spirit of Discovery* facility and until September 2022 for £16m on the *Spirit of Adventure* facility, and there are no repayments due on bank facilities until their maturity in May 2023.
- The Group therefore expects to be able to operate within the debt covenants and other requirements of its banking facilities, which have been amended to accommodate the Group's downside scenario modelling and are summarised below.

		30 April 2021*	31 July 2021	31 October 2021*	31 January 2022	30 April 2022*	31 July 2022
Leverage (net debt to EBITDA ratio)	Maximum	4.75	4.75	4.50	4.25	4.00	3.00
Interest cover (EBITDA to net cash interest ratio)	Minimum	1.25	1.25	1.25	1.50	3.50	3.50
Cruise intercompany debt cap	Maximum	£55m	£55m	£55m	£55m	£55m	£55m

** Quarterly covenants for leverage and interest cover are only tested if leverage is above 4.0x times at the previous covenant test date*

Although the Group believes that the downside scenario above represents an appropriate reasonable worse-case (RWC), there are a number of significant factors related to COVID-19 that are outside of the control of the Group, including the status and impact of the pandemic worldwide; potential emergence of new variants of the virus; the availability of vaccines, together with the speed at which they are deployed and their efficacy; and the restrictions imposed worldwide in respect of the freedom of movement and travel. The Group is therefore not able to provide certainty that there could not be more severe downside scenarios than the RWC.

While the Group expects the outcome of a scenario more severe than the RWC to be unlikely, further downside sensitivities have been considered in light of the COVID-19 pandemic, including the impact of not being able to resume both Cruise and Tour Operations until March 2022. In considering this outcome, the Group has allowed for likely ongoing lower motor claims frequency than assumed in its base case plans, which in part offsets the adverse impact of continued delays to a resumption of Travel. In this scenario, the Group projects that it would have limited headroom to the interest cover covenant and would be near the limit of Cruise funding, but it would still remain in compliance with the requirements of its banking facilities for at least the next 12 months. The Group would however consider taking further actions to increase flexibility and reduce downside risks associated with the remote possibility of any further delay to the restart of Travel beyond March 2022. Such actions would include seeking additional amendments to bank facilities and consideration of alternative sources of funding.

Given the above factors, the Directors have a reasonable expectation that the Group will continue to trade through the continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months, and so have prepared the financial statements on a going concern basis accordingly.

Dividends

Given the uncertain implications of COVID-19, the Board of Directors does not recommend the payment of a final dividend for the 2020/21 financial year, nor would this currently be permissible during the period of the ship debt repayment holiday.

Financial priorities for 2021/22

The Group's financial priorities for the current financial year continue to be the preservation of cash and managing its level of debt, to ensure compliance with its banking covenants and to continue to focus on cost efficiencies. At the same time, the Group is continuing the progress in delivering its insurance strategy, has taken delivery of the second new ocean cruise ship and has repositioned the Tour Operations business ready for trading to recommence later in 2021. Given the continued uncertainty arising from COVID-19, the Group is not able to provide any earnings guidance for the 2021/22 financial year.

Principal risks and uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The most significant risks that the Board considers may affect our business are listed below:

- COVID-19 pandemic
- Cybercrime
- Delivery and execution
- Culture and capability
- Saga brand and relevance
- Regulatory landscape
- Operational resilience
- Climate change
- Third-party suppliers
- Fraud and financial crime

A full description of the principal risk and uncertainties and their management and mitigation will be set out in the 2021 annual report and accounts.

Consolidated income statement
for the year ended 31 January 2021

	Note	**2021 £'m**	2020 (restated) £'m
Gross earned premiums	3	221.7	233.9
Earned premiums ceded to reinsurers	3	(142.8)	(145.7)
Net earned premiums	3	78.9	88.2
Other revenue		258.7	709.1
Total revenue	3	**337.6**	**797.3**
Gross claims incurred		(131.4)	(140.6)[23]
Reinsurers' share of claims incurred		113.2	109.8[23]
Net claims incurred		(18.2)	(30.8)
Other cost of sales		(82.0)	(395.1)
Total cost of sales	3	(100.2)	(425.9)
Gross profit		**237.4**	**371.4**
Administrative and selling expenses		(224.2)	(252.6)
Impairment of assets		(65.0)	(400.5)
Gain on lease modification	11	3.2	-
Net profit on disposal of businesses	7	8.6	-
Net profit on disposal of property, plant and equipment, right-of-use assets and software		6.6	1.3
Investment income		0.7	1.2
Finance costs		(30.2)	(21.8)
Finance income		1.7	0.1
Loss before tax		**(61.2)**	**(300.9)**
Tax expense	4	(6.6)	(11.9)
Loss for the year		**(67.8)**	**(312.8)**
Attributable to:			
Equity holders of the parent		**(67.8)**	**(312.8)**
Earnings Per Share:			(restated)
Basic	6	(67.0p)	(381.7p)[24]
Diluted	6	(67.0p)	(381.7p)[24]

[23] Gross claims incurred and reinsurers' share of claims incurred for the year ended 31 January 2020 have been restated due to an incorrect allocation between these classifications. Gross claims incurred have decreased by £19.3m and reinsurers' share of claims incurred has decreased by £19.3m.

[24] In accordance with IAS 33 'Earnings per Share', basic and diluted EPS figures for the year ended 31 January 2020 have been restated and adjusted for: (a) the bonus factor of 1.1 to reflect the bonus element of the Firm Placing and Open Offer (note 6); and (b) the consolidation of the Company's shares during the year (note 6). Amounts as originally stated were (27.9p) for basic and diluted EPS, and 8.9p for basic and diluted Underlying Basic EPS

Consolidated statement of comprehensive income for the year ended 31 January 2021

	2021 £'m	2020 £'m
Loss for the year	**(67.8)**	**(312.8)**
Other comprehensive income		
Other comprehensive income to be reclassified to income statement in subsequent years		
Net gains/(losses) on hedging instruments during the year	22.3	(11.2)
Recycling of previous gains to income statement on matured hedges	(2.5)	(2.6)
Total net gains/(losses) on cash flow hedges	19.8	(13.8)
Associated tax effect	(3.5)	2.4
Net gains on fair value financial assets during the year	3.2	8.1
Associated tax effect	(0.8)	(1.4)
Total other comprehensive gains/(losses) with recycling to income statement	18.7	(4.7)
Other comprehensive income not to be reclassified to income statement in subsequent years		
Re-measurement losses on defined benefit plans	(1.2)	(5.4)
Associated tax effect	0.2	0.9
Total other comprehensive losses without recycling to income statement	(1.0)	(4.5)
Total other comprehensive gains/(losses)	**17.7**	**(9.2)**
Total comprehensive losses for the year	**(50.1)**	**(322.0)**
Attributable to:		
Equity holders of the parent	**(50.1)**	**(322.0)**

Consolidated statement of financial position
as at 31 January 2021

	Note	2021 £'m	2020 £'m
Assets			
Goodwill	8	718.6	778.4
Intangible assets	9	56.6	57.1
Property, plant and equipment	10	660.2	425.0
Right-of-use assets	11	2.8	25.7
Financial assets	12	359.8	378.1
Current tax assets		3.1	-
Deferred tax assets	4	12.5	22.3
Reinsurance assets	15	71.6	62.1
Inventories		3.5	5.4
Trade and other receivables		183.1	209.0
Assets held for sale	7, 19	16.9	33.8
Trust accounts		22.4	-
Cash and short-term deposits	13	101.6	97.9
Total assets		**2,212.7**	**2,094.8**
Liabilities			
Retirement benefit scheme obligations	14	4.3	5.5
Gross insurance contract liabilities	15	426.3	443.6
Provisions		11.7	7.7
Financial liabilities	12	826.6	690.3
Deferred tax liabilities	4	5.8	4.2
Current tax liabilities		-	7.7
Contract liabilities		82.2	153.2
Trade and other payables		175.1	185.9
Liabilities held for sale	7, 19	-	8.5
Total liabilities		**1,532.0**	**1,506.6**
Equity			
Issued capital	17	21.0	11.2
Share premium		648.3	519.3
Retained earnings		0.2	65.4
Share-based payment reserve		5.8	7.8
Fair value reserve		7.3	4.9
Hedging reserve		(1.9)	(20.4)
Total equity		**680.7**	**588.2**
Total liabilities and equity		**2,212.7**	**2,094.8**

Consolidated statement of changes in equity for the year ended 31 January 2021

	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 £'m
At 1 February 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
Loss for the year	-	-	(67.8)	-	-	-	(67.8)
Other comprehensive (losses)/income excluding recycling	-	-	(1.0)	-	2.4	18.4	19.8
Recycling of previous gains to income statement	-	-	-	-	-	(2.1)	(2.1)
Total comprehensive (losses)/income	-	-	(68.8)	-	2.4	16.3	(50.1)
Recognition of non-financial asset from hedging reserve (note 12)	-	-	-	-	-	2.2	2.2
Dividends paid (note 5)	-	-	(0.1)	-	-	-	(0.1)
Issue of share capital (note 17)	9.8	140.6	-	-	-	-	150.4
Transaction costs associated with issue of share capital	-	(11.6)	-	-	-	-	(11.6)
Share based payment charge (note 18)	-	-	-	2.4	-	-	2.4
Exercise of share options	-	-	3.7	(4.4)	-	-	(0.7)
At 31 January 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**

