22 September 2021

Saga plc

Interim results for the six months ended 31 July 2021

Continued strategic progress positions Saga to emerge stronger from the pandemic
Successful resumption of Cruise; robust Insurance performance

Saga plc ("Saga" or "the Group"), the UK's specialist in products and services for people over 50, announces its interim results for the six months ended 31 July 2021.

	31 July 2021	31 July 2020	Change
Underlying (Loss)/Profit Before Tax[1]	(£2.8m)	£15.9m	(118%)
Profit/(loss) before tax	£0.7m	(£55.5m)	101%
Available Operating Cash Flow[1]	£41.9m	(£23.2m)	281%
Adjusted Net Debt (excl. Cruise)[1]	£226.8m	£410.7m	(45%)
Leverage ratio (Adjusted Net Debt[1] to Adjusted Trading EBITDA[1])	2.4x	3.6x	(1.2x)

Group and financial highlights

- Performance in line with expectations against backdrop of continuing COVID-19 challenges.
- Strong liquidity position; available cash of £175.3m and £100m undrawn revolving credit facility.
- Positive operating cash flow of £41.9m, reflecting the resumption of Cruise operations.
- Travel monthly cash burn rate of £5.9m, below guidance of £7m-£9m; overall Cruise cash flow positive.
- Financial position further strengthened with issuance of five-year £250m fixed-rate bond, repayment of £70m term loan and £100m tender of existing bond, driving increased liquidity, greater covenant flexibility and extension of debt maturity profile.
- Leverage ratio (Adjusted Net Debt to Adjusted Trading EBITDA) of 2.4x, 0.3x lower than 31 January 2021.
- Steve Kingshott, new CEO of Saga Insurance, joining on 8 November 2021.
- Supported colleagues with focus on safety and wellbeing first, through continued home working, additional holiday entitlements and enhanced mental health support.

Divisional performance

Insurance - robust performance across all KPIs

Retail Broking

- 835,000 motor and home policies sold, 0.5% improvement versus the prior period.
- Retention remains strong at 80.6%, 0.7ppts ahead of the prior period, supported by increased uptake of three-year fixed-price product, accounting for 45% of all motor and home policy sales.
- Improved motor and home margin per policy of £76, versus £74 in the year ended 31 January 2021.
- 58% of new business acquired directly.
- Final recommendations of FCA market study in line with expectations; further progress made with preparations.

Underwriting

- Current year combined operating ratio of 88%; continued benefit from reduced claims frequency.
- Underwriting Underlying Profit Before Tax of £31.1m, 11% ahead of prior period, including £18m reserve releases.
- New pricing models have driven footprint expansion and return to policy growth in the second quarter, the first time since 2012.

[1] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation

Travel - successful Cruise restart and phased return to Tour Operations

- Successful restart of Cruise from June 2021, with international sailing underway from end of August 2021.
- *Spirit of Adventure* naming ceremony held on 19 July 2021 and inaugural cruise on 26 July 2021.
- Current booked Cruise load factors at 70% for 2021/22, following government capacity restrictions on early cruises, and 59% for 2022/23 departures; bookings for next year ahead of pre-pandemic levels.
- Cruise per diems ahead of expectations at £302 for 2021/22 and £306 for 2022/23 bookings.
- Tour Operations bookings for 2021/22 of £18m and £109m for 2022/23. Whilst bookings for 2022/23 are also ahead of pre-pandemic levels, there remains some uncertainty within the travel industry surrounding the longer-term impact of COVID-19.

Wider strategic progress

- Improved colleague engagement score of 7.5 out of 10, with record 93% participation rate.
- On track to build data and digital capabilities ahead of brand relaunch later this year.
- Brand Net Promoter Score improved to 47, an increase of 3pts from 31 January 2021, reflecting delivery against our customer-focused strategy.
- Encouraging results from recent product improvements, including mid-term adjustment re-broking process, online self-serve functionality and our new motor price-comparison website product.
- Development of product enhancements, ahead of launch in H2.

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

"Over the past six months we have made strong progress across Saga, continuing to deliver for our customers, strengthening our balance sheet and delivering the foundations for future growth. We have achieved this performance at a time of unprecedented challenge for our businesses, and I would like to thank each of my colleagues for their hard work and dedication.

"We have successfully recommenced our Travel operations, including the launch of our newest ship, *Spirit of Adventure*. I am delighted with the positive feedback received so far and encouraged by the strong pipeline of future bookings. In Insurance, customer retention remains strong, and the attraction of our offer is borne out by the increased uptake of our new three-year fixed-price product. From a financial perspective, we further strengthened our position through a series of financing transactions, including the recent completion of our bond issue.

"Following the successful restart of operations in our Travel business, we continue to work towards a full return to service, while remaining mindful of future potential volatility relating to COVID-19. As we have demonstrated through the last 18 months, we will continue to take an agile, proactive approach to navigate any challenges.

"As we plan to relaunch our brand in the coming months, I am confident that we have the right strategy, team and structure in place to return Saga to sustainable growth and create significant long-term value for all our stakeholders."

END

A presentation for analysts and investors will be available to view on Saga's corporate website from 7.00am today. The webcast can be found at www.corporate.saga.co.uk/investors/results-reports-presentations/.

Euan Sutherland and James Quin will hold a conference call for analysts and investors at 9.30am today. The conference call can be accessed on UK: +44 (0) 20 3936 2999, all other locations: +44 (0) 20 3936 2999. Participant access code: 109182.

A separate live presentation for retail investors will be held via the Investor Meet Company platform on 24 September 2021 at 11.30am. The presentation is open to all existing and potential investors. Questions can be submitted pre-event via the Investor Meet Company dashboard up until 9.00am on 23 September, or at any time during the live presentation. Investors can sign up to Investor Meet Company for free and follow Saga plc via www.investormeetcompany.com/saga-plc/register-investor. Investors who already follow Saga plc on the Investor Meet Company platform will automatically be invited.

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
Will Smith
Tel: 07872 350 428
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*

Appendix

This statement is published in accordance with Provision 4 of the UK Corporate Governance Code which states that companies should publish an update of the actions taken following a vote against an AGM resolution of 20 per cent or more.

At the Saga plc AGM on 14 June 2021, Resolution 2 - to approve the Directors' Remuneration Report received support of 77.72 per cent from shareholders. Whilst the Company is pleased that the majority of shareholders supported the resolution, the Remuneration Committee took various steps to understand the reasons behind the votes against.

In the week after the AGM, the Remuneration Committee Chair wrote to the largest shareholders who voted against the resolution to understand the reasons for their vote. The Remuneration Committee ("the Committee") appreciates and values time taken by investors who expressed their views and understands that the views expressed were primarily connected to the payment of formulaic bonuses when taking into account the range of circumstances experienced by the Company during the year.

Following this valuable exchange with shareholders, the Committee has determined that the points raised were items which were considered when the relevant bonus decisions were made and where possible, were taken into account in the setting of the targets. In addition, the Committee considers bonuses in the full context when determining whether a payment should be made, will continue to do so for future bonuses and thus does not consider the voting outcome to be indicative of a structural or systemic problem with the bonus design, nor the Remuneration Policy as a whole. The Committee will continue its constructive dialogue with shareholders and seek to incorporate this feedback into future remuneration decisions.

Chairman's Statement

Saga has reported a robust performance for the first half of the year, and has continued to achieve the strategic objectives set out by the management team in September 2020.

I am pleased that, despite the challenges posed by the COVID-19 pandemic, we are in a far stronger position than we were a year ago. Our Insurance Broking and Underwriting divisions, the mainstay of our business, have performed resiliently, meeting our expectations in all key areas. Unfortunately, we had to wait until the end of June before we were able to begin our cruise operations and, even then, were subject to a restricted capacity on our early sailings and we invested in special measures to maintain a safe environment for our passengers and crew.

Both our cruise ships are now sailing with fewer restrictions and are achieving satisfactory levels of occupancy. Guests are giving us exceptionally positive feedback. We have begun a phased resumption of our tour operations. However, COVID-19 is still affecting them and we expect to take far fewer customers on holiday than we would normally in the second half of our financial year.

We are encouraged by the fact that confidence is returning in overseas travel for next year and that the Government is continuing to relax the COVID-19 rules relating to travel and have therefore now increased our marketing activity.

In July 2021, we successfully issued a new £250m bond, set to mature in 2026. The proceeds have been used to repay debt, buy back a proportion of our existing bond and significantly improve our cash position. This places us in good stead for the future.

On behalf of the Board, I would like to thank our colleagues for all they have achieved and for their continued dedication to giving the very best service to our customers. Due to their hard work, the strength of our strategy and the progress being made, I am confident that Saga is on track to deliver long-term, sustainable value for our shareholders.

Finally, I would like to thank our loyal customers for their ongoing support. We will be working hard to continue to provide them with exceptional experiences every day, as we emerge stronger from the pandemic.

Group Chief Executive Officer's Statement

The last six months have seen us make further significant progress against our strategic priorities. For this, I am hugely thankful to each and every one of my colleagues for their hard work and continued support.

Whilst the external environment has remained volatile, we successfully navigated the return to service within the Travel business and continued to deliver against our strategy, laying the foundations for future growth.

Following the continued suspension of the Travel business for much of the first half of the year, we reported an Underlying Loss Before Tax of £2.8m, which was in line with our expectations. This reflects stable performance within Insurance, offset by the aforementioned Travel suspension, restricted capacities on early Cruise sailings and the incremental costs associated with the restart of that business. Overall, the Group reported a profit before tax of £0.7m, after reflecting the profit on a property disposal.

The Insurance business continued to deliver against all KPIs, with positive results across both the Broking and Underwriting businesses. Despite the disruption in the early part of the year and capacity restrictions on our early sailings, the Cruise business is once again operating with fewer restrictions, bringing both peace of mind and exceptional experiences to our customers.

Strategic update

Delivery continued against the turnaround plan announced in September 2020, Transforming Saga – Experience is Everything, with strong progress made against all five strategic priorities.

1. People and culture step change

In the first half of 2021/22, we continued to provide colleague support through a number of channels focused on safety and wellbeing. These include delaying the return to our newly refurbished office space in order to continue to protect not only our colleagues, but also their loved ones, additional holiday entitlements and encouragement to participate in our numerous charitable events.

We continue to see improved engagement from our colleagues. The latest survey reported a record score of 7.5 out of 10, with a participation rate of 93%.

2. Data, digital and brand transformation

During the first half of the year, progress against our data, digital and brand transformation was focused on the build and preparation required ahead of our brand relaunch later this year.

Progress to date continues to be recognised by our customers through a number of means including an increased Net Promoter Score of 47, 3pts higher than 31 January 2021, in spite of the suspension of the Travel business. Saga also continues to be recognised more widely with a magazine nomination for 'cover of the year', wins in seven categories at the recent Consumer Intelligence Awards and ranking seventh in the Institute of Customer Service's top 50 organisations for customer satisfaction.

3. Optimising our businesses

Insurance

The Insurance business continued to deliver a robust performance against all KPIs, with motor and home policy sales 0.5% ahead of the prior period. Offsetting the challenging new business market in the first half of the year, retention remained strong at 80.6%, an improvement of 0.7ppts versus the prior period, supported by increased uptake of our three-year fixed-price product which accounted for 45% of all motor and home sales. The proportion of customers acquired directly, as opposed to through price-comparison websites stands at 58%. Our margin per policy has increased to £76, although is expected to reduce in the second half of the year as we invest in advertising to coincide with the brand relaunch.

Performance within Acromas Insurance Company Limited (AICL), our in-house Underwriting business, remains strong with policy growth in the second quarter for the first time in many years, representing the benefit of our new pricing models and expansion of our footprint. AICL also benefited from reduced current year claims costs following lower miles driven throughout the COVID-19 pandemic. Reserve releases continued, albeit to a lesser extent than in the first half of 2020/21, and we remain prudently reserved.

The final recommendations of the FCA's review into general insurance pricing practices were in line with our expectations and work continues in preparation for the new pricing rules required from 1 January 2022. Although the extent of the potential volatility in pricing across the market is as yet unknown, we continue to expect some short-term financial impact from the change, as pricing adjusts across both new business and renewals.

We continue to approach the changes with confidence and, following our recent price changes and planned enhancements to our product offering, believe that we are well placed to operate successfully in a price equalisation market.

Travel

The Cruise business resumed operations in June 2021, following the industry-wide travel disruption experienced in the early part of the year. Alongside the rest of the Executive Leadership Team, I took the opportunity to spend some time with our guests onboard the first *Spirit of Discovery* cruise and saw first-hand the spectacular and safe cruising experience the team have created. Since resuming cruising, I have been incredibly pleased, but also proud of the positive feedback received and have every confidence that we will continue to provide exceptional experiences for our guests. Future bookings are strong with load factors at 70% for 2021/22 and 59% for 2022/23 as at 11 September 2021. Per diems, reflecting the revenue per passenger per day, also remain strong at £302 and £306 respectively.

In Tour Operations bookings for 2021/22 and 2022/23 stand at £17.8m and £108.7m respectively. Whilst bookings for 2022/23 are ahead of pre-pandemic levels, there remains some uncertainty within the travel industry surrounding the longer-term impact of COVID-19.

4. Driving simplicity and efficiency

Our focus on driving simplicity and efficiency for both our customers and our colleagues, continues to be a key priority for Saga. We have now completed the first phase of refurbishments at our Enbrook headquarters in line with our future working strategy, enabling colleagues to work smarter and in a more collaborative way.

In addition, the early view of customer take-up on our recent enhancements to our offering is encouraging. We have sold 51,000 policies of our new motor price-comparison product, 8,000 motor and home mid-term adjustments (MTAs) and 13,000 renewals have now been completed through our online self-serve portal and 20% of MTAs are now being re-broked, enabling us to retain more customers and offer greater flexibility when making a policy change midway through the term.

Our underlying marketing and overhead cost base is stable in comparison to the prior period, after excluding business disposals and the recent investment in marketing in the lead up to resumption of Travel operations. We do however expect some cost increases in the second half due to a combination of timing differences, operational demand and investment in marketing as part of the brand relaunch later this year.

5. Reducing our debt

Given the remaining uncertainty surrounding the longer-term impact of the COVID-19 pandemic, we took significant steps in the first half of the year in order to strengthen our financial position and maximise our flexibility. Although gross debt increased as a result of the issuance of a £250m fixed-rate senior unsecured bond, this allowed us to repay the £70m covenanted term loan, tender £100m of the existing bond and provides us with ample liquidity and greater flexibility to support the business through the remaining uncertainty. These actions will allow us to reduce gross debt and continue to reduce net debt over the next few years.

Summary

I would like to take the opportunity to once again, thank our colleagues for their continued hard work and commitment through these uncertain times. I am exceptionally proud to lead such a committed team, which we look forward to expanding as we welcome Steve Kingshott as CEO of Insurance in November 2021.

Finally, I am delighted to inform you, in addition to the existing benefits already in place for shareholders, we are now offering a complimentary digital subscription to the Saga Magazine. Communications with full details of the offer, including how to redeem have been issued and will be arriving with shareholders imminently.

Looking forward

Whilst we are mindful of the remaining uncertainties, we continue to make progress against our strategic priorities, and we are confident that we have the right strategy, team and structure in place to emerge even stronger from the pandemic. Our priorities for the rest of the year remain the execution of our strategy, whilst continuing to ensure a full and safe return of our Travel business.

