27 September 2022

Saga plc

Interim results for the six months ended 31 July 2022

Saga returns to underlying profit as cruise and travel growth begins

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 2022.

	31 July 2022	31 July 2021	Change
Revenue	£258.3m	£156.4m	65%
Underlying Profit/(Loss) Before Tax[1]	£14.0m	(£2.8m)	600%
(Loss)/profit before tax	(£257.5m)	£0.7m	
Available Operating Cash Flow[1]	£31.5m	£41.9m	(25%)
Net debt	£721.3m	£740.3m	(3%)
Leverage ratio	8.5x	12.3x	(3.8x)

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

"I am pleased to report that, for the first six months of the year, Saga returned to an underlying profit, as we were able to resume more normal cruise and travel operations.

"Following our return to service after the pandemic, our Ocean Cruise business secured strong bookings and is on track to achieve our targets for this year and next, while we also made the final preparations for our new digital Saga Travel business which has just launched the first of our new products.

"Trading conditions in the UK insurance market continue to be challenging. While total policies in force grew by 3% compared with the first half of the prior year, this was led by significant growth in travel insurance with motor and home new policy sales behind the prior year. Customer retention continued to improve, increasing by a further two percentage points, and we continued to remain disciplined with our pricing. We also introduced a new range of motor insurance products including a lower-cost standard one-year product as well as electric vehicle and multi-car products. In our personal finance business, Saga Money, sales of our newly launched equity release product are also well ahead of last year.

"Following the launch of our multi-year three-step growth plan and the strengthening of our leadership team, we are focused on delivery of step one, maximising our existing businesses, step two, reducing our debt and step three, creating THE Superbrand for older people in the UK.

"Looking ahead, while we are mindful that the external environment remains challenging, we are confident that Saga is now in a stronger position than it was before the pandemic. We are determined to build Saga into the largest and fastest-growing commercial network for older people in the UK, building a customer lifetime value model and creating long-term value for our investors."

Operational and financial highlights

- The Group delivered an Underlying Profit Before Tax[1] of £14.0m for the first half, compared with an Underlying Loss[1] of £2.8m in the prior period.
- We delivered a strong **Ocean Cruise** return to service in spite of the continued effects of the pandemic in the early part of the year. Based on current bookings, we are on track to achieve our target load factors for this year and next.
- In **River Cruise**, to ensure that guests receive the same exceptional experience as on our ocean cruises, we have updated our offering to include more within the ticket price and also offer early booking discounts.
- We have also just launched the first of our new **Travel**[2] products which followed the combination of Titan Travel and Saga earlier in the year. The business is now more digital, has an enhanced website, and is able to offer greater customer choice and peace of mind, at higher margins. More new product releases are expected over the coming months.

[1] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[2] Travel refers to Saga and Titan Travel's touring, stays and tailor-made products

- The UK **insurance** market continues to be challenging following implementation of regulatory changes which required equalisation of pricing between new and renewing motor and home insurance policies.
    - Total policies in force, across all products, grew by 3% compared with the first half of the prior year, led by the recovery of travel insurance.
    - Although sales of new motor and home policies were lower than the prior year, our customer retention improved and our margin per policy was in line with 2021/22.
    - Sales of new travel insurance policies returned to similar levels as before the pandemic, while private medical insurance sales were broadly in line with the prior year.
    - Our Underwriting business, along with the wider market, has experienced high levels of claims inflation, currently around 13%. This increases the cost of insurance claims which is having some impact on our profitability.
- In our **personal finance** business, Saga Money, following the launch of our new equity release product earlier in the year, total loan volumes were 33% ahead of the same point in the prior year.
- We maintained a strong liquidity position with £179.0m of Available Cash[3] and a £50.0m undrawn revolving credit facility.
- Net debt reduced to £721.3m which is £7.7m lower than at 31 January 2022.
- We resumed repayment of our ocean cruise ship facilities in June 2022, following two years of agreed deferrals.
- Our reported loss before tax of £257.5m reflects a £269.0m impairment of Insurance goodwill, representing a reduced view of future motor and home margins per policy, as signalled in our July Trading Update. At 31 July 2022, £449.6m of Insurance goodwill remained on the balance sheet.

Outlook

Looking ahead to the second half of the year, we expect a continued recovery in our Cruise[4] and Travel businesses. We anticipate that the headwinds experienced in the first six months will recede as customer demand continues to rebuild and we are able to grow our bookings. Whilst we are mindful of the broader inflationary environment in the UK, the exposure within these businesses has been largely offset or, in the case of fuel, hedged, and at present, we are not seeing any impact to demand from our customers.

We expect the current high levels of insurance claims inflation to continue and the sales of motor and home insurance policies to be similar to the first half. The launch of our new range of products, alongside increases to our pricing and our continued focus on discipline, will allow our Insurance business to return to policy growth over time.

For the full year, while our view on the Cruise, Travel and expense outlooks remain largely unchanged, based on the current inflationary pressures within the insurance market which are anticipated to continue, we now expect to report an Underlying Profit Before Tax[3] in the range of £20m to £30m and grow future earnings from this level. This compares to our previous guidance of £35m to £50m.

Looking further ahead, to the next five years, Saga is making a strategic pivot to become a marketing, content and distribution business by continuing to deliver exceptional experiences for our customers every day, growing our database and maximising our Cruise, Travel, Money, Media, Insight and Insurance businesses. The most significant profit growth will be delivered by Cruise and Travel, supported by growth in Saga Money.

We are confident that Saga is in a stronger position now than before the pandemic and we are committed to building Saga into THE Superbrand for older people in the UK.