At 1 February 2019	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**
Loss for the year	-	-	(312.8)	-	-	-	(312.8)
Other comprehensive (losses)/income excluding recycling	-	-	(4.5)	-	6.7	(9.3)	(7.1)
Recycling of previous gains to income statement	-	-	-	-	-	(2.1)	(2.1)
Total comprehensive (losses)/income	-	-	(317.3)	-	6.7	(11.4)	(322.0)
Recognition of non-financial asset from hedging reserve (note 12)	-	-	-	-	-	(26.5)	(26.5)
Dividends paid (note 5)	-	-	(25.8)	-	-	-	(25.8)
Share based payment charge (note 18)	-	-	-	2.2	-	-	2.2
Exercise of share options	-	-	7.1	(7.7)	-	-	(0.6)
At 31 January 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**

Consolidated statement of cash flows

for the year ended 31 January 2021

	Note	2021 £'m	2020 £'m
Loss before tax		(61.2)	(300.9)
Depreciation, impairment and profit on disposal, of property, plant & equipment and right-of-use assets		14.9	43.7
Amortisation and impairment of intangible assets, and loss on disposal of software		72.5	408.1
Gain on lease modification		(3.2)	-
Share-based payment transactions		2.4	2.1
Profit on disposal of assets held for sale		(12.2)	-
Loss on disposal of subsidiaries		3.6	-
Finance costs		30.2	21.8
Finance income		(1.7)	(0.1)
Interest income from investments		(0.7)	(1.2)
Increase in trust accounts		(22.4)	-
Movements in other assets and liabilities		(66.5)	(37.8)
		(44.3)	135.7
Interest received		0.7	1.2
Interest paid		(24.1)	(19.9)
Income tax paid		(10.7)	(25.1)
Net cash flows (used in)/from operating activities		**(78.4)**	**91.9**
Investing activities			
Proceeds from sale of property, plant and equipment, and right-of-use assets		8.3	6.3
Purchase of and payments for the construction of property, plant and equipment, and intangible assets		(285.1)	(295.3)
Net disposal of financial assets		41.9	32.8
Disposal of subsidiaries, net of cash in businesses disposed of	7	23.1	-
Net cash flows used in investing activities		**(211.8)**	**(256.2)**
Financing activities			
Payment of principal portion of lease liabilities		(4.0)	(15.0)
Proceeds from borrowings		330.8	279.0
Repayment of borrowings		(130.0)	(84.2)
Debt issue costs		(17.4)	(7.9)
Proceeds from issue of share capital	17	150.3	-
Transaction costs associated with issue of share capital		(11.6)	-
Dividends paid		(0.1)	(25.8)
Net cash flows from financing activities		**318.0**	**146.1**
Net increase/(decrease) in cash and cash equivalents		**27.8**	**(18.2)**
Cash and cash equivalents at the start of the year		139.1	157.3
Cash and cash equivalents at the end of the year	13	**166.9**	**139.1**

Notes to the consolidated financial statements

1 Corporate information

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

The consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'Saga Group' or 'the Group') for the year ended 31 January 2021 were approved for issue by the Board of Directors on 6 April 2021 and will be made available on the Company's website in due course.

2.1 Basis of preparation

The results in this preliminary announcement have been taken from the Group's 2021 annual report and accounts. The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU).

The basis of preparation, basis of consolidation and summary of significant accounting policies applicable to the Group's consolidated financial statements will be published in the notes to the consolidated financial statements in the 2021 annual report and accounts.

The consolidated financial statements have been prepared on a going concern basis. The Group has reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included below. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The preliminary announcement for the year ended 31 January 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated financial statements for the full year ended 31 January 2021 have been audited by KPMG LLP (KPMG). Their report was unqualified and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

Going concern and liquidity

The Directors have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 January 2021 and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of the COVID-19 pandemic and other key risks and uncertainties.

The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see principal risks and uncertainties; Operating and Financial Review; Audit Risk and Internal Control; Audit Committee Report; Risk Committee Report; and notes). As a consequence, the Directors believe that the Group is well-placed to successfully manage its business risks.

The Group's largest business is its Insurance operations, which have been resilient over the last 12 months and have remained profitable. In addition, the Group has been able to maintain full operational capability throughout the year despite the impact of the COVID-19 pandemic, with almost all colleagues working from home.

However, the Group's Travel business has been subject to significant disruption. Following advice from the UK Government that people over 70 years old should avoid travel and given operational challenges in almost all countries, the Group took the decision to suspend Cruise and Tour Operations in March 2020. Both businesses have been suspended since then and will not resume trading until later this year.

Over the 12 months during which the Travel business has been suspended, the Group has taken a number of mitigating actions to strengthen its financial position, including reductions in costs, conclusion of disposals, an equity capital raise and amendments to both ship debt and banking facilities. These actions, together with the cash generated by the Insurance business, enabled the Group to reduce net debt (excluding debt relating to Cruise operations) by £115m during the year despite the provision of £104m in cash support to Travel operations.

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

Going concern and liquidity (continued)

As at 31 January 2021, the Group had significant headroom to all covenants on bank facilities. At that date, the Group was in compliance with all requirements of its banking facilities, specifically the leverage ratio (excluding the impact of debt and earnings relating to the new ocean cruise ships) was 2.7x (2020: 2.4x), compared to a 4.75x maximum covenant; interest cover was 3.3x (2020: 9.0x), well above the minimum covenant of 1.25x; and the Cruise intercompany debtor was £16.2m (2020: £1.1m), significantly below the limit in bank facilities at that date of £45m (since increased to £55m).

Although the Travel business remains suspended, customer loyalty has been exceptionally positive, especially for Cruise. Given the large number of customers who have rebooked for 2021/22 travel departures and because of a level of pent-up demand, demand generation is not considered to be a near-term material challenge for the Travel business.

The Group's base case assumption is for Tour Operations to resume in July 2021 for river cruising and in September 2021 for stays and tours, and ocean cruises recommencing in June 2021 for *Spirit of Discovery* and in July 2021 for the inaugural cruise of *Spirit of Adventure*. It is also assumed that the mid-term outlook for Cruise returns to pre COVID-19 levels.

The Group believes that the base case assumption is reasonable for the following reasons:

- All customers should have been vaccinated twice by the end of May, which will be combined with a series of other safety measures implemented by the business, including a quarantine and testing procedure for crew. This is a critical factor that makes the Saga cruise proposition safe for customers while also, over time, giving governments the confidence to allow the Group to resume trading.

- There is UK Government support to resume domestic and international tourism from June and they have confirmed that cruise will be allowed to restart to the same timetable.

- There is a growing recognition that ocean cruise – if managed properly – is a safer proposition than some other forms of international travel. This is particularly the case for Saga given the nature of the cruise proposition and the additional steps being taken, including mandatory vaccines before travel and our third-party accreditation for COVID-19 health and safety protocols.

- A number of European countries have already indicated they will be welcoming Saga customers and look forward to UK cruise ships entering their ports in the summer of 2021. The Group's ships are particularly sought after for their modest size (at less than 1,000 passengers) and the vaccine-only policy for customers.

- If scheduled port stops are not possible because of growing levels of COVID-19 in those countries, the flexibility of Cruise allows for itineraries to be modified accordingly.

Although management are confident of a summer return, there is high degree of uncertainty in the outlook, with a number of factors that could lead to a delay in the lifting of the ban on international travel. Given this situation, which is constantly evolving, the Group has considered a range of alternative outcomes.

The main downside scenario considered assumes no Tour Operations departures until March 2022, with Cruise resuming from November 2021 for *Spirit of Discovery* and from December 2021 for *Spirit of Adventure*. In this scenario the Group has also assumed a slower recovery in load factors (remaining at 80% until July 2022) and incremental costs in operating the business. In assessing wider downside risks, the Group has also considered other trading stress tests in relation to the Insurance business.

2.1 Basis of preparation (continued)

Going concern and liquidity (continued)

Although this scenario would be challenging, the Group expects to remain resilient and would not expect to need to take further actions to improve financial flexibility. Specifically:

- The Group has plenty of liquidity, with £75m of available cash at 31 January 2021, and a £100m revolving credit facility (RCF) that is currently undrawn.
- The Group has agreed a temporary working capital facility with Roger De Haan that enables the Cruise business to draw down £10m in cash support if required, on the same terms as for the RCF.
- The Insurance business continues to perform well and with predictable cash generation.
- Tour Operations customer receipts are fully ring fenced are not included in available cash.
- There are no debt maturities until after April 2022, with capital repayments not due on the two cruise ships until June 2022 for £15m on the *Spirit of Discovery* facility and until September 2022 for £16m on the *Spirit of Adventure* facility, and there are no repayments due on bank facilities until their maturity in May 2023.
- The Group therefore expects to be able to operate within the debt covenants and other requirements of its banking facilities, which have been amended to accommodate the Group's downside scenario modelling and are summarised below.

		30 April 2021*	31 July 2021	31 October 2021*	31 January 2022	30 April 2022*	31 July 2022
Leverage (net debt to EBITDA ratio)	Maximum	4.75	4.75	4.50	4.25	4.00	3.00
Interest cover (EBITDA to net cash interest ratio)	Minimum	1.25	1.25	1.25	1.50	3.50	3.50
Cruise intercompany debt cap	Maximum	£55m	£55m	£55m	£55m	£55m	£55m

** Quarterly covenants for leverage and interest cover are only tested if leverage is above 4.0x times at the previous covenant test date.*

Although the Group believes that the downside scenario above represents an appropriate reasonable worse case (RWC), there are a number of significant factors related to COVID-19 that are outside of the control of the Group, including the status and impact of the pandemic worldwide; potential emergence of new variants of the virus; the availability of vaccines, together with the speed at which they are deployed and their efficacy; and the restrictions imposed worldwide in respect of the freedom of movement and travel. The Group is therefore not able to provide certainty that there could not be more severe downside scenarios to that described above.