Environmental, social and governance

During the first half of 2021, we sought ways to meet our ESG responsibilities more effectively and will continue to develop our reporting to reflect the progress we are making. Our focus has been on compliance and mandatory reporting in relation to greenhouse gas (GHG) emissions and carbon disclosures, and in preparing for Taskforce on Climate-related Financial Disclosures (TCFD). We continue to ensure that our Environmental, Social and Governance (ESG) initiatives, performance, and targets support our responsibilities to our stakeholders. Looking ahead, as we strengthen this reporting, we have also begun the detailed work to develop a wider, more robust ESG strategy. We are exploring new opportunities and looking at how we can foster innovation across our business in order to better engage colleagues, support our customers and our communities, and ensure sustainable and responsible growth for our investors over the short, medium and long term.

An overview of our ESG activity and progress in the first half of the year is outlined below.

Environmental

Our reported GHG emissions are verified annually by Carbon Intelligence (CI) to the ISO 14064-3 Standard and we have adopted a materiality threshold of 5% for GHG reporting purposes. For the latest data in relation to our GHG emissions, please refer to page 24 of the 2021 Annual Report and Accounts and our submission to the Carbon Disclosure Project which can be found at www.cdp.net/en.

We have also engaged CI to support us in establishing the baseline from which we will undertake TCFD reporting within the mandatory timeframe. This will also be used to inform areas of focus in our ESG strategy. CI give us visibility of our energy use and emissions and will provide insight and guidance on how we reduce these through optimising the sustainability and performance of our buildings.

Cruise ships

The design of our two new state-of-the-art ocean cruise ships has improved our sustainability performance versus our previous fleet. Their hull design maximises fuel efficiency, onboard technology minimises our fuel consumption and catalytic converters reduce our carbon emissions, equating to an overall reduction of 30% per passenger.

Our ocean ships are fully compliant with all International Maritime Organisation Conventions and of particular relevance, is compliance with the International Convention for the Prevention of Pollution from Ships. This ensures there is no pollution through oil and sewage and mandates strict sulphur and nitrogen oxide limits, in addition to the prevention of pollution through garbage.

Our latest river cruise ship, *Spirit of the Rhine,* has received a silver rating from the Green Award Scheme. This tests all ships on a number of factors from how they manage waste, how polluting they are, what type of fuel they use and their level of insulation. The ship uses the latest technologies, with examples being when cruising from port where it is designed to create less pollution through engine management, and lower air-conditioning usage through tinted glass and insulation.

Our next river ship, *Spirit of the Danube*, which is due to be delivered in March 2022, is being designed to even better efficiency and pollution standards, and the builders are confident that it will achieve a gold rating. The ship has been re-designed to incorporate four smaller engines, instead of the traditional two larger ones and will collect much more of the polluting gases from the exhaust system (representing an 80% reduction versus *Spirit of the Rhine*).

We are engaging marine architects and other experts in marine operations to assess emerging fuel and battery technology to identify opportunities to further reduce the carbon emissions from our ocean and river cruise ships.

Waste, recycling and single-use plastic

In addition to a focus on recycling and robust waste management on our cruise ships, we launched Project Ocean, aimed at educating crew on our ambition to be more environmentally friendly.

Following recent changes, food waste from our Enbrook Park Head Office is now turned into biofertiliser, allowing it to be re-used to support the generation of future food sources. Catering at our new Enbrook hub is provided by local suppliers, with an emphasis on in-season fresh produce, supporting local farmers and businesses and reducing food miles.

Electric vehicles

We have updated our company car policy to exclusively cover only hybrid or electric vehicles.

Travel customer transport

Currently, we have a fleet of 136 diesel Euro 6 engines which are used to operate the chauffeur service provided to our Travel customers. Engines that comply with Euro 6 have been tested against specific limits for harmful exhaust emissions.

Vehicle and driver performance is reviewed to monitor miles per gallon achieved and highlight vehicles and/or drivers that are below target. Remedial measures are then applied as required.

Saga premises

For the past two years, we have been working with an external sustainability consultant to maximise the energy efficiency of our buildings. These savings have been achieved through a number of building management systems control interventions, related to plant schedules and optimising heating and cooling plant on our key assets. This has reduced our carbon emissions by 50 tCO_2.

The refurbishment of our Enbrook Park office included recycling removed materials, alongside the donation of IT equipment, desks, chairs, stationery and other office equipment to local schools and community projects. We also used recycled products in the refurbishment and installed an energy efficient air handling unit, which will contribute to our commitment to a 30% reduction in our Scope 1 and 2 emissions by 2030.

Social

Diversity and inclusion

We put people and culture at the heart of our strategy. We are committed to creating a culture that gives everyone the opportunity to be their exceptional self, by building a diverse and inclusive environment where our colleagues can feel they belong, and they are engaged to make a difference.

So far this year, we've listened to more colleagues through our inclusion forums and gathered more insight on age, religion, gender, race and ethnicity, LGBTQ+, nationality and disability, with the view to better understand colleague experiences at Saga and how our workforce is made up.

We’ve also held more training for managers to support our diversity agenda, upskilled our recruitment team and hosted external speaker events on such topics as the menopause, as well as proudly celebrating calendar events such as Pride month. We’ve also continued to actively work with our partners to champion women in leadership and age at work.

We are a member of the 30% Club, which in partnership with Women Ahead, offers us the opportunity to take part in a leading, global, cross-company, leadership mentoring scheme to champion female talent.

We are an official Disability Confident committed employer and ensure that our recruitment process is inclusive and accessible, making reasonable adjustments as required.

We are also a signatory of the Armed Forces Covenant and have received a Silver Award from the Employer Recognition Scheme. This represents a pledge that, together, we acknowledge and understand those who serve or who have served in the armed forces, and their families, should be treated with fairness and respect in the communities, economy and society they serve with their lives.

Charitable giving

Supporting local events is key to Saga’s role in the community and in the first half of 2021, we have been proud to sponsor Creative Folkestone, the Folkestone 10k Run for 3 years and two youth teams at Hythe Town Football Club.

In the first half of the 2021/22 financial year, we have made donations to the following UK charities:

	£’000
Marine Conservation Society	15
Leukaemia Care	15
Kidney Cancer UK	10
The Silver Line	10
Mind	10
Armed Forces Day donations	2
Folkestone Pride	2
Match funding of colleague fundraising activities	3
Other small donations	2
Total	**69**

We also administer a Saga Workplace Lottery which Saga colleagues can play and raise funds for good causes. Funds are distributed quarterly to Folkestone based charities. During the first half of 2021, a total of £7,092 was raised through the Saga Workplace Lottery and distributed to Dover Pantry, Leas Lift, The Shed Foundation, The Gurkha Memorial Fund, Changeling Theatre, Ensor's, 2nd Sandgate Scouts, Channel Rotary and Shepway Sports Trust.

Communities

In March 2021, Saga offered the NHS the use of our Thanet office as a COVID-19 vaccination centre, operating a drop-in vaccination service, as well as booked appointments. Since opening, the centre has vaccinated 115,000 members of the public, including a number of Saga colleagues.

Saga gives to charities and good causes in a number of different ways including sharing skills and resources through initiatives such as our colleague volunteer days and financial donations.

We are continuing our strong ties with our local community, in terms of our corporate social responsibilities. Our long history of volunteering and fund raising continues and activity in the first half of the year is summarised below:

Volunteering	Donations and recycling
All Saga colleagues given a day per year fully paid to volunteer within the community	300 pieces of office furniture donated to colleagues and the community
Approximately 1,743 hours of volunteer time given in the six months to 31 July 2021 (on target to achieve 3,500 hours in 2021/22)	80 boxes of stationery given to 40 schools across Folkestone and Thanet
Extended number of volunteer days, allowing colleagues in public service roles, such as volunteer police, fire brigade or lifeboat crew, to take up to 12 days per year	Catering equipment donated to a community café in Dover
Celebrated Volunteers Week by highlighting the benefits of volunteering amongst colleagues	100 pieces of office furniture and equipment donated to four schools in Folkestone
	40 tonnes of wood, metal and steel recycled from office furniture
	1,644 pieces of furniture being re-used in the refurbished Enbrook Head Office

Governance

We are increasing our governance focus through requiring new, or renewing, contracts to demonstrate ESG credentials and alignment to UN Sustainability Goals. We have also surveyed our top 100 suppliers to determine their current and planned approach to ESG.

In 2022, we plan to align executive compensation to the achievement of agreed ESG targets.

Operating and Financial Review

The Group has reported an Underlying Loss Before Tax of £2.8m, compared to an Underlying Profit Before Tax of £15.9m in the prior period. This reflects:

- solid Insurance trading, with resilient results from the Retail Broking business and good performance from Insurance Underwriting, supported by positive motor claims experience in relation to both current and prior years; and
- increased losses in the Cruise business due to the ownership of two cruise ships for the full current period, including related financing costs, and return to service costs for both *Spirit of Discovery* and *Spirit of Adventure*, which recommenced trading at the end of June and July, respectively. Cruise results for the first half were in line with expectations.

The Group has reported an overall profit before tax of £0.7m (H1 2020: loss before tax of £55.5m). The first half of last year included an impairment of Travel goodwill of £59.8m and restructuring costs of £28.3m.

During the first half, the Group generated positive operating cash of £41.9m compared to an operating cash outflow of £23.2m in the prior period. The improvement in the current period is due to positive working capital movements in Cruise, as the business recommenced trading, compared to significant cash injections to the Travel businesses in the first half of 2020.

While the impact of COVID-19 continued into the first half of 2021, the Group has made positive steps in the resumption of the Travel business. The Cruise business was operating both ships by the end of July, with *Spirit of Discovery* sailing on 27 June 2021 and *Spirit of Adventure's* inaugural cruise on 26 July 2021. This was in line with the Group's base planning assumptions for the 2021/22 year. Both ships' initial itineraries were UK-based in line with government restrictions but, following the lifting of the international cruise ban on 2 August 2021, the Group has since commenced international cruises in August 2021. In Tour Operations, UK-based holidays commenced in June 2021, and a small number of international tours to certain green list countries and river cruises have commenced during September, with a gradual and phased return to service expected over the remainder of the year as more countries are added to the green list.

During the period, the Group took the opportunity to further strengthen its financial position and provide additional financial flexibility. In July 2021, the Group concluded the issuance of a new five-year £250m fixed-rate unsecured bond. The proceeds of the bond were used to fund the settlement of £100m of the existing outstanding unsecured bond and to repay in full the £70m term loan. After transaction costs, these transactions increased the Group's Available Cash by £76m. In addition, the Group agreed with its lending banks to extend the maturity of the revolving credit facility (RCF) to May 2025, along with a series of covenant changes (as set out in the COVID-19 and going concern section of this report).

Due to the combination of the bond issuance and other actions taken by management to improve cash flow and costs, the Group ended the period with a strong financial position and ample liquidity. As at 31 July 2021, the Group had £175.3m of Available Cash resources in addition to the £100m available and undrawn RCF that is available through to May 2025.

Operating Performance
Group income statement

£m	6m to July 2021	*Change*	6m to July 2020
Revenue[2]	**156.4**	*(18.7%)*	**192.4**
Underlying (Loss)/Profit Before Tax[3]			
Total Retail Broking (earned)	37.9	*(9.8%)*	42.0
Underwriting	31.1	*11.1%*	28.0
Total Insurance	69.0	*(1.4%)*	70.0
Travel	(51.2)	*(49.7%)*	(34.2)
Other Businesses and Central Costs	(11.1)	*1.8%*	(11.3)
Net finance costs[4]	(9.5)	*(10.5%)*	(8.6)
Total Underlying (Loss)/Profit Before Tax	**(2.8)**	***(117.6%)***	**15.9**
Net fair value (losses)/gains on derivatives	(3.2)		1.9
Profit on disposal of assets	7.1		4.5
Restructuring costs	(0.4)		(28.3)
Net profit on disposal of businesses	-		10.3
Impairment of Travel goodwill	-		(59.8)
Profit/(loss) before tax	**0.7**	***101.3%***	**(55.5)**
Tax expense	(3.8)	*(137.5%)*	(1.6)
Loss after tax	**(3.1)**	***94.6%***	**(57.1)**
Basic earnings per share:			
Underlying (Loss)/Earnings Per Share[3, 5]	(2.7p)	*(108.8%)*	30.7p
Loss per share[5]	(2.2p)	*96.8%*	(69.7p)

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 18.7% to £156.4m (H1 2020: £192.4m) due to the suspension of the Travel business from March 2020, combined with lower Retail Broking revenues largely as a result of the sale of the Bennetts business in August 2020.

Underlying (Loss)/Profit Before Tax[3]

Underlying Profit Before Tax decreased from £15.9m to an Underlying Loss Before Tax of £2.8m. This was primarily due to a £17.0m reduction in Travel profitability, resulting from the increased losses of the Cruise business. This was mainly due to financing costs of *Spirit of Adventure*, which the Group took ownership of in September 2020, and return to service costs in the current period, and compares to a prior half year during which the Cruise business was in operation for six weeks prior to its suspension.

Net finance costs in the period were £9.5m (H1 2020: £8.6m) and this excludes finance costs that are included within the Travel division of £9.6m (H1 2020: £5.2m). The increase of 10.5% was largely due to the higher bond interest costs following the completion of the new bond issue in July 2021, additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in March 2021 and June 2021, and the further ship debt holiday agreed in March 2021 that was more expensive than the previous ship debt holiday agreed in the prior period. This was partially offset by a reduction in bank debt interest costs due to a lower level of bank debt in the current period compared to the prior period.

[2] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £63.3m (H1 2020: £73.1m)
[3] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation
[4] Net finance costs exclude Cruise finance costs, 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

Profit/(loss) before tax

Profit before tax for the period of £0.7m includes a £7.1m profit on disposal of assets in relation to the sale of property, a £3.2m fair value loss on derivatives de-designated in the period due to the suspension of Travel operations and £0.4m of restructuring costs incurred to date to separate the Saga and Titan Tour Operations businesses. The prior period includes a £59.8m impairment to goodwill and £28.3m restructuring costs offset by the £10.3m profit on the disposal of non-core businesses, a £4.5m net profit on completion of the sale of *Saga Sapphire* cruise ship and a £1.7m fair value gain on derivatives de-designated in the period.

Tax expense

The Group's tax expense for the period was £3.8m (H1 2020: £1.6m), representing an abnormally high tax effective rate of 542.9% (H1 2020: 37.2%, 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 from 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. In addition, there was an adjustment in the current period for the over provision of prior-year tax of £1.1m (H1 2020: £1.6m under provision) and the impact of the change in the tax rate on opening deferred tax balances of £2.6m credit (H1 2020: £1.7m credit). Excluding the losses on Cruise and the adjustments in respect of prior years, the tax effective rate for the period was 20.8%.

Earnings Per Share

The Group's Underlying Basic Loss Per Share[6] was 2.7p (H1 2020: Profit 30.7p). The Group's reported basic loss per share was 2.2p (H1 2020: loss of 69.7p). The figures for the prior period have been restated to reflect the effect of the share consolidation that was completed in October 2020.

[6] Refer to the Alternative Performance Measures (APM) Glossary on page 62 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 manages the customer relationship.