[3] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[4] Cruise refers to our Ocean Cruise and River Cruise operations

Divisional performance

Cruise[5] – Strong Ocean Cruise bookings and progress on River Cruise

- We are pleased with Ocean Cruise which generated positive EBITDA and cash flow in the first half of the year, supported by a load factor of 66% and a per diem of £318.
- Ocean Cruise bookings for the full year, at 18 September 2022, reflected a 74% load factor with a per diem of £319.
- We are on track to achieve the 75% target load factor for 2022/23 (84% in the second half) as we return to pre-pandemic operating conditions following the removal of all temporary COVID-19 measures.
- We have already seen strong early 2023/24 bookings, representing a load factor of 42% and per diem of £325. This is on track to deliver our commitment of £40m EBITDA per ship.
- We have maintained exceptional levels of customer satisfaction throughout the first part of the year with a net promoter score of 62 and a guest feedback score of 8.8 out of 10.
- During the last six months, we combined the Ocean and River Cruise teams into a single team to deliver the same consistently high service across all ships, encouraging guests to cross-sell between the two.
- River Cruise to Ocean Cruise cross-sell at 31 July 2022 was 18% and vice versa was 6%. Both represent improvements year-on-year and demonstrate a tremendous opportunity moving forwards.

Travel[6] – Phased launch of new digital business

- In the first half of the year, we combined Titan Travel and Saga touring to create the UK's largest and market-leading touring business. This delivers cost efficiencies, margin benefits and improved customer choice with 134 tours available to Saga and Titan customers globally.
- We have also radically improved our Travel business, moving it from a largely paper brochure-based business, to a digital business, with dynamic pricing which allows customers to access the lowest global prices for their flights and hotels.
- The new business, which has recently launched the first of our new products, is supported by an enhanced website and booking platform, and includes the return and enhancement of the Saga Exceptional Departure Experience. This provides customers with a range of services including our home-to-airport pick-up, our visa completion service, included travel insurance with our touring and stays products, our 24/7 English-speaking emergency response service and our UK airport experience which includes lounge access and the option to fast-track through the airport.
- At 18 September, our booked revenue for 2022/23, which currently includes River Cruise, was £137.6m and does not represent a typical year due to COVID-19 restrictions at the beginning of the year, deliberately delayed product launches and the reset of the business. As such, the business is expected to report a small loss for the full year, but this will be significantly ahead of the prior year.
- Consequently, the bookings of £76.0m for 2023/24 are behind the same point in the prior year, reflecting the conscious re-positioning of the business ahead of our new touring, escorted stays and tailor-made propositions which have begun a phased launch.
- Our call centre has seen record levels of call volumes in the last month, as demand for holidays and tours picks up. This has resulted in longer average wait times for customers as we ramp up the capability in our teams.

[5] Cruise refers to our Ocean Cruise and River Cruise operations
[6] Travel refers to Saga and Titan Travel's touring, stays and tailor-made products

Insurance – Challenging market conditions with steps taken to return to growth

Retail Broking

- A mixed performance across motor and home with strong customer retention but significantly lower new business volumes:
    - We have continued to be disciplined in our approach to pricing in the context of the challenges facing the insurance market during the first half of the year.
    - Policies in force were 1.5m, 3% behind the prior period with policy sales 8% behind. Policy sales for the second half are expected to be similar to the first.
    - We have seen a continued improvement in customer retention, now at 83% and 2ppts ahead of the prior year.
    - The decline in new business volumes was caused by maintaining a disciplined approach to pricing which had some impact on our competitiveness.
    - During the first half, we introduced a range of new motor insurance products to respond to the cost-of-living crisis and the changing nature of driving. These included a new, lower-cost standard one-year policy alongside electric vehicle and multi-car products which are expected to improve policy sales over time.
    - Our share of direct new motor and home business was lower in the short-term at 50%, compared with 58% in the prior year, with the remaining 50% coming indirectly from price-comparison websites.
    - Our margin per policy was in line with 2021/22 at £74 for the first half of the year, reflecting a higher proportion of renewals and lower new business. This is expected to be slightly lower for the full year, moving to around £60 in 2023/24 as lower-margin, standard one-year policies become a larger proportion of our sales.
    - Margins on our three-year fixed-price product remain adequate on existing business, protected by our pricing strategy which incorporated contingencies to allow for a higher inflation environment.
    - Motor insurance to home insurance cross-sell at 31 July 2022 was 18% and vice versa was 22%, highlighting a significant opportunity as we continue to enhance our customer data and insights.
- The Insurance goodwill impairment of £269.0m reflects an updated view of potential motor and home margins and incorporates prudent downside scenarios.
- Sales of new travel insurance policies returned to pre-pandemic levels and were over 200% ahead of the same period in the prior year.
- Following on from pricing actions taken over the last two years, sales of our private medical insurance product were broadly in line with the prior year.
- At 31 July 2022, total policies in force across all products were at a similar level to 31 January 2022.

Underwriting

- Our underlying current year combined operating ratio was 110%, 22ppts higher than the prior period reflecting high levels of claims inflation which we observe to be currently around 13%, alongside closer to normal claims frequency.
- The reported combined operating ratio (excluding the impact of quota share reinsurance arrangements) was 86%, 18ppts higher than the prior period which benefited from reduced claims frequency.
- Reserve releases of £18.4m in the first half benefit from a one-off £10.0m reduction in prudent reserves established for the 2020/21 accident year. Releases in the second half are expected to be materially lower than the first.
- While we are seeing some short-term earnings pressure from high claims inflation, we are applying material increases to our pricing. The current year combined operating ratio for the full year is expected to be at similar levels to the first half but we expect an improvement into 2023/24 as price increases flow through to earned premium.

Wider strategic progress

- Tremendous progress has been made in strengthening our leadership team to deliver our growth plan. Recruitment of the new Executive Team is now complete with investment in CEOs to lead the Saga Money, Media and Data teams.
- Our colleague engagement has increased further to 8.0 out of 10 as we've continued to enhance the support available to colleagues, providing access to a new reward platform which offers a series of benefits, wellbeing tools and a range of discounts in one place and, given the current inflationary pressures, accelerating our annual pay review and providing two-additional support payments for colleagues with lower earnings.
- Building on the acquisition of the Big Window in February, we conducted detailed customer segmentation research, identifying eight distinct segments of the over 50s population. This research has allowed us to identify which of these segments represent a significant growth opportunity for Saga and will allow us to effectively target these customers moving forward.
- Volumes of new customer marketing consents were significantly ahead of the prior year, at over 350%, and are on track to reach three million by the financial year end, enabling us to be in a better position to grow our marketable database and share new offers with a wider audience.
- There has been continued improvement in our customer net promoter score, which is now at 50, compared with 47 at the same point in the prior year, driven by a significant increase within Saga Money.
- Our new weekly email Saga magazine has been a particular highlight, reaching over half a million people every week, showcasing the best of our monthly magazine. Reader numbers are increasing, and we hope to hit between 800k and 1 million readers by the year-end.