While the Group expects the outcome of a scenario more severe than the RWC to be unlikely, further downside sensitivities have been considered in light of the COVID-19 pandemic, including the impact of not being able to resume both Cruise and Tour Operations until March 2022. In considering this outcome, the Group has allowed for likely ongoing lower motor claims frequency than assumed in its base case plans, which in part offsets the adverse impact of continued delays to a resumption of Travel. In this scenario, the Group projects that it would have limited headroom to the interest cover covenant and would be near the limit of Cruise funding, but it would still remain in compliance with the requirements of its banking facilities for at least the next 12 months. The Group would however consider taking further actions to increase flexibility and reduce downside risks associated with the remote possibility of any further delay to the restart of Travel beyond March 2022. Such actions would include seeking additional amendments to bank facilities and consideration of alternative sources of funding.

The impact of the COVID-19 pandemic cannot be accurately predicted and it is not possible to assess all possible future implications for the Group; however, based on this analysis and the scenarios modelled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Directors have therefore deemed it appropriate to prepare the financial statements to 31 January 2021 on a going concern basis.

Notes to the consolidated financial statements (continued)

2.2 Summary of significant accounting policies

There have been no significant changes to the accounting policies of the Group during the year ended 31 January 2021. Full details of the accounting policies of the Group will be published in the annual report and accounts for the year ended 31 January 2021 available at www.corporate.saga.co.uk.

2.3 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2021. Except where separately disclosed, these standards are yet to be endorsed by the EU and UK Endorsement Board.

i. IFRS 17 'Insurance contracts'

IFRS 17 was issued in May 2017 and it establishes a principles-based accounting approach for insurance contracts and will replace IFRS 4. The Group has begun work to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2023.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after 1 January 2023 and are not likely to have a material effect on the Group's financial statements.

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

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

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group's financial statements.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group's financial statements.

vi. Annual improvements to IFRS 2018–2020

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

Notes to the consolidated financial statements (continued)

2.3 Standards issued but not yet effective (continued)

vii. COVID-19-related rent concessions (amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. The amendment was endorsed by the EU on 9 October 2020. The amendment will have no effect on the Group's financial statements.

viii. Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. As described above, our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2023.

ix. Interest rate benchmark reform — phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the inter-bank offered rate (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments are effective for annual reporting periods beginning on or after 1 January 2021. The amendments were endorsed by the EU on 13 January 2021. The amendments are not expected to have a material impact on the Group's financial statements.

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

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

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

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

Notes to the consolidated financial statements (continued)

2.4 Significant accounting judgements, estimates and assumptions

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

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

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – performance obligations	Identification of performance obligations within contracts with customers, and the subsequent allocation of the transaction price to each performance obligation.
2.3ai	Classification of insurance contracts	Assessment of whether significant insurance risk is transferred, and in particular assessment of whether reinsurance arrangements constitute a reinsurance contract under IFRS 4, for example, the funds-withheld quota share contract.
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. In the year to 31 January 2021, management deemed it necessary to impair the goodwill allocated to the Cruise and Tour Operations CGU's in full. Following the continued impact of the COVID-19 pandemic on the Group's operations, especially in Travel, management has concluded that indicators of impairment exist and has conducted impairment reviews at 31 January 2021 of the Group's two cruise ships, *Spirit of Discovery* and *Spirit of Adventure*. Management have considered a range of scenarios and used their judgement to conclude no impairment was necessary. Please refer to note 10 for further detail. In the year to 31 January 2021, in light of the Group's decision to vacate most of its properties, management exercised its judgement in relation to the impairment of the freehold land and buildings. In the year to 31 January 2021, in relation to the Destinology business, management also exercised its judgement in relation to the impairment of property, plant and equipment and right-of-use assets.
2.3l	Leases – extension and termination options	Assessment of whether it is probable that the Group will exercise any extension of termination options included within lease contracts.
2.3r	Insurance contract liabilities	Judgement as to areas of uncertainty that may give rise to claims costs in excess of the actuarial best estimate of claims incurred, and the level of additional reserve margin to recognise in the financial statements above that estimate. In the year to 31 January 2021, the Group has considered the additional latency risk to claims cost development caused by the impact of the COVID-19 pandemic and has recognised an additional claims reserve above actuarial best estimate to cover this specific risk.

Accounting policy references above are to the notes to the annual report and accounts for the year ended 31 January 2021.

Notes to the consolidated financial statements (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The stand-alone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option due to the fact that they either decide not to renew or they make a claim that releases the Group from its obligation to fix the customer price.
2.3bi	Cost recognition – incremental costs of obtaining an insurance contract	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 incorporates the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract.
2.3f & 2.3i	Useful economic lives and residual values of intangible assets and property, plant and equipment	The useful economic lives and residual values of intangible assets and property, plant and equipment are assessed upon the capitalisation of each asset and at each reporting date and are based upon the expected consumption of future economic benefits of the asset. Assets which are in the course of construction are not amortised and are assessed for impairment in line with the requirements of IAS 36.
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate in order to calculate present value. The COVID-19 pandemic has increased the estimation uncertainty in our Tour Operations and Cruise CGU's. The outcome of the impairment reviews concluded that an impairment charge of £59.8 be recognised against the Group's Cruise and Tour Operations CGUs as at 31 July 2020. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 8 on pages 52 to 53.

Notes to the consolidated financial statements (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates (continued)

2.3h	Impairment of property, plant and equipment, and right-of-use assets	Management has performed an impairment review on its freehold land and buildings, and has estimated the recoverable amount based on the fair value less costs to sell of each property the Group plans to dispose of. The outcome of the impairment reviews concluded that an impairment charge of £4.5m be recognised against the Group's freehold land and buildings assets as at 31 January 2021. These properties were subsequently transferred to assets held for sale. Following the continued impact of the COVID-19 pandemic on the Group's operations, management conducted impairment reviews at 31 January 2021 of the Group's two cruise ships, *Spirit of Discovery* and *Spirit of Adventure*. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of the two cruise ship assets, and therefore concluded that no impairment charges were necessary.
2.3r	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made both for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims incurred but not yet reported (IBNR), as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2021 (2020: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date. In calculating the level of reserve margin to recognise above the actuarial best estimate of incurred claims, the Group considered an array of risks to future claims experience and estimated the financial impact that those risks could have to derive an appropriate level of margin to hold. This included an assessment of the magnitude of the claims latency risk due to the impact of the COVID-19 pandemic.
2.3u	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Accounting policy references above are to the notes to the Annual report and accounts for the year ended 31 January 2021.

3 Segmental information

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

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

  - Retail Broking, consisting of:
    - Motor broking
    - Home broking
    - Other insurance broking
  - Underwriting

  The Group classifies the CGU at its lowest level to be at the Insurance segment level.

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

- **Other Businesses and Central Costs**: the segment comprises the Group's other businesses and its central cost base. The other businesses include the financial services product offering, a monthly subscription magazine product and the Group's mailing and printing business.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit Before Tax. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Goodwill, corporate bond and bank loans are not allocated to segments as they are managed on a Group basis.

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

2021	Insurance: Motor broking	Insurance: Home broking	Insurance: Other insurance broking	Insurance: Under-writing	Insurance: Total	Travel	Other Businesses and Central Costs	Adjustments	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	**92.7**	**60.2**	**40.7**	**74.4**	**268.0**	**51.6**	**22.6**	**(4.6)**	**337.6**
Cost of sales	(2.7)	-	(4.2)	(16.5)	(23.4)	(68.1)	(8.7)	-	(100.2)
Gross profit	**90.0**	**60.2**	**36.5**	**57.9**	**244.6**	**(16.5)**	**13.9**	**(4.6)**	**237.4**
Administrative and selling expenses	(56.5)	(32.3)	(22.0)	(2.9)	(113.7)	(64.4)	(50.7)	4.6	(224.2)
Impairment of assets	-	-	-	-	-	(0.2)	(5.0)	(59.8)	(65.0)
Gain on lease modification	-	-	-	-	-	-	3.2	-	3.2
Net (loss)/profit on disposal of businesses	-	-	-	-	-	(1.7)	10.3	-	8.6
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software	-	-	-	-	-	6.8	(0.2)	-	6.6
Investment income	-	-	-	3.7	3.7	0.2	(3.2)	-	0.7
Finance costs	-	-	-	-	-	(13.6)	(16.6)	-	(30.2)
Finance income	-	-	-	-	-	1.7	-	-	1.7
Profit/(loss) before tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(87.7)**	**(48.3)**	**(59.8)**	**(61.2)**
Reconciliation to Underlying Profit/ (Loss) Before Tax									
Profit/(loss) before tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(87.7)**	**(48.3)**	**(59.8)**	**(61.2)**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(1.7)	-	-	(1.7)
Impairment of goodwill	-	-	-	-	-	-	-	59.8	59.8
(Profit) on disposal / impairment of assets	-	-	-	-	-	(3.8)	1.8	-	(2.0)
Restructuring costs	-	-	-	-	-	13.0	17.8	-	30.8
Net loss/(profit) on disposal of businesses	-	-	-	-	-	1.7	(10.3)	-	(8.6)
Underlying Profit/ (Loss) Before Tax	**33.5**	**27.9**	**14.5**	**58.7**	**134.6**	**(78.5)**	**(39.0)**	**-**	**17.1**
Total assets less liabilities					**284.4**	**19.3**	**(18.0)**	**395.0**	**680.7**