	6m to July 2021					6m to July 2020			
£m	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**	***Change***	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**
Gross written premiums (GWP):									
Broked	54.8	76.0	45.0	175.8	*(15.5%)*	82.3	76.6	49.2	208.1
Underwritten	105.0	0.0	1.9	106.9	*(3.7%)*	109.1	0.0	1.9	111.0
GWP	159.8	76.0	46.9	282.7	*(11.4%)*	191.4	76.6	51.1	319.1
Broker revenue	22.4	14.2	16.1	52.7	*(4.5%)*	20.7	14.5	20.0	55.2
Instalment revenue	3.3	1.4	-	4.7	*(21.7%)*	4.5	1.5	-	6.0
Add-on revenue	6.0	5.5	-	11.5	*(17.3%)*	8.6	5.3	-	13.9
Other revenue	13.6	8.5	2.8	24.9	*(14.1%)*	16.6	9.2	3.2	29.0
Written revenue	**45.3**	**29.6**	**18.9**	**93.8**	***(9.9%)***	**50.4**	**30.5**	**23.2**	**104.1**
Written gross profit	**44.0**	**29.6**	**19.2**	**92.8**	***(7.8%)***	**49.1**	**30.5**	**21.1**	**100.7**
Marketing expenses	(7.9)	(2.6)	(1.3)	(11.8)	*23.9%*	(10.9)	(3.2)	(1.4)	(15.5)
Written gross profit after marketing expenses	**36.1**	**27.0**	**17.9**	**81.0**	***(4.9%)***	**38.2**	**27.3**	**19.7**	**85.2**
Other operating expenses	(17.9)	(13.6)	(10.0)	(41.5)	*10.8%*	(24.9)	(12.5)	(9.1)	(46.5)
Written Underlying PBT[7]	**18.2**	**13.4**	**7.9**	**39.5**	***2.1%***	**13.3**	**14.8**	**10.6**	**38.7**
Written to earned adjustment	(1.6)	-	-	(1.6)	*(148.5%)*	3.3	-	-	3.3
Earned Underlying PBT	**16.6**	**13.4**	**7.9**	**37.9**	***(9.8%)***	**16.6**	**14.8**	**10.6**	**42.0**
Thousands									
Core policies sold:									
Saga branded	487	348	49	884	*(1.8%)*	484	347	69	900
Bennetts (sold in August 2020)	-	-	-	-	*(100.0%)*	144	-	-	144
	487	348	49	884	*(15.3%)*	628	347	69	1,044
Third-party panel share[8]	30.8%				*0.9%*	29.9%			

Retail Broking Underlying Profit Before Tax on a written basis (which excludes the impact of the written to earned adjustment) increased to £39.5m from £38.7m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £37.9m from £42.0m.

The written to earned adjustment of negative £1.6m in the current period compares to a £3.3m positive adjustment in the prior period. The prior period result benefitted from price reductions implemented by AICL in February 2019 which on an earned basis are spread over a 12-month period.

A key metric for the Retail Broking business is written gross profit, after deducting marketing expenses but before overheads. This reduced from £85.2m in the prior period to £81.0m in the first half of the current financial year due to the sale of Bennetts in August 2020. Excluding Bennetts, written gross profit after marketing expenses increased by £2.4m, due to a £4.5m improvement in motor, offset by a £0.3m reduction in home and a £1.8m reduction in other broking. The latter includes a £1.2m decrease in written gross profits due to a reduction in travel insurance policy sales versus the prior period.

For Saga-branded motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits reduced by £1.0m, while there was a £5.2m improvement in renewal profits.

The reduction in new business profits reflects lower motor new business policies and margins due to competitive market conditions, particularly in motor. The increase in renewal profits is principally due to a 6% increase in motor renewal policies, coupled with higher renewal margins driven by the continued growth of the three-year fixed-price product.

The overall gross margin per policy for Saga-branded motor and home combined, calculated as written gross profit less marketing expenses divided by the number of policies, was £75.6 in the first half of the year, compared with £70.9 in the prior period.

[7] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation
[8] Third-party underwriter's share of the motor panel for Saga-branded policies

Whilst Retail Broking earnings have reduced period on period, the Insurance business has shown good progress throughout the COVID-19 pandemic:

- Saga-branded motor and home policies increased by 0.5% in the first half of the year.
- The higher policy count is due to the sustained improvement in customer retention of 80.6% across motor and home, which was 0.7ppt higher than the prior period, and the introduction of mid-term adjustment (MTA) rebroke policies in the period, partially offset by a reduction in new business policies. Excluding MTA renewal rebroke, home and motor policies would have decreased by 0.2% in the first half.
- 374k three-year fixed-price policies were sold in the period; 45% of total motor and home policies incepting, with 58% of direct new business taking the product.
- The margin per policy is tracking in line with expectations.

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 July 2021, £9.6m (H1 2020: £7.6m) of income had been deferred in relation to three-year fixed-price policies, £3.4m (H1 2020: £4.0m) of which related to income written in the six months to 31 July 2021.

Motor Broking

Gross written premiums decreased by 16.5% due to the sale of the Bennetts business on 7 August 2020, therefore the 2021/22 first half results include no trading results for Bennetts compared to a full six months in the prior period.

Excluding Bennetts, gross written premiums decreased by 5.4%. This reduction reflects decreases in average gross written premiums following lower premiums being charged to customers due to further pricing actions. This was partially offset by a 0.6% increase in the number of core Saga-branded policies. Gross written premiums from business underwritten by AICL decreased by 3.8% to £105.0m (H1 2020: £109.1m), partly due a 0.9ppt increase in third-party panel share to 30.8% (H1 2020: 29.9%). Other revenue declined by £2.5m due primarily to the sale of Bennetts.

Written gross profit minus marketing expenses was £36.1m (H1 2020: £38.2m), contributing £73.1/policy (H1 2020: £60.8/policy). Excluding Bennetts results from the prior year, motor written gross profit minus marketing expenses for H1 2020 was £31.6m, contributing £65.3 per policy.

The increase in written gross profits excluding Bennetts is mainly due to a 6% increase in motor renewal policies, higher renewal margins on the three-year fixed-price product and new business price reductions in the early part of the prior year.

Home Broking

Gross written premiums decreased by 0.8% due to a 1.1% reduction in average premiums more than offsetting a 0.3% increase in core policies.

Written gross profit minus marketing expenses was £27.0m (H1 2020: £27.3m), and on a per policy basis this was £77.6/policy (H1 2020: £78.7/policy).

Other Broking

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

Gross written premiums declined 8.2% as a result of lower sales of travel insurance, which declined from 38k in the prior period to 22k. This was due to the impact of COVID-19 related travel restrictions. Gross profits after marketing costs relating to travel insurance products declined by £1.2m.

Sales for the PMI product were broadly stable, however gross profit after marketing costs was £2.9m lower. This reduction is a result of pricing rule changes that have reduced renewal margins, alongside a lower profit share.

Profitability of the Group's claims management and credit hire businesses was adversely impacted during the prior period 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. This has again continued in the first half of this year due to a further COVID-19 lockdown but was offset by better-than-expected credit-hire debt recovery against provisioning levels in the period.

Insurance Underwriting

£m		6m to July 2021 Reported	6m to July 2021 Quota Share	6m to July 2021 Underlying	*Change*	6m to July 2020 Reported	6m to July 2020 Quota Share	6m to July 2020 Underlying
Net earned premium		27.3	(56.8)	84.1	(9.1%)	26.6	(65.9)	92.5
Other revenue		19.0	16.1	2.9	1,550.0%	1.9	2.1	(0.2)
Revenue	**a**	**46.3**	**(40.7)**	**87.0**	**(8.7%)**	**28.5**	**(63.8)**	**92.3**
Claims costs	**b**	(22.9)	41.2	(64.1)	*19.1%*	(22.8)	56.4	(79.2)
Reserve releases	**c**	9.3	(8.7)	18.0	*(33.3%)*	25.4	(1.6)	27.0
Other cost of sales	**d**	(1.9)	5.9	(7.8)	*17.9%*	(2.7)	6.8	(9.5)
	e	(15.5)	38.4	(53.9)	*12.6%*	(0.1)	61.6	(61.7)
Gross profit		**30.8**	**(2.3)**	**33.1**	***8.2%***	**28.4**	**(2.2)**	**30.6**
Operating expenses	**f**	(1.6)	3.4	(5.0)	*2.0%*	(1.8)	3.3	(5.1)
Investment return		1.9	(2.2)	4.1	*17.1%*	1.4	(2.1)	3.5
Quota share net cost		0.0	1.1	(1.1)	*(10.0%)*	0.0	1.0	(1.0)
Underlying Profit Before Tax[9]		**31.1**	**-**	**31.1**	***11.1%***	**28.0**	**-**	**28.0**
Reported loss ratio	**(b+c)/a**	29.4%		53.0%	(3.6ppt)	(9.1%)		56.6%
Expense ratio	**(d+f)/a**	7.6%		14.7%	(1.1ppt)	15.8%		15.8%
Reported COR	**(e+f)/a**	36.9%		67.7%	(4.7ppt)	6.7%		72.4%
Current year COR	**(e+f-c)/a**	57.0%		88.4%	(13.2ppt)	95.8%		101.6%
Number of earned policies				356k	(7.8%)			386k

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

Excluding the impact of the quota share reinsurance arrangements, net earned premiums decreased by 9.1% to £84.1m (H1 2020: £92.5m) reflecting a 7.8% reduction in the number of earned policies underwritten by AICL coupled with a 1.7% decrease in average earned premiums.

Also excluding the impact of the quota share arrangement, the Underwriting business saw an improvement in the current period combined operating ratio (COR) to 88.4% (H1 2020: 101.6%). This reflects the earned impact of COVID-19 on claims costs and customer driving habits and is not expected to recur in future periods, with current claims experience broadly in line with pricing assumptions.

Prior year reserve releases of £18.0m (H1 2020: £27.0m) have resulted in a reported COR of 67.7% (H1 2020: 72.4%), excluding the impact of the quota share arrangement. The Group retains economic interest in motor reserve development. To the extent they accrue under the quota share arrangements they are recognised within other revenue as a profit share. Reserve releases can be broken down as follows:

£m	6m to July 2021 Reported	6m to July 2021 Quota Share	6m to July 2021 Underlying	*Change*	6m to July 2020 Reported	6m to July 2020 Quota Share	6m to July 2020 Underlying
Motor insurance	6.6	(11.4)	18.0		24.5	(2.5)	27.0
Home insurance	0.1	0.1	-		(0.4)	(0.4)	-
Other insurance	2.6	2.6	-		1.3	1.3	-
	9.3	(8.7)	18.0	*(33.3%)*	25.4	(1.6)	27.0

Reserve releases reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, part of the additional component of reserve margin for the increased uncertainty over claims development held in respect of the 2020/21 accident year has been released in the current period.

Excluding the impact of the quota share arrangement, the investment return increased by £0.6m to £4.1m (H1 2020: £3.5m) due to lower expected credit losses in the current period and fair value losses on loan funds in the prior period. This was partially offset by lower reinvestment yields.

[9] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation

Travel

£m	6m to July 2021 Tour Operations	Cruising	Total Travel	*Change*	6m to July 2020 Tour Operations	Cruising	Total Travel
Revenue	**2.0**	**8.0**	**10.0**	*(79.7%)*	**33.0**	**16.3**	**49.3**
Gross loss	**(1.2)**	**(17.0)**	**(18.2)**	*(435.3%)*	**0.0**	**(3.4)**	**(3.4)**
Marketing expenses	(4.1)	(4.4)	(8.5)	*(26.9%)*	(3.8)	(2.9)	(6.7)
Other operating expenses	(10.5)	(4.5)	(15.0)	*20.6%*	(14.9)	(4.0)	(18.9)
Investment return	-	0.1	0.1	*100.0%*	-	-	-
Finance costs	-	(9.6)	(9.6)	*(84.6%)*	(0.1)	(5.1)	(5.2)
Underlying Loss Before Tax[10]	**(15.8)**	**(35.4)**	**(51.2)**	***(49.7%)***	**(18.8)**	**(15.4)**	**(34.2)**
Average revenue per passenger (£)	2,000	2,667	2,500	*(8.7%)*	2,750	2,717	2,739
Tour Operations passengers ('000)	1		1	*(91.7%)*	12		12
Cruise passengers ('000)		3	3	*(50.0%)*		6	6
Cruise passenger days ('000)		23	23	*(62.3%)*		61	61
Load factor		56%	56%	*(27.0ppt)*		83%	83%
Per Diems (£)		294	294	*22.0%*		241	241

The Group's Travel businesses were suspended in mid-March 2020 as a result of government restrictions introduced as a result of the COVID-19 pandemic. The Cruise business resumed on 27 June 2021 with the first sailing of *Spirit of Discovery,* and *Spirit of Adventure's* inaugural cruise sailed on 26 July 2021. The Cruise business operated *Spirit of Discovery* through July with a government-enforced load factor restriction of 50%. This was removed from the end of July.

The Tour Operations business commenced a small number of UK-based holidays in June. When compared to the prior period, which included one and half months of full operational trading, there has been a further decline in revenues in the first half of this year.

Since March 2020, 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 74% of Cruise advance receipts transferred to a future booking. Similarly, 39% of Tour Operations advance receipts have also been transferred to a future booking.

Marketing expenses have increased by £1.8m to £8.5m (H1 2020: £6.7m) to support the restart of operations. Other operating expenses have decreased by £3.9m as a result of actions taken after the decision to suspend operations in the prior year to downsize the overhead cost base whilst the operations were suspended. The overheads cost base has begun to scale up to support the return to service, but not to the same levels as before.

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, including the requirement that all guests must be fully vaccinated against COVID-19 at least 14 days before departure.

Through the first half of the year, the focus has been on ensuring the safe restart of the Travel business, while keeping costs and subsequent cash burn to a minimum. The monthly cash burn for the six months to 31 July 2021 was £5.9m, which is lower than the previous guidance of £7m-£9m per month.

Forward Travel sales

Tour Operations bookings for 2021/22 are below the same point two years ago by 93% and 90% for revenue and passengers respectively. This is due to the suspension of operations as a result of the government's COVID-19 travel restrictions and continued customer caution in relation to overseas travel. 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. Around 44% of revenue booked for 2021/22 is from customers choosing to rebook holidays cancelled in 2020.

Bookings for 2022/23 departures are ahead of the same point two years ago by 18% and 10% for revenue and passengers respectively. Whilst bookings for 2022/23 are ahead of pre-pandemic levels, there remains some uncertainty within the travel industry surrounding the longer-term impact of COVID-19.

Similarly, Cruise bookings for 2021/22 are lower than the same point two years ago by 17% and 29% for revenue and passenger days respectively due to the decision to suspend operations for *Spirit of Discovery* until 27 June

[10] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation

2021 and for *Spirit of Adventure* until 26 July 2021. However, demand is very strong for 2022/23 departures and ahead of the same point two years ago, with revenue and passenger days ahead by 58% and 39% respectively.

Around 37% of revenue booked for 2021/22 is from customers choosing to rebook cruises cancelled in 2020. These figures exclude bookings cancelled in 2020/21 and 2021/22 where the customer has indicated that they want to rebook but have yet to rebook onto a specific cruise.