END

Management will hold a presentation for analysts and investors at 9.30am today. The webcast can be accessed by registering at https://www.investis-live.com/saga-group/6315bbf979e5831200bc3fb1/saga. A copy of the presentation slides is available at www.corporate.saga.co.uk/investors/results-reports-presentations/.

A separate live presentation for retail investors will be held via the Investor Meet Company platform on 28 September 2022 at 9.30am. 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 27 September 2022, 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
Will Smith
Tel: 07980 894 557
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 travel, insurance, personal finance and media.
www.saga.co.uk

Chairman's Statement

I am pleased to report that Saga has made an underlying profit of £14.0m in the first six months of its trading this financial year.

This resilient performance demonstrates that our Cruise and Travel businesses have weathered the storms caused by the pandemic, the war in Ukraine and the subsequent hike in fuel prices. Our ocean cruise ships should operate this year with at least the occupancy levels we have targeted and forward sales for next year are strong. Our customers are beginning to book their holidays with us again and our Travel businesses are gearing up their operations. Their bookings for next year are also strong.

Our Insurance business has had to adapt to significant regulatory changes and the high levels of inflation in the cost of insurance claims, both of which continue to impact the entire industry. We have maintained our pricing discipline and have recently begun expanding our product range.

We have completed the recruitment of the talented senior executives we need to understand better the needs of the millions of older people we have on our database, and to expand our Saga Money business, the range of services we offer older people and the engagement we will have with them.

Earlier in the year, I was pleased to announce three new non-executive appointments to the Board as part of the wider objective of strengthening our leadership to support our growth strategy. Sir Peter Bazalgette, Gemma Godfrey and Anand Aithal joined on 1 September. They all have highly relevant skills and experience and I am delighted to welcome them to the Board. Our current Senior Independent Director, Orna NiChionna, will step down on 30 September and, on behalf of the Board, I would like to thank her for her contribution over the past eight years. Above all, I would like to thank our investors, customers and colleagues.

Looking to the future, we are embarking on an exciting strategy. At its core is the principle that my father, Sidney De Haan and I always believed in: that Saga will have an absolute focus on our customers. We have a very clear objective of serving people over 50, with products and services specifically designed for them of high quality and excellent value and will always strive to achieve the best standards of customer service. We will do this in ways that take full advantage of the new opportunities our digital world offers.

Euan Sutherland and his team are growing our Cruise and Travel businesses again. They will also focus on developing Saga's personal finance and wealth management service in a newly formed business unit, Saga Money. We are investing in a new digital media business as well as online digital community platforms that will encourage our customers to join a range of new Saga activities several times a week. Serving our customers in this way, alongside providing our cruises, holidays, insurance, financial services and magazine, will move us closer to maximising the potential there is in our extensive customer database. It will significantly increase our cross-selling opportunities and the lifetime value to us of each of our customers. Our plan will take time to deliver, as it did when I led the business. I am confident it will be very successful again and to a much greater extent because of the very significant opportunities offered by today's technology.

The Board of Saga is excited about our strategy and the opportunities we are creating to grow our business.

Group Chief Executive Officer's Statement

Resilient performance amidst a challenging external environment

I am pleased to report that, for the first half of the 2022/23 financial year, Saga generated an Underlying Profit Before Tax[1] of £14.0m, compared with an Underlying Loss Before Tax[1] of £2.8m in the prior year. This reflects much-improved results within Cruise and Travel as our businesses returned to more normal operating conditions as we emerge from the pandemic; and resilient Insurance performance in a market which is adjusting to new regulatory changes and experiencing high levels of claims inflation. After allowing for the £269.0m impairment of Insurance goodwill, the Group reported a loss before tax of £257.5m.

Within our Cruise business, we are on track to achieve our target occupancy levels, or load factor, on our ocean cruise ships and we have enhanced our River Cruise operations. In our Travel business, we have begun to launch a series of new products with more to come over the new few months.

While the motor insurance market continues to be challenging, we maintained a disciplined approach, protecting our margins rather than reducing pricing to win business. Although, as a result of this, our policy sales were lower than in the prior year, our margin per policy was in line with 2021/22.

This performance was underpinned by our robust financial position with £179.0m of Available Cash[1] at 31 July 2022.

While we are aware that there remains some uncertainty within the markets we operate in, we will continue to navigate any challenges in an agile and proactive way while investing in, and innovating for, the future.

Our growth plan

Our aim is to become the largest and fastest growing commercial network for older people in the UK, THE Superbrand famous for delivering exceptional experiences every day, building confidence and connections with our customers. In March 2022, we set out our strategic approach, which we believe will achieve just that. This growth plan will see us focused on the following three priorities:

1. Maximising our existing businesses
2. Step-changing our ability to scale while reducing debt
3. Creating THE Superbrand for older people

An update on our progress against each of these three areas during the first six months is set out below.

1. Maximising our existing businesses

Cruise

As we began to return to more normal operating conditions, our Ocean Cruise business generated positive EBITDA and cash flow in the first half of the year, delivered through a load factor of 66% and a per diem of £318. As we have referenced previously, after excluding the impact of customer refunds on two cruises impacted by COVID-19, the load factor would have been around 71%.

Bookings for the full year demonstrate that we're on track to achieve our target load factor of 75% as we return to normal operating conditions, removing the last of the temporary COVID-19 measures. At 18 September, the booked load factor was 74% and the per diem was £319, both ahead of the 68% load factor and £299 per diem reported for the year ended 31 January 2022. In addition to strong bookings, we've maintained exceptional levels of customer satisfaction which currently stands at 8.8 out of 10, with a strong net promoter score of 62.