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

2020	Insurance: Motor broking £'m	Insurance: Home broking £'m	Insurance: Other insurance broking £'m	Insurance: Under-writing £'m	Insurance: Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**104.7**	**62.5**	**67.9**	**69.1**	**304.2**	**464.1**	**35.6**	**(6.6)**	**797.3**
Cost of sales	(2.8)	-	(12.9)	(30.1)	(45.8)	(365.0)	(15.1)	-	(425.9)
Gross profit	**101.9**	**62.5**	**55.0**	**39.0**	**258.4**	**99.1**	**20.5**	**(6.6)**	**371.4**
Administrative and selling expenses	(73.9)	(29.4)	(25.9)	(2.4)	(131.6)	(78.4)	(49.2)	6.6	(252.6)
Impairment of assets	-	-	-	-	-	(13.3)	(4.2)	(383.0)	(400.5)
Net profit on disposal of property, plant and equipment, and right-of-use assets	-	-	-	-	-	1.0	0.3	-	1.3
Investment income	-	-	-	4.0	4.0	0.4	(3.2)	-	1.2
Finance costs	-	-	-	-	-	(8.0)	(13.8)	-	(21.8)
Finance income	-	-	-	-	-	-	0.1	-	0.1
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Reconciliation to Underlying Profit/ (Loss) Before Tax									
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Net fair value loss on derivative financial instruments	-	-	-	-	-	1.1	-	-	1.1
Impairment of assets	-	-	-	-	-	13.6	3.3	-	16.9
Impairment of goodwill	-	-	-	-	-	-	-	383.0	383.0
Impact of insolvency of Thomas Cook	-	-	-	-	-	3.9	-	-	3.9
Restructuring costs	-	-	-	-	-	0.4	5.5	-	5.9
Underlying Profit/ (Loss) Before Tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**19.8**	**(40.7)**	**-**	**109.9**
Total assets less liabilities					**283.2**	**71.9**	**(144.6)**	**377.7**	**588.2**

All revenue is generated solely in the UK.

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

	2021 £'m	2020 £'m
Goodwill (note 8)	718.6	778.4
Group bond and bank loans (note 16)	(323.6)	(400.7)
	395.0	**377.7**

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

a Disaggregation of revenue

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

	2021					
	Insurance			**Travel**	**OB&CC**	**Total**
Major product lines	**Earned premium on insurance underwritten by the Group**	**Other revenue**	**Total insurance**			
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Gross earned premiums on insurance underwritten by the Group	221.7		221.7			221.7
Less: ceded to reinsurers	(142.8)		(142.8)			(142.8)
Net revenue on:						
- Motor broking	23.2	69.5	92.7			92.7
- Home broking	-	60.2	60.2			60.2
- Other broking	1.1	39.6	40.7			40.7
- Underwriting	54.6	19.8	74.4			74.4
Tour Operations				32.7		32.7
Cruise				18.9		18.9
Personal Finance					6.0	6.0
Healthcare					0.9	0.9
Media					9.1	9.1
Other					2.0	2.0
	78.9	**189.1**	**268.0**	**51.6**	**18.0**	**337.6**

	2020					
	Insurance			Travel	OB&CC	Total
Major product lines	Earned premium on insurance underwritten by the Group	Other revenue	Total insurance			
	£'m	£'m	£'m	£'m	£'m	£'m
Gross earned premiums on insurance underwritten by the Group	233.9		233.9			233.9
Less: ceded to reinsurers	(145.7)		(145.7)			(145.7)
Net revenue on:						
- Motor broking	23.8	80.9	104.7			104.7
- Home broking	-	62.5	62.5			62.5
- Other broking	1.3	66.6	67.9			67.9
- Underwriting	63.1	6.0	69.1			69.1
Tour Operations				346.1		346.1
Cruise				118.0		118.0
Personal Finance					7.4	7.4
Healthcare					6.1	6.1
Media					13.3	13.3
Other					2.2	2.2
	88.2	216.0	304.2	464.1	29.0	797.3

Included in other revenue is instalment interest income on premium financing of £11.1m (2020: £11.1m).

Notes to the consolidated financial statements (continued)

4 Tax

The major components of the income tax expense are:

	2021	2020
	£'m	£'m
Consolidated income statement		
Current income tax		
Current income tax charge	3.5	16.4
Adjustments in respect of previous years	(3.7)	(0.8)
	(0.2)	**15.6**
Deferred tax		
Relating to origination and reversal of temporary differences	3.2	(1.1)
Effect of tax rate change on opening balance	(1.7)	-
Adjustments in respect of previous years	5.3	(2.6)
	6.8	**(3.7)**
Tax expense in the income statement	**6.6**	**11.9**

The Group's tax expense for the year was £6.6m (2020: £11.9m) representing a tax effective rate of 471.4% before the impairment of goodwill and associated deferred tax (2020: 14.5%). The Group's tax effective rate is higher than the standard rate of corporation tax, mainly due to the Group's Cruise business entering the Tonnage Tax regime on 1 February 2020, which has resulted in the losses accumulated in the Cruise business due to the COVID-19 pandemic during the period not being eligible for group relief to other profitable companies within the Group. If the Cruise business had not entered the Tonnage Tax regime the Group's tax effective rate would have been 17.6%.

Adjustments in respect of previous years includes an adjustment for the over provision of tax charge in prior years of £1.6m (2020: £3.4m credit).

No tax charge or credit arose on the disposal of the Bennetts, Destinology and Healthcare businesses.

Reconciliation of net deferred tax assets

	2021	2020
	£'m	£'m
At 1 February	18.1	7.1
Tax (charge)/credit recognised in the income statement	(6.8)	3.7
Tax (charge)/credit recognised in other comprehensive income	(4.1)	1.9
Tax (charge)/credit recognised directly into the hedging reserve	(0.5)	5.4
At 31 January	**6.7**	**18.1**

On 11 March 2020, it was announced that the corporation tax rate would remain at 19% from 1 April 2020 and this has been enacted at the statement of financial position date. As a result, the closing deferred tax balances have been reflected at 19%. We expect net deferred tax assets/(liabilities) to be normally settled in more than 12 months.

On 3 March 2021, it was announced that the corporation tax rate will increase to 25% from 1 April 2023 and has not been enacted at the statement of financial position date. As a result, the closing deferred tax balances have not been updated to reflect this rate change. If the rate change had been enacted at the statement of financial position date, the impact would have been to increase the net deferred tax asset by £2.1m.

The Group has tax losses which arose in the UK of £4.2m (2020: £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 was able to recognise all unrecognised deferred tax assets, the profit would increase by £0.8m (2020: £0.7m).

Notes to the consolidated financial statements (continued)

5 Dividends

Given the uncertain implications of the COVID 19 pandemic, the board of Directors does not recommend the payment of a final dividend for the 2020/21 financial year. No interim dividend for the year ended 31 January 2021 was paid during the year. In addition to the dividends declared and paid during the year stated above, dividend equivalents of £0.1m (2020: £nil) have been paid. These dividend equivalents relate to previously declared dividends which only become payable when certain share options are exercised.

During the prior year, the Company paid an ordinary dividend of 1.0 pence per share, relating to the year ended 31 January 2020, and also paid an interim dividend of 1.3 pence per share, relating to the year ended 31 January 2021. The total dividends paid in the prior year were £25.8m.

The distributable reserves of Saga plc are £38.2m as at 31 January 2021 which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately with the exception of companies within the Tour Operations and Underwriting segments, which require regulatory approval before any dividends can be declared and paid. However, due to the debt holidays agreed with our ship facilities lenders up to 31 March 2022 (notes 16 and 20), the Group is prohibited from declaring dividends during this time.

6 Earnings Per Share

Basic Earnings per Share (EPS) is calculated by dividing the loss after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by also including the weighted average number of ordinary shares that would be issued on conversion of all potentially dilutive options. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The calculation of basic and diluted EPS is as follows:

	2021	2020 (restated)
	£'m	£'m
Loss attributable to ordinary equity holders	(67.8)	(312.8)
Weighted average number of ordinary shares	'm	'm
Ordinary shares as at 1 February	1,119.4	1,119.1
Initial Public Offering (IPO) share options exercised	-	0.2
Long-term Incentive Plan (LTIP) share options exercised	-	0.1
Issue of shares – 5 October 2020 (note 17)		
- First Firm Placing	224.4	-
- Second Firm Placing	124.2	-
- Placing and Open Offer	623.3	-
Bonus factor impact reflecting bonus element of October 2020 rights issue	-	109.7
Sub-total before share consolidation	2,091.3	1,229.1
Share consolidation – 13 October 2020 (note 17)	(1,951.9)	(1,147.2)
Issue of shares – 18 November 2020 (note 17)	0.5	-
Ordinary shares as at 31 January	**139.9**	81.9
Weighted average number of ordinary shares for basic EPS and diluted EPS	**101.2**	81.9
Basic EPS	**(67.0p)**	(381.7p)
Diluted EPS	**(67.0p)**	(381.7p)

Notes to the consolidated financial statements (continued)

6 Earnings Per Share (continued)

The table below reconciles between basic EPS and Underlying Basic EPS:

	2021	2020 (restated)
Basic EPS	**(67.0p)**	(381.7p)
Adjusted for:		
Derivative (gains)/losses	**(1.9p)**	1.4p
Impairment, and profit on disposal, of property, plant and equipment and software	**(2.2p)**	21.5p
Impairment of goodwill and associated deferred tax	**59.1p**	467.4p
Impact of insolvency of Thomas Cook	**-**	4.9p
Net profit on disposal of businesses	**(8.5p)**	-
Restructuring costs	**33.7p**	7.5p
Underlying Basic EPS	**13.2p**	121.0p

In accordance with IAS 33 'Earnings per Share', basic and diluted EPS figures for the year ended 31 January 2020 have been restated and adjusted for: (a) the bonus factor of 1.1 to reflect the bonus element of the Firm Placing and Open offer (note 17); and (b) the consolidation of the Company's shares during the year (note 17). Amounts as originally stated were (27.9p) for basic and diluted EPS, and 8.9p for basic and diluted Underlying Basic EPS.