Trading to week ended 11 September 2021	**2021/22 departures**			**2022/23 departures**		
	2021/22	***Change***	**2019/20**	**2021/22**	***Change***	**2019/20**
Saga Holidays and Titan combined revenue (£m)	17.8	*(93.6%)*	278.5	108.7	*16.3%*	93.5
Saga Holidays and Titan combined passengers ('000)	12.1	*(91.1%)*	136.3	40.8	*9.1%*	37.4
Cruise revenue (£m)	85.5	*(19.3%)*	106.0	130.3	*58.9%*	82.0
Cruise passenger days ('000)	283.1	*(30.4%)*	407.0	426.0	*39.6%*	305.2

Other Businesses and Central Costs

	6m to July 2021				**6m to July 2020**		
£m	**Other Businesses**	**Central Costs**	**Total**	***Change***	**Other Businesses**	**Central Costs**	**Total**
Revenue:							
Personal Finance	2.8	-	2.8	*(15.2%)*	3.3	-	3.3
Healthcare	-	-	-	*(100.0%)*	1.1	-	1.1
Media and printing	4.9	-	4.9	*16.7%*	4.2	-	4.2
Other	-	0.8	0.8	*0.0%*	-	0.8	0.8
Total revenue	**7.7**	**0.8**	**8.5**	***(9.6%)***	**8.6**	**0.8**	**9.4**
Cost of sales	(4.9)	(0.5)	(5.4)	*15.6%*	(6.0)	(0.4)	(6.4)
Consolidation adjustment	-	1.5	1.5	*15.4%*	-	1.3	1.3
Gross profit	**2.8**	**1.8**	**4.6**	***7.0%***	**2.6**	**1.7**	**4.3**
Operating expenses	(1.7)	(12.8)	(14.5)	*0.7%*	(1.4)	(13.2)	(14.6)
IAS 19R pension charge	-	(1.2)	(1.2)	*(20.0%)*	-	(1.0)	(1.0)
Net finance costs	-	(9.5)	(9.5)	*(10.5%)*	-	(8.6)	(8.6)
Underlying Profit/(Loss) Before Tax[11]	**1.1**	**(21.7)**	**(20.6)**	***(3.5%)***	**1.2**	**(21.1)**	**(19.9)**

The Group's other businesses include Saga Personal Finance, the Saga Publishing business and MetroMail, a mailing and printing business.

Underlying Profit Before Tax for other businesses combined decreased by £0.1m, largely due to the sale of the non-Saga branded healthcare businesses of Country Cousins and Patricia White's in March 2020, which generated one month's worth of profit for the Group in the prior period.

Central operating expenses decreased slightly to £12.8m (H1 2020: £13.2m). There were £5.3m of cost savings driven by the Group's restructuring programme in the prior period that were offset by a reduction in recharges to the operating divisions.

Net finance costs in the period were £9.5m (H1 2020: £8.6m), an increase of 10.5%, which was largely due to the higher bond interest costs following the completion of the new bond issue in July 2021, additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in March 2021 and June 2021, and the further ship debt facility agreed in March 2021 that was more expensive than the previous ship debt holiday agreed in the prior period. This was partially offset by a reduction in bank debt interest costs due to a lower level of bank debt in the current period compared to the prior period.

[11] Refer to the Alternative Performance Measures (APM) Glossary on page 62 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 the Group's Cruise business. Restricted businesses include AICL and Tour Operations.

Excluding cash transfers to and from the Travel business, Group cash flows demonstrated considerable resilience in the period, with an Available Operating Cash Flow of £52.1m compared with £45.4m in the prior period. Although Trading EBITDA for unrestricted businesses reduced by £5.0m, working capital improved from an outflow of £1.0m to an inflow of £12.5m, mainly due to the Retail Broking segment. Dividends paid by AICL were £12m in both periods.

Trading in the Group's Travel businesses was suspended in March 2020 and since that date 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 now operates as a ring-fenced fund, the Group provided an additional £19.9m of cash to the business to cover trading cash flows in the first half of the current year. This is a reduction of £26.1m when compared to the prior period, which is mainly due to the fact that the business now operates as a fully ring-fenced business. As at 31 July 2021, the Tour Operations ring-fenced business held cash of £26.3m, of which £23.6m is held in trust.

During the period, the Cruise business reported an operating cash inflow of £9.7m, with an increase in advance customer receipts of £25.1m, offset by trading costs of £13.4m and capital expenditure of £2.0m. Net cash inflow, after interest costs of £7.6m, was £2.1m.

The improvement compared to the prior period is a result of the Cruise business resuming operations in the latter part of the first half, enabling the business to start collecting payments on the cruises that have sailed in the first half and on some of the cruises that will sail in the beginning of the second half. In line with current plans, if the Cruise operation continues with no further interruption in the second half, it is expected that the Cruise business will become self-funding again and will start to repay the £16.5m intercompany loan provided by the Group during the period of closure.

The cash outflows for the Travel business since the onset of the COVID-19 crisis are well within the assumptions used in management's base and stress test scenarios.

As a result of the reduction in cash injections to the Travel business in the last six months when compared to the prior period, Available Operating Cash Flow increased from an outflow of £23.2m in the prior period to an inflow of £41.9m in the current period.

£m	6m to July 2021	*Change*	6m to July 2020
Retail Broking Trading EBITDA	40.9	*(9%)*	44.8
Other Businesses and Central Costs Trading EBITDA	(6.6)	*(20%)*	(5.5)
Trading EBITDA from unrestricted businesses[12, 13]	**34.3**	***(13%)***	**39.3**
Dividends paid by Underwriting business	12.0	*0%*	12.0
Working capital and non-cash items[14]	12.5	*1,350%*	(1.0)
Capital expenditure funded with Available Cash	(6.7)	*(37%)*	(4.9)
Available Operating Cash Flow before cash injections to Travel operations[12]	**52.1**	***15%***	**45.4**
Cash injection into Tour Operations business	(19.9)	*57%*	(46.0)
Cruise available operating cash flow	9.7	*143%*	(22.6)
Available Operating Cash Flow[12]	**41.9**	***281%***	**(23.2)**
Restructuring costs paid	(0.5)	*97%*	(19.8)
Interest and financing costs	(22.7)	*(55%)*	(14.6)
Business and property disposals	4.5	*(75%)*	17.8
Tax receipts/(payments)	0.9	*127%*	(3.3)
Other payments	(4.2)	*53%*	(9.0)
Change in cash flow from operations	19.9	*138%*	(52.1)
Change in bond debt	150.0	*100%*	0.0
Change in bank debt	(70.0)	*(275%)*	40.0
Cash at 1 February	75.4	*84%*	40.9
Available Cash at 31 July[12]	**175.3**	***509%***	**28.8**

Other cash flow movements

Non-operating cash flow movements in the prior period include significant cash costs relating to the restructuring activities undertaken in the first half of the prior year, which principally relate to redundancy costs. There has been no such restructuring programme in the current period.

Interest and financing costs increased due to the financing costs relating to the *Spirit of Adventure* debt facility that was drawn down at the end of September 2020, combined with an increase in debt issue costs relating to the fees paid to date associated with the new bond issue, the tender of the existing bond and the amendments to the existing RCF facility along with the second ship debt holiday being more expensive than the first in the prior period.

Business and property disposals relate to the cash received from the sale of property in the current period and from the sale of the Healthcare business in the prior period, net of any directly attributable 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 in both the current and prior period which totalled £4.2m (H1 2020: £3.7m) and are included within other payments.

In June 2021, the Group issued a five-year £250m fixed-rate unsecured bond. The proceeds of the bond were used to fund the settlement of £100m of the existing bond and to repay in full the £70m term loan. The balance of the proceeds, together with the Available Cash brought forward from the prior year, provides sufficient liquidity in the event that a further suspension of the Travel business was to occur in either the second half of 2021 or in 2022.

The Group has been in discussions 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. It has been agreed that from August 2021, an additional temporary liquidity provision of £5m will be held as restricted cash. This will be reflected within the second half and funded from Available Cash.

[12] Refer to the Alternative Performance Measures (APM) Glossary on page 62 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 IAS 19R pension current service costs

Reconciliation between operating and reported metrics

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

£m	6m to July 2021	6m to July 2020
Net cash flow from operating activities (reported)	36.5	(79.7)
Exclude cash impact of:		
Trading of restricted divisions	(3.1)	83.8
Disposal group companies	-	(4.5)
Non-trading costs	4.2	18.6
Interest paid	14.9	12.5
Tax paid	4.0	4.7
	20.0	115.1
Cash released paid to restricted divisions	(7.9)	(53.7)
Include capital expenditure funded from Available Cash	(6.7)	(4.9)
Available Operating Cash Flow[15]	**41.9**	**(23.2)**

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

£m	6m to July 2021	*Change*	6m to July 2020
Retail Broking Trading EBITDA	40.9		44.8
Underwriting Trading EBITDA	31.3		28.3
Tour Operations Trading EBITDA	(14.9)		(16.5)
Cruise Trading EBITDA	(21.4)		(6.0)
Other Businesses and Central Costs Trading EBITDA	(6.6)		(5.5)
Trading EBITDA[15]	**29.3**	***(35.0%)***	**45.1**
Depreciation and amortisation (excluding acquired intangibles)	(11.8)		(14.4)
Pension charge IAS 19R	(1.2)		(1.0)
Net finance costs including Cruise finance costs	(19.1)		(13.8)
Underlying (Loss)/Profit Before Tax[15]	**(2.8)**	***(117.6%)***	**15.9**

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

£m	6m to July 2021	*Change*	6m to July 2020
Trading EBITDA for 12m to 31 January 2021	78.7		181.7
Less Trading EBITDA for 6m to 31 July 2020	(45.1)		(87.1)
Add Trading EBITDA for 6m to 31 July 2021	29.3		45.1
Less Trading EBITDA of disposed companies not disclosed below Underlying Profit Before Tax	(0.2)		(3.7)
Trading EBITDA (12 month rolling)[15]	**62.7**	***(53.9%)***	**136.0**
Impact of IFRS 16 Leases	(2.3)		(6.6)
Spirit of Discovery and Spirit of Adventure Trading EBITDA[16]	33.7		(14.1)
Adjusted Trading EBITDA[15]	**94.1**	***(18.4%)***	**115.3**

[15] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation
[16] EBITDA includes central Cruise overheads

Balance sheet

Goodwill

As at 31 July 2021, the carrying value of the Group's goodwill asset totalled £718.6m (31 Jan 21: £718.6m) and is wholly attributable to the Insurance business. The Group is required to perform an annual impairment review of goodwill and the most recent review was performed for the full-year results, demonstrating headroom against the carrying value of the goodwill asset in all scenarios modelled. At the half year, the Group is only required to perform additional impairment reviews if new indicators of impairment exist. Due to the Insurance business trading in line with the latest business plan, which includes the anticipated impact of the outcome of the FCA Market Study into general insurance pricing practices from February 2022, no new indicators of impairment exist as at 31 July 2021 and so no impairment review is required at this point.

Carrying value of ocean cruise ships

As at 31 July 2021, the carrying value of the Group's ocean cruise ships totalled £631.2m (31 Jan 21: £635.0m). Due to the continued impact of the COVID-19 pandemic on the Group's operations, with the suspension of the Cruise business between March 2020 and June 2021, and the continued uncertainty in the outlook for the Travel industry, the Group carried out a further 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 both *Spirit of Discovery* and *Spirit of Adventure*, with no impairment required, albeit there remains limited headroom for *Spirit of Adventure*. Please refer to note 10 on page 46 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 amount held in invested funds increased by £3.4m to £362.5m (31 Jan 2021: £359.1m). As at 31 July 2021, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is in line with the prior period and reflects the relatively stable credit risk rating of the Group's counterparties.

			Credit rating			
At 31 July 2021	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Underwriting investment portfolio:						
Deposits with financial institutions	-	-	14.0	-	-	14.0
Debt securities	-	83.0	65.6	100.4	-	249.0
Money market funds	93.4	-	-	-	-	93.4
Loan funds	-	-	-	-	6.1	6.1
Total invested funds	93.4	83.0	79.6	100.4	6.1	362.5
Derivative assets	-	-	0.6	-	-	0.6
Total financial assets	**93.4**	**83.0**	**80.2**	**100.4**	**6.1**	**363.1**

			Credit rating			
At 31 January 2021	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £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
Derivative assets	-	-	0.2	0.5	-	0.7
Total financial assets	**89.9**	**98.1**	**71.7**	**93.9**	**6.2**	**359.8**

Insurance reserves

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

	At 31 July 2021			At 31 January 2021		
£m	Gross	Reinsurance Assets[17]	Net	Gross	Reinsurance Assets[17]	Net
Reported claims	237.7	(60.0)	177.7	228.6	(57.8)	170.8
Incurred but not reported[18]	78.6	(8.8)	69.8	92.6	(7.4)	85.2
Claims handling provision	8.3	-	8.3	8.3	-	8.3
Total claims outstanding	324.6	(68.8)	255.8	329.5	(65.2)	264.3
Unearned premiums	96.7	(4.1)	92.6	96.8	(6.4)	90.4
Total	**421.3**	**(72.9)**	**348.4**	**426.3**	**(71.6)**	**354.7**

The Group's total insurance contract liabilities, net of reinsurance assets, have decreased by £6.3m in the period to 31 July 2021 from the previous year end, primarily due to a £15.4m decrease in net incurred but not reported claims reserves. The reduction in net incurred but not reported claims reserves is due to reserve releases that reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, part of the additional component of reserve margin held in respect of the 2020/21 accident year has been released in the current period.

Financing

At 31 July 2021, the Group's net debt was £740.3m which is around £20m lower than at the beginning of the financial period.

The Group issued a new five-year £250m fixed-rate unsecured bond in June 2021. The proceeds of the bond were used to fund the settlement of £100m of the existing outstanding unsecured bond and to repay in full the £70m term loan. After transaction costs, these actions increased the Group's Available Cash by £76m. As at 31 July 2021, the £100m RCF remained undrawn and available to the Group, and the maturity of the facility has been extended to May 2025. The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of original bond notes have not been redeemed prior to this date.

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

No repayments were made on the ship loans during the period, with the Group agreeing a second debt holiday with its lenders as part of a package of proposals to support the wider cruise industry. The second debt holiday agreed in March 2021 allowed repayments to be deferred to March 2022, which was for an additional year in excess of the first debt holiday. The Group expects to resume ship loan debt repayments after March 2022.

£m	Maturity date[19]	31 July 2021	31 January 2021
Corporate bond 2026	July 2026	250.0	-
Corporate bond 2024	May 2024	150.0	250.0
Term loan	n/a	-	70.0
Revolving credit facility	May 2025	-	-
Spirit of Discovery ship loan	June 2031	234.8	234.8
Spirit of Adventure ship loan	September 2032	280.8	280.8
Less Available Cash[20]		(175.3)	(75.4)
Net debt		**740.3**	**760.2**

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

£m	31 July 2021	31 January 2021
Net debt	740.3	760.2
Exclude ship loans	(515.6)	(515.6)
Exclude Cruise Available Cash	2.1	2.3
Adjusted Net Debt[21]	**226.8**	**246.9**

[17] Excludes funds-withheld quota share arrangement (please refer to note 15 for further detail)
[18] Includes amounts for reported claims that are expected to become periodical payment orders
[19] 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
[20] Refer to note 13 of the financial statements for information as to how this reconciles to a statutory measure of cash
[21] Refer to the Alternative Performance Measures (APM) Glossary on page 62 for definition and explanation

Pensions

The Group's defined benefit pension scheme deficit as measured on an IAS 19R basis improved by £17.1m to a £12.8m surplus as at 31 July 2021 (£4.3m deficit as at 31 Jan 21).