Furthermore, looking ahead to 2023/24, bookings at 18 September are exceptionally strong with a load factor of 42% and a per diem of £325. This means we are on track to achieve our target of £40m EBITDA per ship.

In River Cruise, we have taken steps to ensure that guests receive the same exceptional experience as on our ocean cruises. These include updating our proposition to include more within the ticket price and also offering early booking discounts.

Travel

In our Travel business, we've spent the last six months combining Titan Travel and Saga to create one market-leading business which delivers cost efficiencies and margin benefits while offering greater customer choice.

[1] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

As a result of these changes, alongside some continued impact from the pandemic and the conflict in Ukraine, current bookings don't represent a typical season. At 18 September 2022, booked revenue, which currently includes River Cruise, was £137.6m for the full year and, as indicated previously, we expect the Travel business to report a small loss for the financial year.

We have, however, begun to launch our new touring, escorted stays and tailor-made propositions which represent a move towards a product offering with greater differentiation, providing our customers with confidence, security and peace of mind when travelling with us. Booked revenue for 2023/24 is £76.0m and, although currently behind the same point last year, is expected to exceed 2022/23 levels.

Insurance

Our Insurance business continues to face a challenging market backdrop following the implementation of regulatory changes and high levels of claims inflation. In a market in which pricing didn't fully reflect the anticipated cost of claims, it was essential that we maintained a disciplined approach to protect our margins.

As a result, although our motor and home margin for the first half of the year remained stable at £74 per policy, the number of policies sold was 8% behind the prior year. Turning to the total number of policies sold across all products, following a recovery in travel insurance new business, total policy sales were 1% behind the prior year with policies in force being broadly in line with 31 January 2022.

Customer retention within motor and home continued to improve at 83% which was 2ppts ahead of the prior year. The proportion of customers coming to us directly, rather than through price-comparison websites, was 50% compared with 58% in the prior period. This reflects a short-term change while our longer-term focus on acquiring a greater proportion of business directly remains unchanged.

In order to enhance the range of products that we're able to offer our customers, the first half of the year saw us launch a range of new products including a lower-cost standard one-year policy, a multi-car proposition and a policy for electric vehicles. This change allows us to offer customers a greater range of products across a greater number of price points, providing them with more choice and flexibility. We expect these actions to allow us to return to policy growth over time, albeit at a lower margin of around £60 per policy from 2023/24.

Our Underwriting business, in the first half of the year, and in line with the rest of the market, experienced high levels of motor claims inflation which has had some impact on our profitability. As a result of this, alongside claims frequency returning closer to pre-pandemic levels, our underlying current-year combined operating ratio was 22ppts higher than the prior period, at 110%, with reserve releases of £18m broadly in line.

Although, in August and into September, we have observed some early positive signs of increased market pricing, we remain mindful that a significant step-change is required market-wide in order to offset the current view of inflation.

Looking further ahead, while an element of uncertainty remains regarding the outlook for claims inflation, following pricing actions taken, our longer-term expectations of a reported combined ratio of 97% remain unchanged.

Money

Personal finance, or Saga Money, represents a significant opportunity for Saga through the attraction of new customers, acceleration of growth through our existing equity release and savings products, and through the addition of new products to deepen our customer relationships.

Following the launch of our new equity release product earlier in the year, Saga Lifetime Mortgage, we've made good progress towards growing the business. For the first six months of the year, total loan volumes were 33% ahead of the prior year, with the average value per loan also 21% higher.

Jerry Toher, previously Chief Customer Officer at Royal London, was appointed as CEO of Saga Money and joined the team on 1 September 2022. Jerry will be pivotal in developing this into a significantly larger business.

2. Step-changing our ability to scale while reducing debt

Reducing our levels of debt is a key driver in creating value for our investors. With this in mind, we aim to grow our existing businesses while reducing debt and develop new businesses through innovation.

At 31 July 2022, our net debt was £721.3m, £7.7m lower than 31 January 2022. In addition, following two years of agreed payment deferrals in relation to our two ocean cruise ship facilities, repayments recommenced in June 2022 and will now resume in accordance with the original schedule, alongside repayment of the deferred amounts.

3. Creating THE Superbrand for older people

We are focused on building Saga into the largest and fastest growing commercial network for older people in the UK and delivering sustainable growth for our investors by creating THE Superbrand for this age group.

We will achieve this through knowing our customer base better than anyone else and expanding our database into the largest active pool of insightful data. In our latest research, we have identified eight distinct segments that broadly categorise the population of people over 50. The people within each segment have different attitudes towards ageing, the use of technology, what they class as good value and, importantly, Saga. We have identified which of the eight segments represent significant growth opportunity and with this insight, we will be able to tailor our approach, targeting specific tranches of high-value customers more effectively.

To support us with driving commercial value from this, alongside other customer insight, we have appointed Michael O'Donohue as Chief Data Officer who joins on 3 October 2022 from Camelot.

Alongside our focus on insight, we are aiming to radically transform our database, growing the number of consumers that we're able to communicate with, while ensuring that our data is as up-to-date as possible. In support of this, we have been proactively obtaining consent from customers to contact them with new offers. Volumes of consent and re-consent for the first half of the year were more than 350% higher than the previous year which puts us on track to deliver three million new consents by the year-end.

A key part of our plan is to drive higher engagement from our customers through a higher frequency of interaction. The Saga Magazine is already a fantastic way of engaging our customer base on a variety of topics, however, we have plans to take this further through the launch of Saga Media.

Saga Media will provide an opportunity to reach more customers through a broader range of content. It will be the expert resource for our audience, enabling them to learn more about their passions and support them in their quest for experiences and connections. Our aim is to become the global number one consumer advice brand for people over 50, creating a scalable and diversified media business with revenues and profits from online advertising, affiliate revenues, brand revenues, events and social media. There is significant growth potential. To drive forward the Saga Media vision, Aaron Asadi joined on 1 September 2022 as CEO of Saga Media. Aaron has held a variety of roles in publishing and will be a valuable addition to the team.