7 Business combinations and disposals

(a) Acquisitions during the year ended 31 January 2021

There were no acquisitions in the year ended 31 January 2021.

(b) Disposals during the year ended 31 January 2021

(i) Healthcare business

During the year ended 31 January 2020, the Group made the decision to exit the Healthcare business and initiated an active programme to locate a buyer for its Healthcare operation. Having met the requirements of IFRS 5, the associated assets and liabilities were consequently presented as a held for sale disposal group in the statement of financial position as at 31 January 2020. The disposal group did not meet the requirements of IFRS 5 to be classified as a discontinued operation.

On 3 March 2020 the Group reached agreement for the sale of its Country Cousins and Patricia White's branded Healthcare businesses to Limerston Capital LLP for an enterprise value of £14.0m. Country Cousins and Patricia White's were introductory care agencies, and represented two of the three divisions comprising the Group's Healthcare business. The remaining division, Saga Care at Home, was sold on 31 May 2020 to a third-party care provider, Care By Us, for a nominal sum of £1. This completed the Group's exit from the Healthcare business.

Details of the sale of the Healthcare business operation are as follows:

	2021 £'m
Cash consideration received (net of transaction costs)	12.8
Cash and short-term deposits disposed of as part of the transaction	(1.4)
Carrying value of net assets disposed	(1.0)
Gain on disposal before tax	10.4
Tax expense on gain	-
Gain on disposal after tax	**10.4**

7 Business combinations and disposals (continued)

(b) Disposals during the year ended 31 January 2021 (continued)

(ii) Bennetts

During the year ended 31 January 2020, the Group made the decision to initiate an active programme to locate a buyer for its insurance biking brand within the Insurance segment, Bennetts. Having met the requirements of IFRS 5, the associated assets and liabilities were consequently presented as a held for sale disposal group in the statement of financial position as at 31 January 2020. The disposal group did not meet the requirements of IFRS 5 to be classified as a discontinued operation.

On 17 February 2020 the Group announced that it had reached agreement for the sale of Bennetts for an enterprise value of £26m to Atlanta Investment Holdings C Limited ('Atlanta'). Atlanta is part of The Ardonagh Group, one of the largest independent insurance brokers in the UK. Completion was subject to receiving regulatory approval and other closing conditions.

On 7 August 2020 the disposal of Bennetts Motorcycling Services Limited ('Bennetts') to Atlanta Investment Holdings C Limited was completed following the receipt of regulatory approvals, generating net disposal proceeds of £24.0m.

Details of the sale of Bennetts are as follows:

	2021 £'m
Cash consideration received (net of transaction costs)	24.0
Cash and short-term deposits disposed of as part of the transaction	(9.5)
Carrying value of net assets disposed	(12.7)
Gain on disposal before tax	1.8
Tax expense on gain	–
Gain on disposal after tax	**1.8**

(iii) Destinology

Early in the year, the Group made the decision to initiate an active programme to locate a buyer for its Travel segment business, Destinology. On 20 October 2020 the Group announced that it had sold Destinology Limited to Brooklyn Travel Limited for a nominal sum of £1. Net transaction costs of £0.2m were incurred in relation to the disposal.

Details of the sale of the Destinology are as follows:

	2021 £'m
Cash consideration received (net of transaction costs)	(0.2)
Cash and short-term deposits disposed of as part of the transaction	(1.6)
Expense of non-cash items relating to disposal	(1.0)
Carrying value of net liabilities disposed	0.2
Loss on disposal before tax	(2.6)
Tax expense on gain	–
Loss on disposal after tax	**(2.6)**

(iv) Other

During the year, transaction costs of £1.0m (2020: nil) were incurred in relation to other business disposals that did not complete.

Notes to the consolidated financial statements (continued)

8 Goodwill

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

	2021	2020 (restated)
	£'m	£'m
Insurance	**718.6**	718.6
Cruise	**-**	44.8
Tour Operations	**-**	15.0
	718.6	778.4

During the year ended 31 January 2020, the Group made structural changes to its Travel business such that the cash flows of the Cruise business are now managed independently of the Tour Operations businesses. This required a re-evaluation of the determination of the Group's CGUs, and the Travel excluding Destinology CGU was subdivided into separate Cruise and Tour Operations excluding Destinology CGUs. The goodwill asset previously allocated to the Travel excluding Destinology CGU was allocated to the Cruise and Tour Operations excluding Destinology CGUs based on their relative value-in-use measurements. The carrying value of the goodwill asset allocated to each of the Cruise and Tour Operations excluding Destinology CGUs as at 31 January 2020 have been restated to £44.8m (previous reported value: £35.8m) and £15.0m (previous reported value: £24.0m) reflecting a correction to the allocation calculation.

The Group tests all goodwill balances for impairment at least annually, and twice yearly if there exist indicators of impairment at the interim reporting date of 31 July. Due to the impact of the COVID-19 pandemic on the Group's earnings, the Group tested goodwill for impairment as at 31 July 2020 and 31 January 2021.The impairment test compares the recoverable amount of each CGU to the carrying value of its net assets including the value of the allocated goodwill.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's latest five-year financial forecasts to 2025/26, which are derived using past experience of the Group's trading combined with the anticipated impact of changes in macro-economic and regulatory factors. A terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (January 2020: 2.0%) as the expected long-term average growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market-participant view of the cost of capital and debt relevant to each industry. The pre-tax discount rates used for each CGU were as follows:

	31 January 2021	**31 July 2020**	31 January 2020
Insurance	**9.8%**	**9.9%**	12.6%
Cruise*	**n/a**	**11.7%**	10.9%
Tour Operations	**n/a**	**11.3%**	12.2%

** The Cruise pre-tax discount rate as at 31 January 2020 has been restated to accurately reflect the impact of the tonnage tax regime on future cash flows.*

The Group also considered a series of stress tests, both in terms of adverse impacts to either the cash flow projections or to the discount rate. For the cash flow stress tests, the impact of further prolonged COVID-19 lockdowns during 2021 was considered, both in terms of the impact on the resumption of Travel operations and the positive impact this could have on motor insurance claims experience, in combination with a more cautious terminal growth rate of 1.5% reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of c. +1.0ppt for the Insurance CGU as at 31 January 2021, and +2.0ppt and 3.7ppt for the Cruise and Tour Operations CGUs respectively as at 31 July 2020.

Notes to the consolidated financial statements (continued)

8 Goodwill (continued)

For the Insurance CGU, the Group has also incorporated the expected impact of the publication of the FCA's findings from its market study into general insurance pricing and the impact this will likely have on new business pricing and retention rates, with a further stress test involving a more cautious outlook for the impact of this. The Group has also excluded the projected cash flow benefit of strategic initiatives that are not reflective of the business in its current condition. After considering the impact of cash flow and discount rate stresses to the recoverable amount, the Group remains comfortable that there remains headroom over and above the carrying value of the net assets including goodwill allocated to the Insurance CGU. This was the case at both the 31 July 2020 and 31 January 2021 testing points.

As at 31 July 2020, for both the Cruise and Tour Operations businesses, the underlying forecast cash flows were updated for the impact of the COVID-19 pandemic as assessed at that point in time, with the expectation then that ocean cruises would recommence in November 2020 and Tour Operations trading would remain suspended until April 2021. In addition to this, a further stress test scenario was considered that reflected the need for a further suspension of ocean cruises between January 2021 and May 2021, with a long-term impact on demand levels for both cruises and package holidays.

As a result of the continued uncertainty and adverse impact of the COVID-19 pandemic on the travel industry, increases in perceived travel industry risk resulted in higher betas and cost of debt levels, particularly in Cruise in the first half of 2020. This led to a marked increase in the market-participant view of discount rates used in the calculation of recoverable amount, and particularly in increases in the top end of the range of discount rates considered for the discount rate stress test. Consequently, the Group determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs were below their respective carrying values and took the decision to impair in full the £59.8m goodwill allocated to Tour Operations and Cruise in the Group's interim results. Whilst the outlook for the travel industry has improved since then, characterised by an improvement in industry betas and cost of debt levels, goodwill impairments are irreversible, so the impairment charge remains in the full-year results.