£m	31 July 2021	31 January 2021
Fair value of scheme assets	438.6	411.2
Present value of defined benefit obligation	(425.8)	(415.5)
Defined benefit scheme surplus/(liability)	**12.8**	**(4.3)**

While the present value of defined benefit obligations increased by £10.3m to £425.8m due to a 30bps increase in RPI inflation, that was partially offset by a 10bps increase in the discount rate based on high-quality bond yields, the fair value of scheme assets increased by £27.4m to £438.6m. The increase in asset values has been largely driven by the fall in interest rates in the period, which in turn has led to a marked increase in the value of liability hedging assets within the portfolio.

The pension trustees and the Group concluded the triennial valuation of the scheme as at 31 January 2020 in the first half of this year. The Company and trustees have agreed to 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.

In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. With effect from 31 October 2021, the Group is proposing to close both of its existing schemes to future accrual, the Saga Pension Scheme (its defined benefit plan) and the Saga Workplace Pension Plan (its defined contribution plan). In their place, the Group is proposing to introduce a new defined contribution pension scheme arrangement that will be operated as a master trust. This move will serve to reduce the risk of further deficits developing in the future on the defined benefit scheme, while moving to a fairer scheme for all colleagues.

Net assets

Since 31 January 2021, total assets have increased by £108.7m and total liabilities have increased by £102.0m, resulting in an overall increase in net assets of £6.7m.

The increase in total assets is primarily due to an increase in cash and short-term deposits as the financing transaction completed in the first half of the year resulted in an increase in Available Cash of £76m.

The increase in total liabilities reflects a £77.8m increase in financial liabilities, which was due to an increase in gross debt from the receipt of the £250m new bond proceeds offset by repayment of £100m of the existing bond and the full £70m of the outstanding term loan. There was also an increase in contract liabilities of £23.5m following the restart of Travel operations in the period.

Impact of COVID-19 and going concern

The Group continues to monitor the impact of COVID-19 on its operations, and since the year-end the Travel business has reopened with a phased return to service.

Due to the continued success of the vaccine rollout in the UK and the easing of lockdown restrictions, the Cruise business was able to recommence operations in June 2021 with UK-only cruises aboard *Spirit of Discovery*, shortly followed by the inaugural cruise of *Spirit of Adventure* at the end of July. Now that the ban on international cruising has been lifted, Cruise itineraries have extended to international waters from the end of August, with cruises to the Baltic Sea and other parts of Europe operating during September.

The Tour Operations business also commenced UK-only tours from June 2021, and international tours to certain green list countries and river cruises have commenced during September, with a gradual and phased return to service expected over the remainder of the year as more countries are added to the green list. Departures to many long-haul destinations are not expected to commence until the end of the year.

The Insurance business continues to be largely unaffected by COVID-19, with resilient trading in the Retail Broking business and some positive impacts on motor claims frequency, albeit that this latter factor is reducing following the end of lockdowns.

In order to provide further financial flexibility, Saga plc issued a new £250m fixed-rate unsecured bond in early July, using £170m of this cash to repay existing borrowings and with £76m added to available cash reserves after payment of £4m of transaction fees. The Group also renegotiated and relaxed the maintenance covenants attached to the £100m RCF, as follows:

	Leverage ratio (excl. Cruise)		Interest cover		Cruise intercompany debt cap	
	Before	*Latest*	*Before*	*Latest*	*Before*	*Latest*
31 Jul 2021	4.75x	4.75x	1.25x	1.25x	£55m	£115m
31 Oct 2021*	4.50x	4.50x	1.25x	1.25x	£55m	£115m
31 Jan 2022	4.25x	4.25x	1.50x	1.25x	£55m	£115m
31 Jul 2022	3.00x	3.75x	3.50x	2.00x	£55m	£115m
31 Jan 2023	3.00x	3.75x	3.50x	2.50x	£30m	£115m
31 July 2023 onwards	3.00x	3.00x	3.50x	3.50x	£30m	£115m

* Quarterly covenants are only tested if leverage is above 4.0x times at the previous covenant test date. This requirement ceases on 31 January 2022.

Under the terms of the RCF, dividends remain restricted while leverage (excluding Cruise) is above 3.0x and the Group remains subject to a minimum liquidity requirement of £40m, which can be met either through cash or undrawn and committed facilities (such as the RCF itself). The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of original bond notes have not been redeemed prior to this date.

The new unsecured bond includes an event-based fixed charge covenant ratio, of 2x EBITDA, which must be satisfied if and when the Group intends to issue new debt. The Group has no current plans to issue any new debt.

The Group's ship debt facilities also require certain EBITDA to debt and EBITDA to interest payment ratio covenants to be met, however the ship debt repayment holiday in place has waived the need to test these covenants until July 2022.

As part of the analysis conducted to support the financing transactions outlined above, planning scenarios were updated to reflect the latest outlook for the current year, including also the impact of the financing transactions completed in July. Specifically, the Group updated the base case scenario based on the latest return to service plans in Travel as outlined above, and further revised a reasonable worst case (RWC) scenario to reflect a reasonably-possible outcome that the Tour Operations business has to delay its full restart to early next year (March 2022) in response to ongoing uncertainty in the travel industry and that the Cruise business has to suspend operations for a two-month period at the end of this year in response to the possibility that COVID-19 cases could rise in the winter and may necessitate this.

In both the base case and RWC scenarios modelled, the Group forecasts there to be sufficient headroom against its debt covenants until at least February 2023, being 18 months from the date of the signing the interim financial statements, which more than accommodates the minimum 12-month assessment for going concern. The Directors therefore 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 accordingly have prepared the financial statements on a going concern basis.

Dividends

Given the Group's priority of reducing net debt the Board of Directors does not recommend payment of an interim dividend for the 2021/22 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 are to reduce net debt, ensure a full and safe return to service in its Travel business, and to continue progress in execution of its Insurance strategy. Given the continued uncertainty arising from COVID-19, the Group is not providing 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 Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The Board included full details of the risk and uncertainties pertinent to the Group on pages 28 and 29 of its latest Annual Report and Accounts for the year ended 31 January 2021, available at www.corporate.saga.co.uk.

Since the publication of the latest Annual Report and Accounts, the Board have reviewed and updated the list of principal risks and uncertainties (PRUs) and the outlook for each. By exception, the following changes have been made:

Principal risks and uncertainties for which the outlook has worsened

PRU	Reason for change in outlook	Mitigations
Cybercrime	Increasing risk posed by a breach in the supply chain, over which Saga has limited control, and continued use of certain legacy systems	Acceleration of the plan to phase out legacy systems and introduction of additional security tools to supplement our existing portfolio

Principal risks and uncertainties for which the outlook has improved

PRU	Reason for change in outlook
COVID-19 pandemic	Further strengthening of financial position due to issue of new bond, repayment of term loam and further changes to debt covenants; Cruise business now operational, with Tour Operations having also commenced a phased return to service
Delivery and execution	Demonstrable progress against various transformation initiatives
Culture and capability	Recent recruitment to fill identified capacity gaps coupled with progress on rolling out a new performance management framework
Saga brand and relevance	Reflects work completed on new strategy and development of new brand's look, feel and tone of voice

New principal risks and uncertainties

PRU	Trend	Risk	Mitigations
Insurance pricing	Stable	Errors in data modelling leads to material pricing, reserving or underwriting issues that have significant financial impact and/or customer harm	New pricing system implemented alongside greater levels of testing

Condensed consolidated income statement for the period ended 31 July 2021

	Note	**Unaudited 6m to Jul 2021 £'m**	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
Gross earned premiums	3	104.2	112.1	221.7
Earned premiums ceded to reinsurers	3	(63.3)	(73.1)	(142.8)
Net earned premiums	3	40.9	39.0	78.9
Other revenue	3	115.5	153.4	258.7
Total revenue	3	**156.4**	**192.4**	**337.6**
Gross claims incurred		(52.0)	(64.9)	(131.4)
Reinsurers' share of claims incurred		37.5	64.1	113.2
Net claims incurred		(14.5)	(0.8)	(18.2)
Other cost of sales		(34.1)	(60.5)	(82.0)
Cost of sales	3	(48.6)	(61.3)	(100.2)
Gross profit		**107.8**	**131.1**	**237.4**
Administrative and selling expenses		(92.3)	(129.6)	(224.2)
Impairment of assets		-	(62.0)	(65.0)
Gain on lease modification		-	-	3.2
Net profit on disposal of businesses and assets held for sale	18, 7	7.2	10.3	8.6
Net (loss)/profit on disposal of property, plant and equipment, right-of-use assets and software		(0.1)	6.7	6.6
Investment income		0.4	(0.1)	0.7
Finance costs		(22.3)	(13.8)	(30.2)
Finance income		-	1.9	1.7
Profit/(loss) before tax		**0.7**	**(55.5)**	**(61.2)**
Tax expense	4	(3.8)	(1.6)	(6.6)
Loss for the period		**(3.1)**	**(57.1)**	**(67.8)**
Attributable to:				
Equity holders of the parent		(3.1)	(57.1)	(67.8)
Loss per share:				
Basic	6	(2.2p)	(69.7p)[22]	(67.0p)
Diluted	6	(2.2p)	(69.7p)[22]	(67.0p)

[22] In accordance with IAS 33 'Earnings per Share', basic and diluted loss per share figures for the period ended 31 July 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 from 5 October 2020; and (b) the consolidation of the Company's shares on 13 October 2020. Amounts as originally stated were (5.1p) for basic and diluted loss per share.

Condensed consolidated statement of comprehensive income for the period ended 31 July 2021

	Unaudited 6m to Jul 2021 £'m	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
Loss for the period	**(3.1)**	**(57.1)**	**(67.8)**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net (losses)/gains on hedging instruments during the period	(1.4)	21.8	22.3
Recycling of previous losses/(gains) to income statement on matured hedges	1.2	(1.5)	(2.5)
Total net (losses)/gains on cash flow hedges	(0.2)	20.3	19.8
Associated tax effect	-	(4.4)	(3.5)
Net (losses)/gains on fair value financial assets during the period	(2.5)	2.6	3.2
Associated tax effect	0.2	(0.5)	(0.8)
Total other comprehensive (losses)/gains with recycling to income statement	(2.5)	18.0	18.7
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement gains/(losses) on defined benefit plans	14.1	8.5	(1.2)
Associated tax effect	(3.5)	(1.6)	0.2
Total other comprehensive gains/(losses) without recycling to income statement	10.6	6.9	(1.0)
Total other comprehensive income	**8.1**	**24.9**	**17.7**
Total comprehensive income/(losses) for the period	**5.0**	**(32.2)**	**(50.1)**
Attributable to:			
Equity holders of the parent	**5.0**	**(32.2)**	**(50.1)**

Condensed consolidated statement of financial position as at 31 July 2021

Assets	Note	**Unaudited As at Jul 2021 £'m**	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Goodwill	8	718.6	718.6	718.6
Intangible assets	9	58.0	56.8	56.6
Retirement benefit scheme assets	14	12.8	5.7	-
Property, plant and equipment	10	653.3	420.1	660.2
Right-of-use assets	11	2.8	13.5	2.8
Financial assets	12	363.1	347.4	359.8
Current tax assets		3.8	1.5	3.1
Deferred tax assets		12.9	12.2	12.5
Reinsurance assets	15	72.9	59.0	71.6
Inventories		4.3	2.8	3.5
Trade and other receivables		175.2	195.7	183.1
Assets held for sale	18	16.9	43.0	16.9
Trust accounts		23.6	-	22.4
Cash and short-term deposits	13	203.2	85.7	101.6
Total assets		**2,321.4**	**1,962.0**	**2,212.7**
Liabilities				
Retirement benefit scheme obligations	14	-	-	4.3
Gross insurance contract liabilities	15	421.3	437.2	426.3
Provisions		10.9	5.3	11.7
Financial liabilities	12	904.4	697.0	826.6
Deferred tax liabilities		10.0	6.7	5.8
Contract liabilities		105.7	86.0	82.2
Trade and other payables		181.7	152.0	175.1
Liabilities held for sale	18	-	21.4	-
Total liabilities		**1,634.0**	**1,405.6**	**1,532.0**
Equity				
Issued capital		21.0	11.2	21.0
Share premium		648.3	519.3	648.3
Retained earnings		8.2	16.4	0.2
Share-based payment reserve		7.0	7.0	5.8
Fair value reserve		5.0	7.0	7.3
Hedging reserve		(2.1)	(4.5)	(1.9)
Total equity		**687.4**	**556.4**	**680.7**
Total liabilities and equity		**2,321.4**	**1,962.0**	**2,212.7**

Condensed consolidated statement of changes in equity for the period ended 31 July 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 equity £'m
Unaudited							
At 1 February 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**
Loss for the period	-	-	(3.1)	-	-	-	(3.1)
Other comprehensive income excluding recycling	-	-	10.6	-	(2.3)	(1.1)	7.2
Recycling of previous losses to income statement	-	-	-	-	-	0.9	0.9
Total comprehensive income/(losses)	-	-	7.5	-	(2.3)	(0.2)	5.0
Share-based payment charge	-	-	-	1.7	-	-	1.7
Exercise of share options	-	-	0.5	(0.5)	-	-	-
At 31 July 2021	**21.0**	**648.3**	**8.2**	**7.0**	**5.0**	**(2.1)**	**687.4**
Unaudited							
At 1 February 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
Loss for the period	-	-	(57.1)	-	-	-	(57.1)
Other comprehensive income excluding recycling	-	-	6.9	-	2.1	17.1	26.1
Recycling of previous gains to income statement	-	-	-	-	-	(1.2)	(1.2)
Total comprehensive (losses)/income	-	-	(50.2)	-	2.1	15.9	(32.2)
Share-based payment charge	-	-	-	1.0	-	-	1.0
Exercise of share options	-	-	1.2	(1.8)	-	-	(0.6)
At 31 July 2020	**11.2**	**519.3**	**16.4**	**7.0**	**7.0**	**(4.5)**	**556.4**
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	-	-	-	-	-	2.2	2.2
Dividends paid	-	-	(0.1)	-	-	-	(0.1)
Issue of share capital	9.8	140.6	-	-	-	-	150.4
Transaction costs associated with issue of share capital	-	(11.6)	-	-	-	-	(11.6)
Share-based payment charge	-	-	-	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**

Condensed consolidated statement of cash flows for the period ended 31 July 2021

	Note	**Unaudited 6m to Jul 2021 £'m**	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
Profit/(loss) before tax		0.7	(55.5)	(61.2)
Depreciation, impairment and profit on disposal, of property, plant and equipment and right-of-use assets		6.9	3.1	14.9
Amortisation and impairment of intangible assets and loss on disposal of software		4.9	67.1	72.5
Gain on lease modification		-	-	(3.2)
Share-based payment transactions		1.7	1.0	2.4
Profit on disposal of assets held for sale	18	(7.2)	(10.3)	(12.2)
Loss on disposal of subsidiaries		-	-	3.6
Finance costs		22.3	13.8	30.2
Finance income		-	(1.9)	(1.7)
Interest income from investments		(0.4)	0.1	(0.7)
Increase in trust accounts		(1.2)	-	(22.4)
Movements in other assets and liabilities		27.3	(79.8)	(66.5)
		55.0	(62.4)	(44.3)
Interest received		0.4	(0.1)	0.7
Interest paid		(14.9)	(12.5)	(24.1)
Income tax paid		(4.0)	(4.7)	(10.7)
Net cash flows from/(used in) operating activities		**36.5**	**(79.7)**	**(78.4)**
Investing activities				
Proceeds from sale of property, plant and equipment, and right-of-use assets		-	7.2	8.3
Net proceeds from disposal of assets held for sale	18	10.2	-	-
Purchase of, and payments for, the construction of property, plant and equipment and intangible assets		(10.4)	(12.5)	(285.1)
Net disposal of financial assets		20.6	26.8	41.9
Disposal of subsidiaries, net of cash disposed of	7	-	13.3	23.1
Net cash flows from/(used in) investing activities		**20.4**	**34.8**	**(211.8)**
Financing activities				
Payment of principal portion of lease liabilities		(1.3)	(2.4)	(4.0)
Proceeds from borrowings	16	250.0	50.0	330.8
Repayment of borrowings	16	(170.0)	(10.0)	(130.0)
Debt issue costs		(6.7)	(1.1)	(17.4)
Proceeds from issue of share capital		-	-	150.3
Transaction costs associated with issue of share capital		-	-	(11.6)
Dividends paid		-	-	(0.1)
Net cash flows from financing activities		**72.0**	**36.5**	**318.0**
Net increase/(decrease) in cash and cash equivalents		**128.9**	**(8.4)**	**27.8**
Cash and cash equivalents at the start of the period		166.9	139.1	139.1
Cash and cash equivalents at the end of the period	13	**295.8**	**130.7**	**166.9**

Notes to the condensed consolidated interim financial statements

1 Corporate information

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

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively "the Group") for the six months ended 31 July 2021 were authorised for issue in accordance with a resolution of the Directors on 21 September 2021.