A key metric that we use to measure how the Saga brand is perceived by customers is our net promoter score. Following improvements in Saga Money, our score increased to 50 which was 3pts higher than the prior year.

Our colleagues continue to be pivotal to the success of Saga; because of them we're able to provide our customers with the exceptional service they deserve. We strive to deliver exceptional colleague experiences by creating a culture where, at Saga, more than anywhere else, they can be their best and make a difference.

We have continued to grow colleague engagement which has increased by a further 4%, to 8.0 out of 10 and our focus on diversity, equity and inclusion continues. In this space, we have continued to champion age in the workplace, increasing our representation of colleagues over 50 by 16% in the past year and were delighted to be awarded the highly coveted 'Most Dynamic Participant' in our support of the 30% Club, the world's largest cross-company mentoring programme. Furthermore, we were also pleased to report, in April 2022, that our gender pay gap had reduced for both mean and median pay.

Throughout the past few years, we have proactively led the way in our approach to flexible working which was formally recognised in the 2022 Employee Benefits Awards, where we won the award for 'Best New Benefits to Support Colleagues Post-Pandemic'. To continue our work in this area, we have provided colleagues with access to a new reward platform which offers a series of benefits, wellbeing tools and a range of discounts in one place. In addition, given the current inflationary pressures on household budgets, have enhanced the financial support available to colleagues through the acceleration of our annual pay review cycle and two additional support payments for our colleagues with lower earnings.

Opportunities ahead

While it is clear that we cannot control some of the challenges within the broader external environment, I am confident that we are in a strong position to navigate them, while pivoting the business strategically for long-term profit growth. With the launch of our new growth plan, our strengthened leadership team and our exceptional colleagues, we will return Saga to sustainable growth. It is on that note that I would like to personally thank our colleagues for their dedication and determination which make Saga the brand that it is today.

Finally, I'm pleased to announce that we have extended the complimentary digital subscription to the Saga Magazine for shareholders. Communications, with full details of the subscription and how to redeem it, have been issued and will be arriving with shareholders imminently. I do hope you enjoy the read.

Group Chief Financial Officer's Review

Saga Cruise and Travel results have started to recover from the pandemic, enabling the Group to report an Underlying Profit Before Tax[1] of £14.0m in the first half, compared to an Underlying Loss Before Tax[1] of £2.8m in the prior period. The Underlying Loss Before Tax[1] for Cruise and Travel reduced from £51.2m in the prior period to £11.6m in the current, as the businesses started to return to more normal conditions, albeit while still operating in a difficult external environment.

This was partially offset by a reduction in Insurance Underwriting Underlying Profit Before Tax[1] from £31.1m in the prior period to £16.4m in the current period. The first few months of the prior year benefited from lockdown conditions which led to a sharp decline in motor claims frequency, whereas current year profitability has been adversely impacted by a notable increase in inflation in relation to damage claims.

While the Group generated an Underlying Profit Before Tax[1], we reported a loss before tax of £257.5m due to a £269.0m impairment of the goodwill related to our Insurance business. As I reported in my CFO Review included in the results for the year ended 31 January 2022, the combination of a very competitive motor market and regulatory changes equalising new business and renewal pricing, are adversely impacting the profitability of our Insurance Retail Broking business. Having taken a decision to maintain pricing discipline, particularly in relation to our three-year fixed-price product, our new business volumes have declined more significantly than anticipated, with overall sales of motor and home insurance reducing by 8% in the first half of the year. This has limited impact on profit in the current year, since new business makes only a small contribution to profit due to the costs of acquiring customers; left unchecked, however, this would lead to a significant reduction in future profits as renewal volumes decline, and with the majority of our operating costs being relatively fixed in nature. We have responded to these developments by changing our product strategy, shifting towards a more 'standard' motor policy, and making other changes which should, over time, enable us to return to growth. What this does mean though, is that our future gross margins are now expected to be around £15 per policy lower than previous projections, which leads to a reduction in the discounted cash flows that underpin the carrying value of Insurance goodwill. This is, of course, a disappointing outcome but we are not alone in facing a challenging market environment and we are taking the right steps to position the business for the future.

Looking to the remainder of the year, we expect to see a further recovery in the Cruise and Travel businesses in the second half. Ocean Cruise bookings for the summer period were excellent, and we expect our load factors for H2 to be much closer to normal run-rate levels, which should enable us to return to a positive profit before tax for Ocean Cruise. The Travel business is also starting to see much better booking momentum; the operational challenges impacting the travel industry mean that we are likely to report a small loss for the full-year but we are on track to return to profit in 2023/24. In Insurance, we expect motor and home policy sales for the second half to be similar to the first and within Insurance Underwriting, a similar current year combined ratio compared with the level reported for the first half.

We, of course, also continue to keep a close eye on inflationary pressures more broadly. This includes the impact of the oil price on fuel costs for our ocean cruise ships, as well as pressure on staff costs. We are protected against the impact of the former by having hedged this year's fuel buying last December, and we also took advantage of a reduction in the oil price in June to hedge our 2023/24 fuel requirements. In relation to staff costs, we are taking actions to support colleagues and have accelerated the timetable for our annual salary review. This will lead to some pressure on our overall costs, albeit with relatively limited impact on our current year results.

For the Saga Group as a whole, based on current bookings levels in the Cruise and Travel businesses for the second half, we expect to report an Underlying Profit Before Tax[1] of in the range of £20-30m for the full year.

In terms of our financial position, we continue to have significant available liquidity, with £179m of Available Cash[1] at 31 July 2022 and no debt maturities until 2024, when we are due to repay £150m on our corporate bonds. Net debt reduced by around £8m in the first half of the year, and we restarted capital repayments on our cruise ship debt, with £15m repaid in H1 and roughly £30m due in H2.

Overall, this has been a challenging six months, but we continue to navigate this difficult external backdrop while investing to build our capabilities.