The headroom/(deficit) for each of the CGUs against the brought forward carrying value was as follows:

	Headroom /(deficit) £'m					
	Central scenario		Cash flow stress test scenario		Discount rate stress test scenario	
	31 January 2021	31 July 2020	31 January 2021	31 July 2020	31 January 2021	31 July 2020
Insurance	216.4	205.4	72.4	102.4	108.0	192.0
Cruise	n/a	18.0	n/a	(10.0)	n/a	(44.8)
Tour Operations	n/a	86.0	n/a	20.0	n/a	(15.0)

The headroom/(deficit) calculated is most sensitive to the discount rate and terminal growth rate assumed, or to changes in the projected cash flow of the CGU. A quantitative sensitivity analysis for each of these as at 31 January 2021 and its impact on the headroom / (deficit) against brought forward goodwill carrying values is as follows:

	Pre-tax discount rate		Terminal growth rate		Cash flow (annual)	
	+10ppt £'m	–10ppt £'m	+10ppt £'m	–10ppt £'m	+10% £m	-10% £m
Insurance	(113.0)	146.4	113.2	(87.3)	102.9	(102.9)

Given these headroom numbers the Directors consider that there is no reasonable possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

9 Intangible fixed assets

During the year, the Group capitalised £13.2m (2020: £21.5m) of software assets, disposed of assets with a net book value of £0.2m (2020: £nil) and charged £12.5m of amortisation and impairment to its intangible assets (2020: £25.1m).

10 Property, plant and equipment

During the year, the Group capitalised assets with a cost of £274.0m (2020: £282.0m), disposed of assets with a net book value of £4.8m (2020: £5.0m) and charged £18.5m of depreciation and impairment to its property, plant and equipment (2020: £31.0m).

As the Group is planning to vacate most of its properties (note 19), management has concluded that this constitutes an indicator of impairment and has duly conducted an impairment review of the Group's freehold land and buildings as at 31 January 2021, with the exception of the main Head Office building which will not be vacated. In relation to these freehold properties, value-in-use is negligible and so the Group has obtained market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £5.0m should be recognised against the Group's assets as at 31 January 2021. At the year end, the Group reclassified freehold land and buildings with a net book value of £16.9m to assets held for sale.

Due to the continued impact of the COVID-19 pandemic on the Group's operations, and particularly in Travel, with the suspension of the Cruise and Tour Operations businesses since March 2020, management concluded that indicators of impairment exist and conducted impairment reviews at 31 January 2021 for the Group's two ocean cruise ships, *Spirit of Discovery* and *Spirit of Adventure*. The impairment test compares the recoverable amount of each cruise ship to its carrying value.

The recoverable amount of each cruise ship has been determined based on a value-in-use calculation using cash flow projections from the Group's latest five-year financial forecasts to 2025/26, and applying a constant annual growth rate thereafter for subsequent periods until the end of the ship's useful economic life of 30 years, at which point a residual value of 15% has been assumed. This has then been discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows have been updated for the latest impact of the COVID-19 pandemic, with the expectation that ocean cruises recommence in June 2021 for *Spirit of Discovery* and in July 2021 for the inaugural cruise of *Spirit of Adventure*. In addition, a stress test of a further four-month delay to the resumption of ocean cruises and the potential adverse medium-term impact that the pandemic may have on demand for cruises have also been considered. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market-participant view of the cost of equity and debt. The pre-tax discount rates used for the cruise ships were 11.8% (2020: 10.9%) for both vessels. As at 31 January 2021, the headroom/(deficit) for each of the ships against the carrying value was as follows:

	Headroom /(deficit) £'m	
	Central scenario	Stress test scenario
Spirit of Discovery	57.0	10.0
Spirit of Adventure	(17.0)	(49.0)

Based on these impairment tests, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of *Spirit of Discovery*. Given the headroom in these tests the Directors consider that there is no reasonable possible change in the key assumptions made in their impairment assessment that would give rise to an impairment of this vessel.

For *Spirit of Adventure* however, the carrying value of the asset would exceed its recoverable amount in both the central and stress test scenarios at the discount rate selected, and therefore management considered a range of other factors to test the reasonableness of the assumptions used. Those factors included additional data sources in the form of alternative views of the discount rate, useful economic life and enterprise valuations derived from EBITDA multiples of other publicly-traded cruise companies.

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment (continued)

Firstly, the calculated discount rate of 11.8% was found to sit at the mid-point of a range of possible values that the Group's auditors would consider reasonable, that range being 10.3% to 13.2% as at 31 January 2021. Selection of a discount rate at the bottom of that range of 10.3% would leave a headroom of £30.0m in the central scenario, and a deficit of £5.0m in the stress-test scenario. Secondly, the useful economic life of 30 years was found to sit at the bottom end of a range of 30-40 years being adopted by the industry. Increasing the useful economic life by five years would increase the recoverable amount further by £7.0m. Lastly, using an enterprise valuation basis derived from EBITDA multiples of other publicly traded cruise companies implied a headroom of £15.0m. On this basis, considering the range of data available, the Group therefore concluded that no impairment of *Spirit of Adventure* was necessary.

The headroom/(deficit) calculated is most sensitive to the discount rate and cash flows assumed. A quantitative sensitivity analysis for each of these as at 31 January 2021 and its impact on the headroom/(deficit) against carrying values is as follows:

	Pre-tax discount rate		Annual growth rate (beyond fifth year)		Cash flow (annual)		Useful economic life	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m	+10% £m	-10% £m	+5 years	-5 years
Spirit of Discovery	(27.3)	31.6	17.3	(15.4)	34.4	(34.3)	8.4	(13.1)
Spirit of Adventure	(26.2)	30.4	16.8	(14.9)	32.4	(32.4)	7.0	(10.8)

11 Right-of-use assets

During the year, the Group capitalised assets with a cost of £0.8m (2020: £19.5m), disposed of assets with a net book value of £0.5m (2020: £0.5m), reduced net book value for modification of lease terms by £17.8m (2020: £2.6m) and charged £3.2m of depreciation and impairment to its right-of-use assets (2020: £13.6m).

In the current year, modification of lease terms relating to river cruise ships (£10.1m) resulted from the impact of the COVID-19 pandemic on the Travel business. Modification of lease terms relating to long leasehold land and buildings (£7.7m) resulted from the Group's decision to initiate an active program to locate buyers for a number of its freehold properties (note 19) due to a relationship existing between the use of one of these freehold properties and the use of one of the long leasehold land buildings. In addition, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £3.2m being reported in the income statement.

12 Financial assets and financial liabilities

a) Financial assets

	2021 £'m	2020 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	0.6	0.1
Loan funds	6.2	7.8
Money market funds	66.8	45.9
	73.6	**53.8**
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	0.1	1.0
Fuel oil swaps	-	0.1
	0.1	**1.1**
Fair value through other comprehensive Income		
Debt securities	261.9	274.2
	261.9	**274.2**
Amortised cost		
Deposits with financial institutions	24.2	49.0
	24.2	**49.0**
Total financial assets	**359.8**	**378.1**
Current	105.2	126.4
Non-current	254.6	251.7
	359.8	**378.1**

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	2021 £'m	2020 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	1.3	2.0
	1.3	**2.0**
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	2.1	23.4
Fuel oil swaps	0.2	2.5
	2.3	**25.9**
Amortised cost		
Bond and bank loans (note 16)	817.1	624.3
Lease liabilities	4.4	28.6
Bank overdrafts	1.5	9.5
	823.0	**662.4**
Total financial liabilities	**826.6**	**690.3**
Current	10.4	95.6
Non-current	8162	594.7
	826.6	**690.3**

c) Fair value hierarchy

	As at 31 January 2021				As at 31 January 2020			
	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	-	0.7	-	**0.7**	-	1.1	-	**1.1**
Fuel oil swaps	-	-	-	**-**	-	0.1	-	**0.1**
Loan funds	6.2	-	-	**6.2**	7.8	-	-	**7.8**
Debt securities	261.9	-	-	**261.9**	274.2	-	-	**274.2**
Money market funds	66.8	-	-	**66.8**	45.9	-	-	**45.9**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	3.4	-	**3.4**	-	25.4	-	**25.4**
Fuel oil swaps	-	0.2	-	**0.2**	-	2.5	-	**2.5**
Financial assets for which fair values are disclosed								
Deposits with institutions	-	24.2	-	**24.2**	-	49.0	-	**49.0**
Financial liabilities for which fair values are disclosed								
Bond and bank loans	-	817.1	-	**817.1**	-	624.3	-	**624.3**
Lease liabilities	-	4.4	-	**4.4**	-	28.6	-	**28.6**
Bank overdrafts	-	1.5	-	**1.5**	-	9.5	-	**9.5**

12 Financial assets and financial liabilities (continued)

d) Other information

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

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2020: none).

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the year, the Group designated 285 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods and did not designate any fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 January 2021, the Group has designated 287 forward currency contracts and 22 fuel oil swaps as hedges.

During the year, the Group recognised net gains of £6.0m (2020: £4.0m losses) on cash flow hedging instruments through other OCI into the hedging reserve. Additionally, the Group recognised net gains of £16.3m (2020: £7.2m losses) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of two new ships. The overall net gains were £22.3m (2020: £11.2m losses). The Group has recognised £nil gains (2020: £0.1m) through the income statement in respect of the ineffective portion of hedges measured during the year.

During the year the Group has de-designated 174 foreign currency forward contracts, with a transaction value of £46.6m, where the cash flows forecast are no longer expected to occur. Similarly, during the year the Group has de-designated 27 fuel oil swaps to 25% and 50%, with a transaction value of £6.5m, where the cash flows forecast are no longer expected to occur. During the year, the Group recognised a £2.5m gain (2020: £2.6m gain) through the income statement in respect of matured hedges which have been recycled from OCI. The Group also recognised a £2.7m loss (2020: £31.9m gain) in property, plant and equipment, in respect of matured hedges which have been recognised directly from the hedging reserve.