2.1 Basis of preparation

These condensed consolidated interim financial statements comprise the interim financial statements of the Group for the six-month period to 31 July 2021.

The condensed consolidated interim financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated. The Group has reviewed the appropriateness of the going concern basis in preparing the condensed financial statements, particularly in light of the COVID-19 pandemic, details of which are included in note 2.6. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The Group's condensed consolidated financial statements are presented in pounds sterling which is also the parent company's functional currency, and all values are rounded to the nearest hundred thousand (£'m), except when otherwise indicated.

On 31 December 2020, International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 February 2021. This change constitutes a change in accounting framework, however, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. The significant accounting policies applied by the Group are set out in the latest Annual Report and Accounts for the year ended 31 January 2021 as referenced in note 2.3. These are consistent with IFRS, as issued by the International Accounting Standards Board and adopted by the UK Endorsement Board for use in the United Kingdom. The annual financial statements of the Group for the year ending 31 January 2022 will be prepared in accordance with UK-adopted International Accounting Standards.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The results from the year ended 31 January 2021 have been taken from the Group's Annual Report and Accounts for that year. Therefore, these interim accounts should be read in conjunction with the Annual Report and Accounts for the year ended 31 January 2021 that have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated interim financial statements are unaudited but have been reviewed by KPMG LLP and include their review conclusion.

Statutory financial statements for the year ended 31 January 2021 have been delivered to the Registrar of Companies. The auditor's report on those financial statements: (i) was unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not constitute a statement under Section 498 (2) or (3) of the Companies Act 2006.

Notes to the condensed consolidated interim financial statements (continued)

2.2 Basis of consolidation

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

2.3 Summary of significant accounting policies

The condensed consolidated set of interim financial statements for the period ended 31 July 2021 have been prepared applying the same accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 January 2021.

Full details of the accounting policies of the Group can be found in the Annual Report and Accounts for the year ended 31 January 2021, available at www.corporate.saga.co.uk.

In addition, during the period ended 31 July 2021, the Group adopted 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'. These amendments were issued in August 2020, 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, how the entity manages those risks, 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 will be considered by the Group as new interest rate benchmarks are introduced. In the UK, LIBOR will be replaced by the Sterling Overnight Index Average (SONIA) from the end of 2021. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow pounds sterling overnight from other financial institutions and other institutional investors. The amendments are not expected to have a material impact on the Group's financial statements.

2.4 Standards issued but not yet effective

With the exception of 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)', standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2021 continue to be not yet effective or not adopted by the Group at 31 July 2021 and can be found in the Annual Report and Accounts for the year ended 31 January 2021, available at www.corporate.saga.co.uk.

In March 2021, the IASB issued 'COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)'. The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, although it is yet to be endorsed by the EU and UK Endorsement Board. The Group does not intend to take advantage of the exemption available under this amendment. The amendment will have no effect on the Group's financial statements for the year ended 31 January 2022.

There have been no other amendments to standards or interpretations issued since 1 February 2021 which impact the consolidated financial statements of the Group.

Notes to the condensed consolidated interim financial statements (continued)

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the Annual Report and Accounts for the year ended 31 January 2021, available at www.corporate.saga.co.uk. There have been no changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period.

2.6 Going concern

The Directors have considered the appropriateness of the going concern basis of preparation for the interim financial statements prepared to 31 July 2021, and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of COVID-19 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 Group's published consolidated financial statements for the year ended 31 January 2021 (see principal risks and uncertainties; Operating and Financial Review; Audit Risk and Internal Control; Audit Committee Report; Risk Committee Report; and notes). Since the publication of the latest Annual Report and Accounts for the year ended 31 January 2021, the Board has reviewed and updated the list of principal risks and uncertainties (PRUs), and the outlook for each of these – further detail on the changes made can be found on page 26. The Board regularly considers the Group's risks and uncertainties and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate them. As a consequence, the Directors believe that the Group is well-placed to successfully manage its business risks.

The Group continues to monitor the impact of COVID-19 on its operations, and since the year end, the Travel business has reopened with a phased return to service.

Due to the continued success of the vaccine rollout in the UK and the easing of lockdown restrictions, the Cruise business was able to recommence operations in June 2021 with UK-only cruises aboard Spirit of Discovery, shortly followed by the inaugural cruise of Spirit of Adventure at the end of July. Now that the ban on international cruising has been lifted, Cruise itineraries have extended to international waters from the end of August, with cruises to the Baltic Sea and other parts of Europe operating during September.

The Tour Operations business also commenced UK-only tours from June 2021, and international tours to certain green list countries and river cruises have commenced during September, with a gradual and phased return to service expected over the remainder of the year as more countries are added to the green list. Departures to many long-haul destinations are not expected to commence until the end of the year.

The Insurance business continues to be largely unaffected by COVID-19, with resilient trading in the Retail Broking business and some positive impacts on motor claims frequency, albeit that the latter is reducing following the end of lockdowns.

In order to provide further financial flexibility in the event of any further near-term disruption to the Travel business, Saga plc issued a new £250m fixed-rate unsecured bond in early July, using £170m of this cash to repay existing borrowings and with £76m added to available cash reserves after payment of £4m of transaction fees. The Group also renegotiated and relaxed the maintenance covenants attached to the £100m RCF, as follows:

Notes to the condensed consolidated interim financial statements (continued)

2.6 Going concern (continued)

	Leverage ratio (excluding Cruise)		Interest cover		Cruise intercompany debt cap	
	Before	*Latest*	*Before*	*Latest*	*Before*	*Latest*
31 Jul 2021	4.75x	4.75x	1.25x	1.25x	£55.0m	£115.0m
31 Oct 2021*	4.50x	4.50x	1.25x	1.25x	£55.0m	£115.0m
31 Jan 2022	4.25x	4.25x	1.50x	1.25x	£55.0m	£115.0m
31 Jul 2022	3.00x	3.75x	3.50x	2.00x	£55.0m	£115.0m
31 Jan 2023	3.00x	3.75x	3.50x	2.50x	£30.0m	£115.0m
31 July 2023 onwards	3.00x	3.00x	3.50x	3.50x	£30.0m	£115.0m

* Quarterly covenants are only tested if leverage is above 4.0x times at the previous covenant test date. This requirement ceases on 31 January 2022.

Under the terms of the RCF, dividends remain restricted while leverage (excluding Cruise) is above 3.0x and the Group remains subject to a minimum liquidity requirement of £40m, which can be met either through cash or undrawn and committed facilities (such as the RCF itself). The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of original bond notes have not been redeemed prior to this date.

The new unsecured bond includes an event-based fixed charge covenant ratio, of 2.0x EBITDA, which must be satisfied if and when the Group intends to issue new debt. The Group has no current plans to issue any new debt.

The Group's ship debt facilities also require the certain EBITDA to debt and EBITDA to interest payment ratio covenants to be met, however the ship debt repayment holiday in place has waived the need to test these covenants until July 2022.

As part of the analysis conducted to support the financing transactions outlined above, planning scenarios were updated to reflect the latest outlook for the current year, including also the impact of the financing transactions completed in July. Specifically, the Group updated the base case scenario based on the latest return to service plans in Travel as outlined above, and further revised a reasonable worse case (RWC) scenario to reflect a reasonably-possible outcome that the Tour Operations business has to delay its full restart to early next year (March 2022) in response to ongoing uncertainty in the travel industry and that the Cruise business has to suspend operations for a two-month period at the end of this year in response to the possibility that COVID-19 cases could rise in the winter and may necessitate this.

In both the base case and RWC scenarios modelled, the Group forecasts there to be sufficient headroom against its debt covenants until at least February 2023, being 18 months from the date of the signing the interim financial statements, which more than accommodates the minimum 12-month assessment for going concern. The Directors therefore 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 accordingly have prepared the financial statements to 31 July 2021 on a going concern basis.

Notes to the condensed consolidated interim financial statements (continued)

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 sub-segments:
  - Retail broking, consisting of:
    - Motor Broking;
    - Home Broking; and
    - Other Insurance Broking; and
  - Underwriting.

  The Group classifies the Cash Generating Unit (CGU) at its lowest level to be at the Insurance segment level.

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

Seasonality

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

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

Typically, increased holiday departures in the shoulder months of May, June and September and low departure volumes during July and August create seasonal fluctuations in the profit of the Travel segment. For the six months ended 31 July 2021 and 31 July 2020, revenue generated by the Travel segment has decreased during these periods due to the adverse effects of COVID-19.

Excluding the impact of COVID-19, when the seasonality of the various segments is considered in aggregate, the resultant half yearly Underlying Profit Before Tax is broadly consistent with half of the full year result.

Notes to the condensed consolidated interim financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2021	Insurance								
	Motor Broking £'m	Home Broking £'m	Other Insurance Broking £'m	Under-writing £'m	Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**43.1**	**29.6**	**18.9**	**46.3**	**137.9**	**10.0**	**10.8**	**(2.3)**	**156.4**
Cost of sales	(1.3)	-	0.3	(15.5)	(16.5)	(28.2)	(3.9)	-	(48.6)
Gross profit/(loss)	**41.8**	**29.6**	**19.2**	**30.8**	**121.4**	**(18.2)**	**6.9**	**(2.3)**	**107.8**
Administrative and selling expenses	(25.2)	(16.2)	(11.3)	(1.6)	(54.3)	(23.9)	(16.4)	2.3	(92.3)
Profit on disposal of assets held for sale	-	-	-	-	-	-	7.2	-	7.2
Loss on disposal of property, plant and equipment	-	-	-	-	-	(0.1)	-	-	(0.1)
Investment income/(loss)	-	-	-	1.9	1.9	0.1	(1.6)	-	0.4
Finance costs	-	-	-	-	-	(12.8)	(9.5)	-	(22.3)
Profit/(loss) before tax	**16.6**	**13.4**	**7.9**	**31.1**	**69.0**	**(54.9)**	**(13.4)**	**-**	**0.7**
Reconciliation to Underlying Profit/ (Loss) Before Tax:									
Profit/(loss) before tax	**16.6**	**13.4**	**7.9**	**31.1**	**69.0**	**(54.9)**	**(13.4)**	**-**	**0.7**
Net fair value loss on derivative financial instruments	-	-	-	-	-	3.2	-	-	3.2
Profit on disposal of assets held for sale	-	-	-	-	-	-	(7.2)	-	(7.2)
Profit on disposal of property, plant and equipment	-	-	-	-	-	0.1	-	-	0.1
Restructuring costs	-	-	-	-	-	0.4	-	-	0.4
Underlying Profit/ (Loss) Before Tax	**16.6**	**13.4**	**7.9**	**31.1**	**69.0**	**(51.2)**	**(20.6)**	**-**	**(2.8)**

All revenue is generated solely in the UK.

Notes to the condensed consolidated interim financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 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	Adjust-ments £'m	Total £'m
Revenue	**51.5**	**30.5**	**23.2**	**28.5**	**133.7**	**49.3**	**12.1**	**(2.7)**	**192.4**
Cost of sales	(1.3)	-	(2.1)	(0.1)	(3.5)	(52.7)	(5.1)	-	(61.3)
Gross profit/(loss)	**50.2**	**30.5**	**21.1**	**28.4**	**130.2**	**(3.4)**	**7.0**	**(2.7)**	**131.1**
Administrative and selling expenses	(33.6)	(15.7)	(10.5)	(1.8)	(61.6)	(41.1)	(29.6)	2.7	(129.6)
Impairment of assets	-	-	-	-	-	(2.2)	-	(59.8)	(62.0)
Net profit on disposal of businesses	-	-	-	-	-	-	10.3	-	10.3
Net profit on disposal of property, plant and equipment	-	-	-	-	-	6.4	0.3	-	6.7
Investment income/(loss)	-	-	-	1.4	1.4	-	(1.5)	-	(0.1)
Finance costs	-	-	-	-	-	(5.2)	(8.6)	-	(13.8)
Finance income	-	-	-	-	-	1.9	-	-	1.9
Profit / (loss) before tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(43.6)**	**(22.1)**	**(59.8)**	**(55.5)**
Reconciliation to Underlying Profit/ (Loss) Before Tax:									
Profit/(loss) before tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(43.6)**	**(22.1)**	**(59.8)**	**(55.5)**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(1.9)	-	-	(1.9)
Impairment of goodwill	-	-	-	-	-	-	-	59.8	59.8
Profit on disposal of assets	-	-	-	-	-	(4.5)	-	-	(4.5)
Restructuring costs	-	-	-	-	-	15.8	12.5	-	28.3
Net profit on disposal of business	-	-	-	-	-	-	(10.3)	-	(10.3)
Underlying Profit/ (Loss) Before Tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(34.2)**	**(19.9)**	**-**	**15.9**

All revenue is generated solely in the UK.

Notes to the condensed consolidated interim financial statements (continued)

3 Segmental information (continued)

12m to Jan 2021	Insurance								
	Motor Broking £'m	Home Broking £'m	Other Insurance Broking £'m	Under-writing £'m	Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjust-ments £'m	Total £'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/(loss)	**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/(loss)	-	-	-	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**

All revenue is generated solely in the UK.