[1] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Operating performance

Group income statement

£m	6m to July 2022	*Change*	6m to July 2021
Revenue[2]	258.3	*65.2%*	156.4
Underlying Profit/(Loss) Before Tax[3]			
Total Retail Broking (earned)	35.5	*(6.3%)*	37.9
Underwriting	16.4	*(47.3%)*	31.1
Total Insurance	51.9	*(24.8%)*	69.0
Cruise and Travel	(11.6)	*77.3%*	(51.2)
Other Businesses and Central Costs	(15.0)	*(35.1%)*	(11.1)
Net finance costs[4]	(11.3)	*(18.9%)*	(9.5)
Total Underlying Profit/(Loss) Before Tax[3]	**14.0**	***600.0%***	**(2.8)**
Net fair value gains/(losses) on derivatives	0.9		(3.2)
Profit on disposal of assets	-		7.1
Restructuring costs	(2.1)		(0.4)
Foreign exchange losses on river cruise ship leases	(0.3)		-
ST&H River Cruise IFRS 16 adjustment	(0.4)		-
The Big Window acquisition costs	(0.6)		-
Impairment of Insurance goodwill	(269.0)		-
(Loss)/profit before tax	**(257.5)**	*(>1,000.0%)*	**0.7**
Tax expense	(5.6)	*(47.4%)*	(3.8)
Loss after tax	**(263.1)**	*(>1,000.0%)*	**(3.1)**
Basic earnings per share:			
Underlying Earnings/(Loss) Per Share[3]	6.1p	*325.9%*	(2.7p)
Loss per share	(189.0p)	*(>1,000.0%)*	(2.2p)

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. Cruise and Travel is composed of Ocean Cruise, River Cruise and Travel. Other Businesses comprises Saga Money, Saga Media and MetroMail, a mailing and printing business.

Revenue[2]

Revenue[2] increased by 65.2% to £258.3m (H1 2021: £156.4m) due to increased trading in the Cruise and Travel businesses in the first half of the year, compared to a suspension of these businesses for the majority of the first half of the prior year.

Underlying Profit/(Loss) Before Tax[3]

The Group generated an Underlying Profit Before Tax[3] of £14.0m in the first half of the current year compared to an Underlying Loss Before Tax[3] of £2.8m in the prior period. This is primarily due to a £39.6m reduction in Cruise and Travel losses, of which £28.5m relates to the Ocean Cruise business. This was partially offset by a reduction in Insurance Underwriting profitability due to an increased current year loss ratio.

Net finance costs in the year were £11.3m (H1 2021: £9.5m), which excludes finance costs that are included within the Cruise and Travel businesses of £9.6m (H1 2021: £9.6m). The increase of 18.9% was due to the higher bond interest costs following the completion of the new bond issue in July 2021. This was partially offset by a reduction in debt issue costs in the first half of this year compared with the first half of the prior year.

[2] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £56.4m (H1 2021: £63.3m)
[3] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[4] Net finance costs exclude Cruise and Travel finance costs, net fair value gains/(losses) on derivatives and IAS 19R pension interest costs

(Loss)/profit before tax

Loss before tax for the period of £257.5m includes a £269.0m impairment to Insurance goodwill, £2.1m of restructuring costs, £0.3m foreign exchange loss on river cruise ship leases, £0.4m IFRS 16 adjustment loss on ST&H river cruise ships, £0.6m acquisition costs on the purchase of The Big Window Consulting Limited and £0.9m fair value gain on derivatives de-designated in the period.

The profit before tax for the first half of the prior year includes £7.1m profit on disposal of assets in relation to the sale of property, £3.2m fair value loss on derivatives de-designated in the period due to the suspension of Cruise and Travel operations and £0.4m of restructuring costs incurred to separate the Saga and Titan travel businesses.

Tax expense

The Group's tax charge for the period was £5.6m (H1 2021: £3.8m), representing a tax effective rate of 48.7% (H1 2021: negative 542.9%), excluding the Insurance goodwill impairment charge. In both the current and prior years, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19%, is mainly due to the Group's Ocean Cruise business entering the tonnage tax regime on 1 February 2020.

There was also an adjustment in the current year for the under provision of prior-year tax of £1.6m (H1 2021: £1.1m over provision). In the prior period, there was an adjustment for the impact of the change in the tax rate on opening deferred tax balances of £2.6m credit. Excluding the impact of the Ocean Cruise business being in the tonnage tax regime, goodwill impairment and adjustments to prior year tax, the tax effective rate for the current period is 21.7%.

Earnings per share

The Group's Underlying Basic Earnings Per Share[5] was 6.1p (H1 2021: Loss of 2.7p). The Group's reported basic loss per share was 189.0p (H1 2021: loss of 2.2p).

[5] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Insurance

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.

£m	6m to July 2022 Motor Broking	Home Broking	Other Broking	Total	*Change*	6m to July 2021 Motor Broking	Home Broking	Other Broking	Total
Gross written premiums (GWP):									
Broked	45.3	71.9	61.6	178.8	*1.7%*	54.8	76.0	45.0	175.8
Underwritten	97.1	-	1.8	98.9	*(7.5%)*	105.0	-	1.9	106.9
GWP	142.4	71.9	63.4	277.7	*(1.8%)*	159.8	76.0	46.9	282.7
Broker revenue	19.9	11.9	21.1	52.9	*0.4%*	22.4	14.2	16.1	52.7
Instalment revenue	3.2	1.5	-	4.7	-	3.3	1.4	-	4.7
Add-on revenue	4.6	5.2	-	9.8	*(14.8%)*	6.0	5.5	-	11.5
Other revenue	13.6	8.6	0.3	22.5	*(9.6%)*	13.6	8.5	2.8	24.9
Written revenue	**41.3**	**27.2**	**21.4**	**89.9**	***(4.2%)***	**45.3**	**29.6**	**18.9**	**93.8**
Written gross profit	**39.5**	**27.2**	**23.0**	**89.7**	***(3.3%)***	**44.0**	**29.6**	**19.2**	**92.8**
Marketing expenses	(6.6)	(3.4)	(2.4)	(12.4)	*(5.1%)*	(7.9)	(2.6)	(1.3)	(11.8)
Written gross profit after marketing expenses	**32.9**	**23.8**	**20.6**	**77.3**	***(4.6%)***	**36.1**	**27.0**	**17.9**	**81.0**
Other operating expenses	(19.0)	(13.5)	(7.8)	(40.3)	*2.9%*	(17.9)	(13.6)	(10.0)	(41.5)
Written Underlying PBT[6]	**13.9**	**10.3**	**12.8**	**37.0**	***(6.3%)***	**18.2**	**13.4**	**7.9**	**39.5**
Written to earned adjustment	(1.5)	-	-	(1.5)	*6.3%*	(1.6)	-	-	(1.6)
Earned Underlying PBT	**12.4**	**10.3**	**12.8**	**35.5**	***(6.3%)***	**16.6**	**13.4**	**7.9**	**37.9**
Policies in force	840k	658k	189k	1,687k	*3.1%*	863k	681k	93k	1,637k
Policies sold	433k	333k	109k	875k	*(1.0%)*	487k	348k	49k	884k
Third-party panel share[7]	27.7%				*(3.1ppt)*	30.8%			