13 Cash and cash equivalents

	2021	2020
	£'m	£'m
Cash at bank and in hand	94.4	73.1
Short-term deposits	7.2	24.8
Cash and short-term deposits	**101.6**	**97.9**
Money markets funds	66.8	45.9
Bank overdraft	(1.5)	(9.5)
Cash held by disposal groups	-	4.8
Cash and cash equivalents in the cash flow statement	**166.9**	**139.1**

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 (note 20). These amounts held are not readily available to be used for other purposes within the Group and total £91.5m (2020: £98.2m). Available cash excludes these amounts and any amounts held by disposal groups.

Notes to the consolidated financial statements (continued)

14 Retirement benefit schemes

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

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the defined contribution schemes was £3.2m (2020: £3.6m). The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b. Defined benefit plans

The Group operates a funded defined benefit scheme, the Saga Pension Scheme, 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:

	2021	2020
	£'m	£'m
Fair value of scheme assets	411.2	372.3
Present value of defined benefit obligation	(415.5)	(377.8)
Defined benefit scheme liability	**(4.3)**	**(5.5)**

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

During the year ended 31 January 2021, the net liability of the Saga Pension Scheme has decreased by £1.2m to a total liability of £4.3m.

15 Insurance contract liabilities and reinsurance assets

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

	2021	2020
Gross	**£'m**	£'m
Claims outstanding	329.5	338.3
Provision for unearned premiums	96.8	105.3
Total gross liabilities	**426.3**	**443.6**

	2021	2020
Recoverable from reinsurers	**£'m**	£'m
Claims outstanding	65.2	55.2
Provision for unearned premiums	6.4	6.9
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**71.6**	**62.1**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:		
- Claims outstanding	147.1	134.0
- Provision for unearned premiums	55.9	63.9
Total reinsurers' share of insurance liabilities after funds - withheld quota share	**274.6**	**260.0**
Analysed as:		
Claims outstanding	212.3	189.2
Provision for unearned premiums	62.3	70.8
Total reinsurers' share of insurance liabilities after funds - withheld quota share	**274.6**	**260.0**

15 Insurance contract liabilities and reinsurance assets (continued)

	2021	2020
Net	**£'m**	**£'m**
Claims outstanding	264.3	283.1
Provision for unearned premiums	90.4	98.4
Total net insurance liabilities	**354.7**	**381.5**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:		
- Claims outstanding	(147.1)	(134.0)
- Provision for unearned premiums	(55.9)	(63.9)
Total net insurance liabilities after funds – withheld quota share	**151.7**	**183.6**
Analysed as:		
Claims outstanding	117.2	149.1
Provision for unearned premiums	34.5	34.5
Total net insurance liabilities after funds – withheld quota share	**151.7**	**183.6**

Reconciliation of movements in claims outstanding

	2021 £'m	2020 £'m
Gross claims outstanding at 1 February	338.3	392.6
Less: reinsurance claims outstanding	(189.2)	(209.8)
Net claims outstanding at 1 February	149.1	182.8
Gross claims incurred	131.4	140.6[25]
Less: reinsurance recoveries	(113.2)	(109.8)[25]
Net claims incurred	18.2	30.8
Gross claims paid	(140.2)	(194.9)[25]
Less: received from reinsurance	90.1	130.4[25]
Net claims paid	(50.1)	(64.5)
Gross claims outstanding at 31 January	329.5	338.3
Less: reinsurance claims outstanding	(212.3)	(189.2)
Net claims outstanding at 31 January	**117.2**	**149.1**

[25] Gross claims incurred and reinsurers' share of claims incurred for the year ended 31 January 2020 have been restated due to an incorrect allocation between these classifications. Gross claims incurred have decreased by £19.3m and reinsurers' share of claims incurred has decreased by £19.3m. As a result of these changes, gross claims paid and reinsurers' share of claims paid for the year ended 31 January 2020 have also been restated - gross claims paid have decreased by £19.3m and reinsurers' share of claims paid has decreased by £19.3m.

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets (continued)

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

		Financial Year ended 31 January									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Accident Year	2012	77%	71%	63%	62%	57%	55%	52%	52%	52%	51%
	2013		76%	72%	62%	56%	53%	52%	51%	50%	49%
	2014			75%	70%	63%	61%	58%	55%	55%	54%
	2015				81%	80%	78%	75%	71%	69%	67%
	2016					87%	88%	82%	75%	73%	71%
	2017						67%	69%	65%	62%	58%
	2018							75%	75%	73%	69%
	2019								80%	80%	80%
	2020									70%[26]	74%
	2021										70%

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

		Financial Year ended 31 January									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Accident Year	2012	76%	70%	62%	62%	57%	54%	53%	52%	52%	51%
	2013		75%	72%	66%	62%	58%	56%	54%	54%	53%
	2014			75%	71%	65%	62%	59%	56%	55%	54%
	2015				67%	69%	66%	63%	58%	56%	54%
	2016					70%	71%	66%	59%	56%	55%
	2017						56%	56%	53%	52%	50%
	2018							66%	66%	64%[27]	62%
	2019								70%	71%[27]	71%
	2020									63%	64%
	2021										53%

Favourable claims development over the year has resulted in a £30.6m (2020: £29.6m) reduction in net claims incurred in respect of prior years.

[26] For the year ended 31 January 2020, gross claims incurred have been restated due to an incorrect allocation between gross claims incurred and reinsurers' share of claims incurred for that year. The gross loss ratio for the 2020 accident year has decreased by 7ppt as a result of this correction.

[27] For the 2018 and 2019 accident years in year ended 31 January 2020, net claims incurred have been restated due to a reallocation of reserve releases between accident years. The net loss ratio for the 2018 accident year has decreased by 1ppt (from 65%), and for the 2019 accident year the loss ratio has increased by 1ppt (from 70%).

Notes to the consolidated financial statements (continued)

16 Loans and borrowings

	2021	2020
	£'m	£'m
Bond	250.0	250.0
Bank loans	70.0	140.0
Ship loan	515.6	234.8
Revolving credit facility	-	10.0
Accrued interest payable	8.3	3.7
	843.9	638.5
Less: deferred issue costs	(26.8)	(14.2)
	817.1	**624.3**

Term loan and RCF

The Group's bank facilities consist of a £250.0m seven-year senior unsecured bond (repayable May 2024), a £200.0m five-year term loan facility (repayable May 2023) and a £100.0m five-year RCF with an option to extend. In March 2019, the Group's banks agreed to extend the term on the RCF by one year with expiry in May 2023. The bond is listed on the Irish Stock Exchange.

At 31 January 2021, the Group had drawn £nil of its £100.0m RCF and since the May 2017 refinancing £130.0m of the term loan has been repaid.

In light of the significant impact of the COVID-19 pandemic on the business, especially Travel operations, the Group entered into discussions with lending banks in early March 2020 to amend the terms of its bank debt. These discussions were concluded on 1 April 2020, with favourable amendments to banking covenants.

On 30 August 2020 the Group announced that it was at the advanced stage of a prospective £150.0m equity capital raise in order to strengthen its statement of financial position, improve liquidity and support the execution of its strategy plan. The prospective £150.0m equity raise was launched on 10 September 2020, structured as a Firm Placing and Open Offer.

The £150.3m equity subsequently raised (£138.7m net of issue costs) improved the Group's financial position by funding the reduction of the term loan to £70.0m and repayment of the drawn RCF, with the balance of the proceeds raised increasing available cash. The Group also agreed with its lending banks to extend the maturity of the remaining £70.0m term loan to May 2023 and amended certain bank covenants to provide additional headroom in stress test scenarios as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 July 2021 from 4.25x to 4.75x and at 31 October 2021 from 4.0x to 4.5x;
- Reduction in the Group interest cover covenant at 30 April 2021 from 2.0x to 1.25x, at 31 July 2021 from 3.0x to 1.5x, at 31 October 2021 from 3.0x to 1.75x and at 31 January 2022 from 3.5x to 2.5x.

In March 2021 the Group reached agreement to amend covenants on the term loan and RCF (note 21). The covenants within the Group's term loan and RCF have been amended as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 January 2022 from 4.00x to 4.25x;
- Reduction in the Group interest cover covenant at 31 July 2021 from 1.5x to 1.25x, at 31 October 2021 from 1.75 x to 1.25x and at 31 January 2022 from 2.5x to 1.5x.

17 Loans and borrowings (continued)

In addition, the following amendments have also been made:

- The Group is subject to a minimum liquidity requirement of £40 million, which can be met either through cash or undrawn and committed facilities;
- The permitted indebtedness to the Cruise Group is £55m until September 2022, and then reduces to £30m (being £50m and £25m respectively permitted indebtedness in addition to the level of borrowing that was in place when the facility was originally agreed of £5m);
- Dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

Interest on the bond is incurred at an annual interest rate of 3.375%. Interest on the term loan and RCF is incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio.

Cruise ship debt deferral

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

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

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

In March 2021 the Group reached agreement of a one-year extension to the debt deferral on its cruise ship facilities (note 21). As part of an industry-wide package of measures to support the cruise industry, an extension of the existing debt deferral has been agreed to 31 March 2022. The key terms of this deferral are:

- All principal payments to 31 March 2022 (£51.8 million) are deferred and repaid over 5 years;
- All financial covenants until 31 March 2022 are waived;
- Dividends remain restricted while the deferred principal is outstanding;
- The Group is now subject to a minimum liquidity requirement of £40 million, which can be met through either cash or undrawn and committed facilities.

Interest on the *Spirit of Discovery* ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees). Interest on the *Spirit of Adventure* ship loan is incurred at an effective annual interest rate of 3.30% (including arrangement and commitment fees).