Notes to the condensed consolidated interim financial statements (continued)

3a Disaggregation of revenue

Unaudited 6m to Jul 2021	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £'m	Other Revenue £'m	Total Insurance £'m	Travel £'m	Other Businesses and Central Costs £'m	Total £'m
Gross earned premiums on insurance underwritten by the Group	104.2		104.2			104.2
Less: ceded to reinsurers	(63.3)		(63.3)			(63.3)
Net revenue on:						
- Motor broking	13.1	30.0	43.1			43.1
- Home broking	-	29.6	29.6			29.6
- Other broking	0.5	18.4	18.9			18.9
- Underwriting	27.3	19.0	46.3			46.3
Tour Operations				2.0		2.0
Cruise				8.0		8.0
Personal Finance					2.8	2.8
Media					4.9	4.9
Other					0.8	0.8
	40.9	97.0	137.9	10.0	8.5	156.4

Unaudited 6m to Jul 2020	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £'m	Other Revenue £'m	Total Insurance £'m	Travel £'m	Other Businesses and Central Costs £'m	Total £'m
Gross earned premiums on insurance underwritten by the Group	112.1		112.1			112.1
Less: ceded to reinsurers	(73.1)		(73.1)			(73.1)
Net revenue on:						
- Motor broking	11.9	39.6	51.5			51.5
- Home broking	-	30.5	30.5			30.5
- Other broking	0.5	22.7	23.2			23.2
- Underwriting	26.6	1.9	28.5			28.5
Tour Operations				33.0		33.0
Cruise				16.3		16.3
Personal Finance					3.3	3.3
Healthcare					1.1	1.1
Media					4.2	4.2
Other					0.8	0.8
	39.0	94.7	133.7	49.3	9.4	192.4

Notes to the condensed consolidated interim financial statements (continued)

3a Disaggregation of revenue (continued)

12m to Jan 2021	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £'m	Other Revenue £'m	Total Insurance £'m	Travel £'m	Other Businesses and Central Costs £'m	Total £'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

4 Tax

The major components of the income tax expense are:

	Unaudited 6m to Jul 2021 £'m	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
Consolidated income statement			
Current income tax			
Current income tax charge/(credit)	5.5	(0.8)	3.5
Adjustments in respect of previous years	(2.2)	(3.7)	(3.7)
	3.3	(4.5)	(0.2)
Deferred tax			
Relating to origination and reversal of temporary differences	2.0	2.5	3.2
Effect of tax rate on opening balance	(2.6)	(1.7)	(1.7)
Adjustments in respect of previous years	1.1	5.3	5.3
	0.5	6.1	6.8
Tax expense in the income statement	**3.8**	**1.6**	**6.6**

Notes to the condensed consolidated interim financial statements (continued)

4 Tax (continued)

The Group's tax expense for the period was £3.8m (July 2020: £1.6m) representing a tax effective rate of 542.9% (July 2020: 37.2%) before the impairment of goodwill and associated deferred tax. 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 COVID-19 during the period not being eligible for group relief to other profitable companies within the Group. Adjustments in respect of previous years include adjustments for the over provision of the tax charge in prior years of £1.1m (July 2020: £1.6m under provision) and the impact of the change in the tax rate on opening deferred tax balances of £2.6m credit (July 2020: £1.7m credit). Excluding losses on Cruise and the adjustments in respect of prior years, the Group's tax effective rate would have been 20.8% (July 2020: 10.6%).

In the prior periods, no tax charge or credit arose on the disposal of the Bennetts, Destinology and Healthcare businesses.

Reconciliation of net deferred tax assets:

	Unaudited 6m to Jul 2021 £'m	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
At 1 February	**6.7**	**18.1**	**18.1**
Tax charge recognised in the income statement	(0.5)	(6.1)	(6.8)
Tax charge recognised in other comprehensive income	(3.3)	(6.5)	(4.1)
Tax charge recognised directly into the hedging reserve	-	-	(0.5)
At the end of the period	**2.9**	**5.5**	**6.7**

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

The Group has tax losses which arose in the UK of £4.2m (July 2020: £4.2m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has 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 evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, profit would increase by £0.9m (July 2020: £0.7m).

5 Dividends

No ordinary dividends were declared nor paid during the current and prior periods.

Due to debt holidays up to 31 March 2022 agreed with the Group's ship facilities lenders (see note 16), the Group is prohibited from declaring dividends during this time. In addition, the declaration of dividends remains restricted while: (a) the deferred cruise ship loan principal amounts remain outstanding; and (b) leverage (excluding Cruise) is above 3.0x.

Notes to the condensed consolidated interim financial statements (continued)

6 Loss per share

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

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

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

	Unaudited 6m to Jul 2021	Unaudited 6m to Jul 2020 (restated)	12m to Jan 2021 (restated)
	£'m	£'m	£'m
Loss attributable to ordinary equity holders	(3.1)	(57.1)	(67.8)
Weighted average number of ordinary shares	'm	'm	'm
Ordinary shares as at 1 February	139.4	1,119.4	1,119.4
LTIP share options exercised	0.1	-	-
Issue of shares – 5 October 2020			
- 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	-
Share consolidation – 13 October 2020	-	(1,147.2)	(1,951.9)
Ordinary shares as at the end of the period	139.5	81.9	139.4[23]
Weighted average number of ordinary shares for basic loss per share and diluted loss per share	139.5	81.9	101.2
Basic loss per share	**(2.2p)**	**(69.7p)[24]**	**(67.0p)**
Diluted loss per share	**(2.2p)**	**(69.7p)[24]**	**(67.0p)**

[23] Ordinary shares as at 31 January 2021 have been restated to 139.4m reflecting the incorrect inclusion of 0.5m shares issued on 18 November 2020 in the 139.9m total reported previously. Options relating to these shares had not been exercised as at 31 January 2021 and therefore should not have been included in the total ordinary shares previously reported at this date.

[24] In accordance with IAS 33 'Earnings per Share', basic and diluted loss per share figures for the period ended 31 July 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 from 5 October 2020; and (b) the consolidation of the Company's shares on 13 October 2020. Amounts as originally stated were (5.1p) for basic and diluted loss per share.

Notes to the condensed consolidated interim financial statements (continued)

6 Loss per share (continued)

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

	Unaudited 6m to Jul 2021	Unaudited 6m to Jul 2020 (restated)	12m to Jan 2021
Basic loss per share	**(2.2p)**	**(69.7p)**[25]	**(67.0p)**
Adjusted for:			
Derivative losses/(gains)	0.5p	(2.4p)	(1.9p)
Impairment, and profit on disposal, of property, plant and equipment and software	(1.1p)	(5.6p)	(2.2p)
Impairment of goodwill and associated deferred tax	-	73.0p	59.1p
Net profit on disposal of businesses	-	-	(8.5p)
Restructuring costs	0.1p	35.4p	33.7p
Underlying Basic (Loss)/Earnings Per Share	**(2.7p)**	**30.7p**[25]	**13.2p**

7 Business combinations and disposals

(a) Acquisitions

The Group made no acquisitions during the period ended 31 July 2021 or the period ended 31 July 2020.

(b) Disposals during the period ended 31 July 2021

There were no business disposals in the period ended 31 July 2021.

(c) Disposals during the period ended 31 July 2020

During the year ended 31 January 2020, the Group made the decision to exit healthcare and initiated an active program 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 £14m. 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 healthcare.

[25] In accordance with IAS 33 'Earnings per Share', basic and diluted loss per share figures for the period ended 31 July 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 from 5 October 2020; and (b) the consolidation of the Company's shares on 13 October 2020. Amounts as originally stated were (5.1p) for basic and diluted loss per share.

Notes to the condensed consolidated interim financial statements (continued)

7 Business combinations and disposals (continued)

(c) Disposals during the period ended 31 July 2020 (continued)

Details of the sale of the Healthcare business operation:

	Unaudited 6m to Jul 2020 £'m
Cash consideration received (net of transaction costs)	13.3
Carrying amount of net assets disposed	(3.0)
Gain on disposal before tax	10.3
Tax expense on gain	-
Gain on disposal after tax	**10.3**

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:

	Unaudited 6m to Jul 2021 £'m	Unaudited 6m to Jul 2020 £'m	12m to Jan 2021 £'m
Insurance	718.6	718.6	718.6
	718.6	718.6	718.6

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 Group does not consider it necessary to conduct an impairment review of goodwill as at 31 July 2021 since no new indicators of impairment exist in relation to the Insurance CGU.

When the Group last tested goodwill for impairment at 31 January 2021, the recoverable amount of the Insurance CGU was 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 were derived using past experience of the Group's trading combined with the anticipated impact of changes in macroeconomic and regulatory factors. A terminal value was calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% as the expected long-term average growth rate of the UK economy. A reasonable downside scenario was also considered, by applying known potential stresses to forecast cash flows and lowering the terminal growth rate to 1.5%. The cash flows in each scenario were then 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. Further details of this impairment review of goodwill can be found in the Annual Report and Accounts for the Group for the year ended 31 January 2021.

9 Intangible fixed assets

During the period, the Group capitalised £6.3m (July 2020: £7.0m) of software assets and charged £4.9m (July 2020: £7.3m) of amortisation and impairment to its intangible assets.

Notes to the condensed consolidated interim financial statements (continued)

10 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £2.7m (July 2020: £7.4m), disposed of assets with a net book value of £0.1m (July 2020: £5.0m) and charged £6.5m (July 2020: £7.6m) of depreciation and impairment to its property, plant and equipment. Loss arising on disposal was £0.1m (July 2020: £6.7m profit).

As at 31 July 2021, capital amounts contracted for but not provided for in the condensed consolidated financial statements, amounted to £nil (July 2020: £269.5m). For the period ended 31 July 2020 the capital amount contracted but not provided for, related to the purchase of the cruise ship, *Spirit of Adventure*, which the Group took delivery of on 29 September 2020.

As at 31 July 2021, the value of lease liabilities contracted for but not provided for in the financial statements in respect of right-of-use assets amounted to £89.3m (July 2020: £94.8m). These lease commitments relate to the river cruise vessels, *Spirit of the Rhine* and *Spirit of the Danube*.

<u>Impairment review of property, plant and equipment</u>

Due to the continued impact of the COVID-19 pandemic on the Group's operations, with the suspension of the Cruise business between March 2020 and June 2021 and the continued uncertainty in the outlook for the Travel industry, management concluded that there continues to exist indicators of impairment for both of its ocean cruise ships, *Spirit of Discovery* and *Spirit of Adventure*. Management have therefore conducted impairment reviews at 31 July 2021 for both vessels.

The impairment test has been conducted using a consistent methodology as at 31 January 2021 and as detailed in the most recent Annual Report and Accounts. Key assumptions in the central scenario assumed a resumption to cruising from June 2021 and July 2021 for *Spirit of Discovery* and *Spirit of Adventure* respectively, a terminal growth rate of 2.0%, a useful economic life of 30 years and a residual value of 15%. A reasonable worse-case scenario (RWC) has also been considered, which further assumes that the Cruise business has to suspend operations for a two-month period for both ships at the end of this year in response to the possibility that COVID-19 cases could rise in the winter and may necessitate this, combined with a reduced terminal growth rate of 1.5%.

The cash flows have been discounted to present value using a pre-tax discount rate 11.0% (January 2021: 11.8%) for both vessels. As at 31 July 2021, the headroom for each of the ships against the carrying value was as follows:

	Headroom £'m	
	Central scenario	RWC stress test scenario
Spirit of Discovery	98.0	81.0
Spirit of Adventure	20.0	3.0

Based on these impairment tests and looking at the probability of a range of outcomes, the Group is satisfied that there is headroom over and above the carrying values of both *Spirit of Discovery* and *Spirit of Adventure*. Given the headroom in the test for *Spirit of Discovery*, 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 the carrying value of this vessel.

The impairment assessment of the *Spirit of Adventure* remains a more finely balanced judgement. Under the discounted cash flow valuation basis, while the calculated Value In Use (VIU) was closer to the carrying value of the ship, there was still positive headroom under both the central and reasonable worse-case scenarios, despite the useful economic life of 30 years sitting at the bottom end of a range of 30-40 years typically adopted by the industry. In addition, the Directors also considered an enterprise valuation basis derived from EBITDA multiples of other publicly traded cruise companies, which implied a headroom of approximately £30m. Accordingly, the Directors concluded that no impairment of *Spirit of Adventure* was necessary.

Notes to the condensed consolidated interim financial statements (continued)

11 Right-of-use assets

During the period, the Group capitalised assets with a cost of £0.3m (July 2020: £nil) and charged £0.3m (July 2020: £2.2m) of depreciation and impairment to its right-of-use assets. During the period the impact of modifications of lease terms was a reduction in the net book value of right-of-use assets of £nil (July 2020: £10.1m). In the prior period, the modification of lease terms relating to river cruise ships resulted from the impact of the COVID-19 pandemic on the Travel business.

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2021 £'m**	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		0.1	0.9	0.6
Loan funds		6.1	5.9	6.2
Money market funds	13	93.4	35.1	66.8
		99.6	**41.9**	**73.6**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		0.1	4.5	0.1
Fuel oil swaps		0.4	-	-
		0.5	**4.5**	**0.1**
Fair value through other comprehensive income				
Debt securities		249.0	256.5	261.9
		249.0	**256.5**	**261.9**
Amortised cost				
Deposits with financial institutions		14.0	44.5	24.2
		14.0	**44.5**	**24.2**
Total financial assets		**363.1**	**347.4**	**359.8**
Current		164.8	107.2	105.2
Non-current		198.3	240.2	254.6
		363.1	**347.4**	**359.8**

The Group's financial assets are analysed by credit risk rating on page 21 of the Operating and Financial Review.

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	Note	**Unaudited As at Jul 2021 £'m**	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		1.2	0.9	1.3
Fuel oil swaps		-	0.5	-
		1.2	**1.4**	**1.3**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		4.2	7.7	2.1
Fuel oil swaps		-	1.2	0.2
		4.2	**8.9**	**2.3**
Amortised cost				
Bonds and bank loans	16	894.6	666.8	817.1
Lease liabilities		3.6	16.3	4.4
Bank overdrafts	13	0.8	3.6	1.5
		899.0	**686.7**	**823.0**
Total financial liabilities		**904.4**	**697.0**	**826.6**
Current		28.3	99.8	10.4
Non-current		876.1	597.2	816.2
		904.4	**697.0**	**826.6**

Notes to the condensed consolidated interim financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy

	Unaudited As at Jul 2021				Unaudited As at Jul 2020			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	**Total**
	£'m	**£'m**	**£'m**	**£'m**	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	0.2	-	**0.2**	-	5.4	-	**5.4**
Fuel oil swaps	-	0.4	-	**0.4**	-	-	-	**-**
Loan funds	6.1	-	-	**6.1**	5.9	-	-	**5.9**
Debt securities	249.0	-	-	**249.0**	256.5	-	-	**256.5**
Money market funds	93.4	-	-	**93.4**	35.1	-	-	**35.1**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	5.4	-	**5.4**	-	8.6	-	**8.6**
Fuel oil swaps	-	-	-	**-**	-	1.7	-	**1.7**
Financial assets for which fair values are disclosed								
Deposits with institutions	-	14.0	-	**14.0**	-	44.5	-	**44.5**
Financial liabilities for which fair values are disclosed								
Bonds and bank loans	-	894.6	-	**894.6**	-	666.8	-	**666.8**
Lease liabilities	-	3.6	-	**3.6**	-	16.3	-	**16.3**
Bank overdrafts	-	0.8	-	**0.8**	-	3.6	-	**3.6**

	As at Jan 2021			
	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value				
Foreign exchange forwards	-	0.7	-	**0.7**
Loan funds	6.2	-	-	**6.2**
Debt securities	261.9	-	-	**261.9**
Money market funds	66.8	-	-	**66.8**
Financial liabilities measured at fair value				
Foreign exchange forwards	-	3.4	-	**3.4**
Fuel oil swaps	-	0.2	-	**0.2**
Financial assets for which fair values are disclosed				
Deposits with institutions	-	24.2	-	**24.2**
Financial liabilities for which fair values are disclosed				
Bonds and bank loans	-	817.1	-	**817.1**
Lease liabilities	-	4.4	-	**4.4**
Bank overdrafts	-	1.5	-	**1.5**

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the period (July 2020: none). Full details of the valuation techniques and inputs used to develop fair value measurements can be found in the Annual Report and Accounts for the year ended 31 January 2021.