Retail Broking Underlying Profit Before Tax[6] on a written basis (which excludes the impact of the written to earned adjustment) reduced to £37.0m from £39.5m, and on an earned basis (which includes the impact of the written to earned adjustment), reduced to £35.5m from £37.9m.

A key metric for the Retail Broking business is written gross profit, after deducting marketing expenses, but before deducting overheads. This reduced from £81.0m in the prior period to £77.3m in the first half of the current financial year due to reduced new business volumes and lower renewal margins on motor and home business. The lower written gross profits after marketing expenses in motor and home were partially offset by a £2.7m improvement in Other Broking, mainly due to a recovery in sales of travel insurance compared to the prior period.

For motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits increased by £3.3m, while there was a £9.7m reduction in renewal profits.

The changes in profitability of motor and home business are, in part, attributable to the equalisation of pricing between new business and renewals following the implementation of the FCA market study from 1 January 2022. This led to an improvement in new business margins, partially offset by a 52% and 21% reduction in motor and home new business policies sold respectively compared to the first half of last year. The reduction in renewal profits is due to lower motor and home renewal margins, partially offset by a 7% increase in motor renewal policies sold.

[6] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[7] Third-party underwriter's share of the motor panel for policies

The average gross margin per policy for motor and home combined, calculated as written gross profit less marketing expenses, divided by the number of policies sold, was £74.0 in the first half of the year, compared with £75.6 in the prior period.

While the pricing implications of the FCA market study have impacted Retail Broking earnings in the first half of the year, it has also impacted some of the key metrics in the past six months:

- Motor and home policies in force decreased by 3.0% in the first half of the year.
- Increase in customer retention at 83.2% across motor and home from 80.6% in the prior period.
- 361k three-year fixed-price policies were sold in the period; 47% of total motor and home policies incepting, with 38% of direct new business taking the product.
- Direct new business sales for motor and home were 50% of the total, 8ppts lower than the prior period.

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, which is then recognised in profit or loss when the option to renew those policies at a predetermined fixed price is exercised or lapses, recognising inflation risk inherent in this product. As at 31 July 2022, £9.1m (H1 2021: £9.6m) of income had been deferred in relation to three-year fixed-price policies, £3.9m (H1 2021: £3.4m) of which related to income written in the period to 31 July 2022.

As indicated in the Group's Trading Update on 5 July 2022, the impact of the FCA market study and changes in policy mix, including the introduction of a new standard motor product, are expected to lead to a reduction in home and motor margins in 2023/24 to around £60 per policy compared to £74 in the first half of the current year.

Motor Broking

Gross written premiums decreased by 10.9% due to an 11.1% decrease in core policies sold, partially offset by a 0.2% increase in average premiums. Gross written premiums from business underwritten by AICL decreased 7.5% to £97.1m (H1 2021: £105.0m) due to an 8.2% decrease in core policies sold that were underwritten by AICL, offset by a 0.7% increase in average premiums.

Written gross profit minus marketing expenses was £32.9m (H1 2021: £36.1m), contributing £76.0/policy (H1 2021: £73.1/policy). The decrease in written gross profits is mainly due to lower renewal margins and a 52% reduction in new business policies sold. This was partially offset by a 7% increase in renewal policies and higher new business margins. The increase in the margin per policy is due to a change in mix, with profits on new business significantly lower than the margins on renewals due to the costs of acquisition.

Home Broking

Gross written premiums decreased by 5.4% due to a 4.3% decrease in core policies sold and a 1.1% decrease in average premiums.

Written gross profit minus marketing expenses was £23.8m (H1 2021: £27.0m), and on a per policy basis this was £71.5/policy (H1 2021: £77.6/policy). The decrease is due to lower renewal margins and a 21% decrease in new business policies sold. This was partially offset by higher new business margins.

Other Broking

The Other Insurance Broking business primarily comprises private medical insurance (PMI) and travel insurance.

Gross written premiums increased 35.2% as a result of higher sales of travel insurance, with policies in force increasing from 37k in the prior period to 139k as a result of increased customer confidence in the travel outlook and fewer restrictions on travel than in the prior period.

Gross profits after marketing costs relating to travel insurance products increased by £4.8m.

Sales for the PMI product were stable; however, gross profit after marketing costs was £0.6m lower. This reduction is a result of pricing changes that have reduced renewal margins, alongside a lower profit share which is in line with expectations as claims have risen post COVID-19 lockdowns.