At 31 January 2021, debt issue costs were £26.7m (2020: £14.2m) which have increased in the year following the draw down of the financing for the new cruise ship, *Spirit of Adventure*.

During the year, the Group charged £29.4m (2020: £19.5m) to the income statement in respect of fees and interest associated with the bond, term loan, ship loans and RCF. In addition, finance costs recognised in the income statement include £0.8m (2020: £1.2m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £nil (2020: £1.1m). The Group has complied with the financial covenants of its borrowing facilities during the current year and prior year.

Notes to the consolidated financial statements (continued)

17 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 31 January 2019 and 31 January 2020	1,122,003,328	0.01	11.2
Issue of shares – 5 October 2020			
- First Firm Placing	224,400,000	0.01	2.2
- Second Firm Placing	124,183,026	0.01	1.2
- Placing and Open Offer	623,335,182	0.01	6.3
	971,918,208	0.01	9.7
Sub-total before share consolidation	2,093,921,536	0.01	20.9
Share consolidation – 13 October 2020	(1,954,326,767)		
Issue of shares – 18 November 2020	507,458	0.15	0.1
As at 31 January 2021	140,102,227	0.15	21.0

On 30 August 2020 the Group announced that it was at the advanced stage of a prospective £150m equity capital raise in order to strengthen its statement of financial position, improve liquidity and support the execution of its strategy plan. The prospective £150m equity raise was launched on 10 September 2020, structured as a Firm Placing and Open Offer.

The Group's Firm Placing was made up of two firm placings, both of which involved issuing shares to the Chairman, Roger De Haan. The First Firm Placing resulted in Roger De Haan subscribing for 224,400,000 new ordinary shares at a price of 27p per ordinary share. The Second Firm Placing resulted in Roger De Haan subscribing for 124,183,026 new ordinary shares at 12p per ordinary share (the Offer Price as if he were participating in the Open Offer as a qualifying shareholder). The Firm Placing was inter-conditional with the Placing and Open Offer.

Under the Placing and Open Offer the Company invited its shareholders to subscribe to the issue of 623,335,182 ordinary shares at an issue price of 12p per ordinary share on the basis of five new shares for every nine ordinary shares held. In addition to the Firm Placing described above, Roger De Haan subscribed for 204,250,307 new shares in the Placing and Open Offer, and, as a result, from admission held 26.4% of the enlarged share capital of the Company.

Under the Firm Placing and Open Offer, on 5 October 2020 the Company issued 971,918,208 new ordinary shares, raising £150.3m of funds which were utilised to repay part of the Group's term loan and repay in full the drawn RCF (note 16), with the balance of the proceeds raised increasing available cash. The issue was fully subscribed.

The share premium arising on the issue of the new ordinary shares was £140.6m. Transaction costs associated with the issue of the share capital of £11.6m were deducted from share premium.

On 13 October 2020 the Company undertook a consolidation of its shares, whereby for every 15 ordinary shares held of 1p nominal value, shareholders received 1 new consolidated share of 15p nominal value.

On 18 November 2020, Saga plc issued 507,458 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an Employee Benefit Trust (EBT) to satisfy employee incentive arrangements.

Notes to the consolidated financial statements (continued)

18 Share-based payments

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

a) On 28 May 2020, share options over 1,337,581 shares were issued under the DBP to the Executive Directors reflecting their deferred bonus in respect of 2019/20, which vest and become exercisable on the third anniversary of the grant date. Under the DBP scheme, executives receive two-thirds of the bonus award in cash and one-third in the form of rights to shares of the Company.

b) On 24 June 2020, options over 12,134,706 shares were issued under the Restricted Share Plan (RSP) to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

c) On 23 November 2020, 253,458 shares were awarded to eligible staff on the sixth 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.

d) On 15 December 2020, options over 26,225 shares were issued under the RSP to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

19 Assets held for sale

At the end of the year, the Group made the decision to initiate an active programme to locate buyers for a number of its freehold properties. Immediately before the classification of the properties to held for sale, their recoverable amounts were ascertained and this resulted in an impairment charge of £4.5m being recognised against the Group's freehold land and buildings assets (note 10). At the point of reclassification to held for sale, the carrying values were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required. These properties are presented within the Insurance segment of the Group, are being actively marketed and the disposals are expected to be completed within 12 months of the end of the financial year. No gains or losses have been recognised with respect to the properties

During the prior year, the Group made the decision to initiate an active programme to locate a buyer for its insurance biking brand, Bennetts and its Healthcare segment. As at 31 January 2020, the requirements of IFRS 5 were met and accordingly Bennetts and the Healthcare segment were classified as separate disposal groups held for sale in the statement of financial position. Neither of the disposal groups met the requirements of IFRS 5 to be classified as discontinued operations. During the current year the Group completed the sale of these two operations. Further information on the completed disposals can be found in note 7.

20 Related party transactions

Roger De Haan was appointed as non-executive chairman of Saga plc on 5 October 2020, following his purchase of 36,855,555 shares in the Company (constituting 26.4% of issued share capital immediately after the capital raise and 26.31% of total issued capital as at 31 January 2021). The Company entered into a relationship agreement with Roger De Haan on 10 September 2020, which regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements with the shareholder will be conducted on an arm's length basis and on normal commercial terms.

On 6 April 2021, the Company entered into a working capital facility agreement with Roger De Haan, which allows the Company to draw down up to £10m with 20 days' notice to fund the short-term liquidity needs of its Cruise business. The agreement allows the Company to select a loan period of one, two, three or six months, or any other period agreed with Roger De Haan. Interest on the working capital facility agreement is incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio. Interest accrues on the facility and is payable on the last day of the period of the loan. The facility matures on 9 May 2023, at which point any outstanding amounts, including interest, must be repaid.

21 Events after the reporting period

a. Regulated insurance distribution business – TC2.4 balance

The Group is in discussion with the FCA regarding the magnitude of the Threshold Condition 2.4 balance that the Retail Broking business holds as restricted cash and the potential need to hold an additional amount on a temporary basis as a result of COVID-19. Any additional temporary liquidity provision is not expected to be significant in a Group context and allowance has been made for this in going concern and viability assessments on a prudent basis.

b. Corporate and cruise ship finance facilities

In March 2021 the Group reached agreement to amend covenants on the term loan and RCF, and the agreement of a one-year extension to the debt deferral on its cruise ship facilities.

Term loan and RCF

The covenants within the Group's term loan and RCF have been amended as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 January 2022 from 4.00x to 4.25x;
- Reduction in the Group interest cover covenant at 31 July 2021 from 1.5x to 1.25x, at 31 October 2021 from 1.75 x to 1.25x and at 31 January 2022 from 2.5x to 1.5x.

In addition, the following amendments have also been made:

- The Group is subject to a minimum liquidity requirement of £40 million, which can be met either through cash or undrawn and committed facilities;
- The permitted indebtedness to the Cruise Group is £50m 55m until September 2022, and then reduces to £25m30m (being £50m and £25m respectively permitted indebtedness in addition to the level of borrowing that was in place when the facility was originally agreed of £5m);
- Dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

Cruise ship debt deferral

As part of an industry-wide package of measures to support the cruise industry, an extension of the existing debt deferral has been agreed to 31 March 2022. The key terms of this deferral are:

- All principal payments to 31 March 2022 (£51.8 million) are deferred and repaid over 5 years;
- All financial covenants until 31 March 2022 are waived;
- Dividends remain restricted while the deferred principal is outstanding;
- The Group is now subject to a minimum liquidity requirement of £40 million, which can be met through either cash or undrawn and committed facilities.

Alternative Performance Measures (APM) Glossary

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

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

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

Underlying Profit Before Tax

Underlying Profit Before Tax represents loss before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of businesses and ships, the impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook, and restructuring costs. It is reconciled to statutory loss before tax within the Operating and Financial Review on page 12.

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

Trading EBITDA / Adjusted Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the amortisation of acquired intangibles, non-trading costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16, Trading EBITDA in relation to businesses disposed of in the period and Trading EBITDA relating to the our two new cruise ships, *Spirit of Discovery* and *Spirit of Adventure* in line with the Group's debt covenants. It is reconciled to Underlying Profit Before Tax within the Operating and Financial Review on page 24. Underlying Profit Before Tax is reconciled to statutory loss before tax within the Operating and Financial Review on page 12.

This measure is linked to the Group's debt covenants, being the denominator in the Group's leverage ratio calculation.

Underlying basic earnings per share

Underlying basic Earnings Per Share represents basic Earnings Per Share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the net profit on disposal of businesses and ships, the impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook and restructuring costs. Prior year figures have been restated to reflect the effect of the share consolidation that was completed in October 2020. This measure is reconciled to the statutory basic earnings per share in note 6 to the accounts on page 50.

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.

Available cash

Available cash represents cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries. This measure is reconciled to the statutory measure of cash in note 13 to the accounts on page 57.

Alternative Performance Measures Glossary (continued)

Available operating cash flow

Available operating cash flow is net cashflow from operating activities after capital expenditure but before tax, interest paid, restructuring costs, proceeds from disposal of businesses and other non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction. It is reconciled to statutory net cash flow from operating activities within the Operating and Financial Review on page 23.

Adjusted net debt

Adjusted net debt is the sum of the carrying values of the Group's debt facilities less the amount of available cash it holds, but excludes the ship debt and the Cruise business available cash. It is linked to the Group's debt covenants, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Operating and Financial Review on page 27.