Notes to the condensed consolidated interim financial statements (continued)

12 Financial assets and financial liabilities (continued)

d) Other information

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 297 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 July 2021, the Group has designated 317 forward currency contracts and 10 fuel oil swaps as hedges.

During the period, the Group recognised net losses of £1.4m (July 2020: £6.8m gains) on cash flow hedging instruments through other comprehensive income into the hedging reserve. For the six-month period ended 31 July 2020, the Group recognised net gains of £15.0m through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of its new cruise ship which was delivered in September 2020. The overall net losses were £1.4m (July 2020: £21.8m gains). The Group recognised £nil gains (July 2020: £1.9m gains) through the income statement in respect of the ineffective portion of hedges measured during the period.

During the period, the Group has de-designated 87 foreign currency forward contracts, with a transaction value of £11.7m, where the forecast cash flows are no longer expected to occur with a sufficiently high degree of certainty to meet the requirements of IFRS 9. The Group has not de-designated any fuel oil swaps during the period. During the period, the Group recognised a £1.2m loss (July 2020: £1.5m gain) through the income statement in respect of matured hedges which have been recycled from other comprehensive income. Of the recycled losses during the current period, £1.4m specifically relate to group-level accumulated losses on foreign currency forward contracts which arose on the hive-down of the Titan Travel business in January 2020, where these contracts have now all matured.

13 Cash and cash equivalents

	Unaudited As at Jul 2021 £'m	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Cash at bank and in hand	196.0	78.9	94.4
Short term deposits	7.2	6.8	7.2
Cash and short-term deposits	**203.2**	**85.7**	**101.6**
Money markets funds (note 12a)	93.4	35.1	66.8
Bank overdraft (note 12b)	(0.8)	(3.6)	(1.5)
Cash held by disposal groups (note 18)	-	13.5	-
Cash and cash equivalents in the cash flow statement	**295.8**	**130.7**	**166.9**

Included within cash and cash equivalents are amounts held by the Group's Travel and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £120.5m (July 2020: £101.9m). Available cash excludes these amounts and any amounts held by disposal groups.

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

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

14 Retirement benefit schemes

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

a) Defined contribution schemes

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

14 Retirement benefit schemes

b) Defined benefit plan

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

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

	Unaudited As at Jul 2021 £’m	Unaudited As at Jul 2020 £’m	As at Jan 2021 £’m
Fair value of scheme assets	438.6	415.1	411.2
Present value of defined benefit obligation	(425.8)	(409.4)	(415.5)
Defined benefit scheme asset/(liability)	**12.8**	**5.7**	**(4.3)**

The present values of the defined benefit obligation at 31 January 2021, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2021 have been estimated by rolling forward from 31 January 2021, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2021, the net liability of the Saga Scheme has decreased by £17.1m to create a total scheme asset of £12.8m. The improvement in the position is largely due to better-than-expected returns on the Scheme’s assets combined with contributions paid into the scheme by the Group during the period, although the impact of these has been partially offset by an increase in the value of the Scheme’s liabilities due to changes in market conditions. The increase in scheme assets of £27.4m has largely been driven by strong equity market returns across the growth-assets portfolio during the period, along with a marked increase in the value of liability hedging assets within the matching-assets portfolio. The present value of defined benefit obligations has increased by £10.3m, driven largely by a 30bps increase in RPI and CPI, being the basis of the inflation rates that are used in the IAS 19 valuation of the obligations.

The Group’s latest triennial valuation of the Saga Scheme defined benefit plan as at 31 January 2020 has been completed during the period. Saga plc and certain guarantor subsidiaries in the Group have provided a super security to the Trustees of the Saga Scheme, which ranks before any liabilities under the Group’s bank facilities. The value of the security has been increased from being capped at £32.5m to being capped at £47.5m under the latest triennial valuation. Further to the valuation of the Saga scheme at 31 January 2020, a deficit recovery plan totalling £39.0m is in place. Under this plan, the Group will make additional payments 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.

c) Pension consultation

In July 2021, following the completion of a review of the Group’s pension arrangements, a consultation process with active members was launched. With effect from 31 October 2021, the Group is proposing to close both its existing schemes to future accrual: the Saga Scheme (its defined benefit plan) and the Saga Workplace Pension Plan (its defined contribution plan). In their place, the Group is proposing to introduce a new defined contribution pension scheme arrangement that will be operated as a master trust. This move will serve to reduce the risk of further deficits developing in the future on the defined benefit scheme, whilst moving to a fairer scheme for all colleagues.

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2021 £'m	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Gross			
Claims outstanding	324.6	330.8	329.5
Provision for unearned premiums	96.7	106.4	96.8
Total gross liabilities	**421.3**	**437.2**	**426.3**

	Unaudited As at Jul 2021 £'m	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Recoverable from reinsurers			
Claims outstanding	68.8	54.5	65.2
Provision for unearned premiums	4.1	4.5	6.4
Total reinsurers' share of insurance liabilities (as presented on the face of the condensed statement of financial position)	**72.9**	**59.0**	**71.6**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:			
- Claims outstanding	144.2	148.0	147.1
- Provision for unearned premiums	56.4	65.9	55.9
Total reinsurers' share of insurance liabilities after funds - withheld quota share	**273.5**	**272.9**	**274.6**

	Unaudited As at Jul 2021 £'m	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Net			
Claims outstanding	255.8	276.3	264.3
Provision for unearned premiums	92.6	101.9	90.4
Total net insurance liabilities	**348.4**	**378.2**	**354.7**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:			
- Claims outstanding	(144.2)	(148.0)	(147.1)
- Provision for unearned premiums	(56.4)	(65.9)	(55.9)
Total net insurance liabilities after funds - withheld quota share	**147.8**	**164.3**	**151.7**

The total cost of purchasing reinsurance recognised during the period was £3.4m (July 2020: £3.6m).

16 Loans and borrowings

	Unaudited As at Jul 2021 £'m	Unaudited As at Jul 2020 £'m	As at Jan 2021 £'m
Bonds	400.0	250.0	250.0
Bank loans	-	140.0	70.0
Ship loans	515.6	234.8	515.6
Revolving credit facility	-	50.0	-
Accrued interest payable	6.5	4.8	8.3
	922.1	679.6	843.9
Less: deferred issue costs	(27.5)	(12.8)	(26.8)
	894.6	666.8	817.1

Term loan, RCF and bonds

As at 31 January 2021, the Group's bank facilities consisted of a £200.0m five-year term loan facility (repayable May 2023) and a £100.0m five-year RCF (expiry in May 2023).

In March 2021, the Group reached agreement with its banks to amend covenants on the term loan and RCF. Subsequently these were amended again in June 2021, when the Group announced a number of financing transactions intended to improve its financial flexibility by increasing available liquidity, extending debt maturities and provide greater headroom against covenants. On 2 July 2021, the Group completed the offering of a new £250.0m five-year senior unsecured bond and tendered £100.0m of the existing seven-year £250.0m senior unsecured 2024 bond. The new bond is guaranteed by Saga Services Limited and Saga Mid Co Limited. The net proceeds of the new bond offering were used by the Group to repay in full its existing £70.0m term loan, to fund the settlement of £100.0m of its existing outstanding unsecured 2024 bond and to increase cash reserves. The bonds are listed on the Irish Stock Exchange.

As part of the above transactions the Group also announced that it had reached agreement with its banks to amend the covenants on its RCF. The covenants within the Group's RCF have been amended as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 July 2022 and 31 January 2023 from 3.00x to 3.75x.
- Reduction in the Group interest cover covenant at 31 January 2022 from 1.5x to 1.25x, at 31 July 2022 from 3.5x to 2.0x and at 31 January 2023 from 3.5x to 2.5x.

In addition, the following amendments have also been made:

- Dividends remain restricted while leverage (excluding Cruise) is above 3.0x.
- The Group remains subject to a minimum liquidity requirement of £40.0m, which can be met either through cash or undrawn and committed facilities.
- The maximum amount of liquidity that can be used to fund the Cruise business has been increased from £55.0m to £115.0m.
- The RCF maturity date has been extended to 31 May 2025. A requirement to repay the RCF on 1 March 2024 if the existing 2024 bond has not been redeemed prior to this date.

Interest on the 2024 bond is incurred at an annual interest rate of 3.375%. Interest on the 2026 bond is incurred at an annual interest rate of 5.5%. Interest on the term loan was, and on the RCF is, incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio.

At 31 July 2021, the Group's bank facilities consist of a £100.0m five-year RCF (expiry in May 2025).

At 31 July 2021, the Group had drawn £nil of its £100.0m RCF and the £200.0m five-year term loan term loan (repayable May 2023) has been repaid in full.

16 Loans and borrowings (continued)

Cruise ship loans

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 were due to be paid between June 2021 and December 2024 for *Spirit of Discovery* and between September 2021 and March 2025 for *Spirit of Adventure*, and interest 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 initially 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. 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 (£51.8m) 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; and
- the Group is now subject to a minimum liquidity requirement of £40.0m, 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).

Total debt and finance costs

At 31 July 2021, debt issue costs were £27.5m (July 2020: £12.8m) which have increased following the drawdown of the financing for the new cruise ship, *Spirit of Adventure* in September 2020 and the issuance of the 2026 bond in July 2021.

During the period the Group charged £19.0m (July 2020: £13.4m) to the income statement in respect of fees and interest associated with the bonds, term loan, ship loans and the RCF. In addition, finance costs recognised in the income statement include £0.1m (July 2020: £0.4m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives of £3.2m (July 2020: £nil). The Group has complied with the financial covenants of its borrowing facilities during the current and prior periods.

17 Share-based payments

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

a) On 9 April 2021, nil cost options over 713,343 shares were issued under the Restricted Share Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

b) On 29 April 2021, nil cost options over 236,815 shares were issued under the Deferred Bonus Plan to Executive Directors reflecting their deferred bonus in respect of 2020/21, which vest and become exercisable on the third anniversary of the grant date. Under the Deferred Bonus Plan, executives receive and maximum of two-thirds of the bonus award in cash and a minimum of one-third in the form of rights to shares of the Company.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £1.7m during the period (July 2020: £1.1m) to the income statement in respect of equity-settled share-based payment transactions.

18 Assets held for sale

As at 31 July 2020

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 Motorcycling Services Limited (Bennetts) and its Healthcare business. Having met the requirements of IFRS 5, the associated assets and liabilities of Bennetts and the Healthcare business were consequently presented as a held for sale disposal groups in the statement of financial position as at 31 January 2020. Neither of the disposal groups met the requirements of IFRS 5 to be classified as discontinued operations.

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 to Atlanta was completed following the receipt of regulatory approvals, generating net disposal proceeds of £24.0m. The gain on disposal after tax was £1.8m.

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 £14m. 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 healthcare (note 7c).

During the period ended 31 July 2020, 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. The loss on disposal after tax was £2.6m.

18 Assets held for sale (continued)

As at 31 July 2020 (continued)

As at 31 July 2020, the requirements of IFRS 5 were met and accordingly Bennetts and Destinology 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.

The assets and liabilities of the two disposal groups classified as held for sale as at 31 July 2020 were as follows:

	Disposal groups		
	Destinology £'m	Bennetts £'m	Total £'m
Goodwill	-	13.6	13.6
Intangible assets	-	3.2	3.2
Property, plant and equipment	-	0.1	0.1
Trade receivables and other receivables	1.3	11.3	12.6
Cash and short-term deposits	3.1	10.4	13.5
Total assets	4.4	38.6	43.0
Provisions	-	0.2	0.2
Financial liabilities	0.6	-	0.6
Contract liabilities	5.2	0.9	6.1
Trade and other payables	0.1	14.4	14.5
Total liabilities	5.9	15.5	21.4
Net assets directly associated with disposal groups	**(1.5)**	**23.1**	**21.6**

No remeasurement on reclassification to held for sale was necessary for either of the disposal groups as the fair value of each disposal group was in excess of its carrying value.

As at 31 January 2021

At the end of the year ended 31 January 2021, the Group made the decision to initiate an active programme to locate buyers for a number of its freehold properties. 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. At the point of reclassification to held for sale, the carrying values of £16.9m were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required. As at 31 January 2021 these properties were being actively marketed and the disposals were expected to be completed within 12 months of the end of the financial year. No gains or losses were recognised with respect to the properties.

As at 31 July 2021

There have been no changes in relation to the Group's intention to sell any of the properties classified as held for sale at 31 January 2021, and so the held for sale designation is considered to remain appropriate for these properties as at 31 July 2021. As at 31 July 2021, the carrying values of the properties classified as held for sale are representative of either each property's fair value or historic cost, whichever is the lower.

During the six months ended 31 July 2021, the Group disposed of a property classified as held for sale in the period. Cash consideration received (net of transaction costs) was £10.2m and the carrying value of the property at the date of disposal was £3.0m. Profit arising on disposal was £7.2m.

19 Related party transactions

On 6 April 2021, the Company entered into a working capital facility agreement with Roger De Haan, the non-executive chairman of Saga plc, to allow the Company to draw down up to £10.0m with 20 days' notice to fund the short-term liquidity needs of its Cruise business. The agreement allowed 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 would be incurred at a variable rate of LIBOR plus a bank margin that is linked to the Group's leverage ratio. Interest would accrue on the facility and be payable on the last day of the period of the loan. The facility was set to mature on 9 May 2023, at which point any outstanding amounts, including interest, must be repaid.

As explained in note 16, in June 2021 the Group announced a number of financing transactions intended to improve its financial flexibility by increasing available liquidity, extending debt maturities and providing greater headroom against covenants. Following the completion of these transactions, the working capital facility agreement with Roger De Haan was subsequently cancelled with effect from July 2021.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting' as issued by the IASB; and
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

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

On behalf of the Board

E A Sutherland
Group Chief Executive Officer
21 September 2021

J B Quin
Group Chief Financial Officer
21 September 2021

Independent Review Report to Saga plc

Conclusion

We have been engaged by Saga plc ("the Company" or "the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2021 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes to the condensed set of interim financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review

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

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2.1, the latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

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

Independent Review Report to Saga plc (continued)

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

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

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

21 September 2021

Alternative Performance Measures Glossary

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

Definitions for the primary APMs used in this report and set out below. APMs are usually derived from financial statement 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 (Loss)/Profit Before Tax

Underlying (Loss)/Profit Before Tax represents profit/(loss) before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of businesses and ships, impairment of the carrying value of fixed assets including goodwill and restructuring costs. It is reconciled to statutory profit/(loss) before tax within the Operating and Financial Review on page 11.

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 and the Trading EBITDA relating to the 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/(Loss) Before Tax within the Operating and Financial Review on page 20. Underlying Profit/(Loss) Before Tax is reconciled to statutory profit/(loss) before tax within the Operating and Financial Review on page 11.

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

Underlying Basic (Loss)/Earnings Per Share

Underlying Basic (Loss)/Earnings Per Share represents basic loss per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the profit on disposal of businesses and ships, the impairment of the carrying value of fixed assets including goodwill, 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 loss per share in note 6 to the accounts on page 44.

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 differentiated from the statutory measure of cash in note 13 to the accounts on page 51.

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 20.

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 22.