Underwriting

£m		6m to July 2022 Reported	Quota share	Underlying[9]	*Change*	6m to July 2021 (restated) Reported	Quota share	Underlying[9]
Net earned premium		24.2	(50.2)	74.4	*(11.5%)*	27.3	(56.8)	84.1
Other revenue		1.3	-	1.3	*(55.2%)*	10.3	7.4	2.9
Revenue	a	**25.5**	**(50.2)**	**75.7**	***(13.0%)***	**37.6**	**(49.4)**	**87.0**
Claims costs	b	(23.2)	47.0	(70.2)	*(9.5%)*	(22.9)	41.2	(64.1)
Reserve releases	c	16.1	(2.3)	18.4	*2.2%*	18.0	-	18.0
Other cost of sales	d	(1.7)	6.3	(8.0)	*(2.6%)*	(1.9)	5.9	(7.8)
	e	**(8.8)**	**51.0**	**(59.8)**	***(10.9%)***	**(6.8)**	**47.1**	**(53.9)**
Gross profit		**16.7**	**0.8**	**15.9**	***(52.0%)***	**30.8**	**(2.3)**	**33.1**
Operating expenses	f	(1.5)	3.7	(5.2)	*(4.0%)*	(1.6)	3.4	(5.0)
Investment return		1.2	(2.1)	3.3	*(19.5%)*	1.9	(2.2)	4.1
Quota share net income/(cost)		–	(2.4)	2.4	*318.2%*	–	1.1	(1.1)
Underlying Profit Before Tax[8]		**16.4**	**–**	**16.4**	***(47.3%)***	**31.1**	**–**	**31.1**
Reported loss ratio	(b+c)/a	27.8%		68.4%	*(15.4ppt)*	13.0%		53.0%
Expense ratio	(d+f)/a	12.5%		17.4%	*(2.7ppt)*	9.3%		14.7%
Reported COR	(e+f)/a	40.4%		85.9%	*(18.2ppt)*	22.3%		67.7%
Current year COR	(e+f-c)/a	103.5%		110.2%	*(21.8ppt)*	70.2%		88.4%
Number of earned policies				337k	*(5.3%)*			356k
Policies in force – Saga motor				599k	*(1.3%)*			607k

The Group's in-house underwriter, AICL, plays 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. AICL also has excess of loss and funds-withheld quota share reinsurance arrangements in place relating to its motor underwriting line of business, which transfer a significant proportion of motor insurance risk to third-party reinsurers.

Excluding the impact of the quota share reinsurance arrangements[9], net earned premiums decreased by 11.5% to £74.4m (H1 2021: £84.1m) reflecting a 5.3% reduction in the number of earned policies underwritten by AICL coupled with a 6.5% decrease in average earned premiums. The reduction in the number of earned policies was due to lower volumes on non-Saga panels.

Also excluding the impact of the quota share arrangement, AICL saw an increase in the current year underlying combined operating ratio (COR) to 110.2% (H1 2021: 88.4%) and the current year reported COR to 103.5% (H1 2021: 70.2%) The first half of the prior year benefited from significantly reduced motor claims frequency due to customers driving fewer miles during the COVID-19 lockdown. In the first half of the current year, motor attritional claims experience and claims inflation have been in excess of pricing assumptions for the current accident year. The 6 months to 31 July 2021 has been restated by netting down £8.7m between other revenue and reserve releases in the quota share column, to ensure the correct ratios are calculated in the reported column.

[8] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[9] Underlying within Insurance Underwriting shows the commercial position of the business by removing the impact of the proportional line-item accounting of the quota share reinsurance arrangements

Prior year reserve releases of £18.4m (H1 2021: £18.0m) have resulted in an underlying reported COR of 85.9% (H1 2021: 67.7%). The Group retains an economic interest in motor reserve development with reserve releases on other lines typically having limited net impact on AICL profit. Reserve releases for the past two interim periods can be analysed as follows:

	6m to July 2022				6m to July 2021 (restated)		
£m	Reported	Quota share	Underlying[10]	*Change*	Reported	Quota share	Underlying[10]
Motor insurance	15.8	(2.3)	18.1		15.3	(2.7)	18.0
Home insurance	-	-	-		0.1	0.1	-
Other insurance	0.3	-	0.3		2.6	2.6	-
	16.1	(2.3)	18.4	*2.2%*	18.0	-	18.0

Reserve releases reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, the final 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 first half of this year.

While the Group remains prudently reserved and expects to see ongoing reserve releases in the second half of 2022/23, these are expected to be at a lower level than in 2021/22. Beyond 2022/23, the Group is targeting a reported combined ratio, before the quota share reinsurance arrangements[10], of around 97%, in line with previous expectations.

Excluding the impact of the quota share arrangement[10], the investment return decreased by £0.8m to £3.3m (H1 2021: £4.1m) due to a reduced investment portfolio and lower reinvestment yields.

[10] Underlying within Insurance Underwriting shows the commercial position of the business by removing the impact of the proportional line-item accounting of the quota share reinsurance arrangements

Cruise and Travel

£m	6m to July 2022 Ocean Cruise	River Cruise and Travel	Total Cruise and Travel	*Change*	6m to July 2021 Ocean Cruise	River Cruise and Travel	Total Cruise and Travel
Revenue	**75.7**	**60.5**	**136.2**	***1,262.0%***	**8.0**	**2.0**	**10.0**
Gross profit/(loss)	**11.9**	**8.9**	**20.8**	***214.3%***	**(17.0)**	**(1.2)**	**(18.2)**
Marketing expenses	(4.7)	(4.7)	(9.4)	*(10.6%)*	(4.4)	(4.1)	(8.5)
Other operating expenses	(4.8)	(8.6)	(13.4)	*10.7%*	(4.5)	(10.5)	(15.0)
Investment return	-	-	-	*(100.0%)*	0.1	-	0.1
Finance costs	(9.3)	(0.3)	(9.6)	-	(9.6)	-	(9.6)
Underlying Loss Before Tax[11]	**(6.9)**	**(4.7)**	**(11.6)**	***77.3%***	**(35.4)**	**(15.8)**	**(51.2)**
Average revenue per passenger (£)	4,731	2,241	3,167	*26.7%*	2,667	2,000	2,500
Ocean Cruise passengers ('000)	16		16	*433.3%*	3		3
Ocean Cruise passenger days ('000)	231		231	*904.3%*	23		23
Load factor	66%		66%	*10ppt*	56%		56%
Per diem (£)	318		318	*8.2%*	294		294
River Cruise passengers ('000)		6	6	*100.0%*		-	-
Travel passengers ('000)		21	21	*2,000.0%*		1	1

Ocean Cruise

In the first half of the year, Ocean Cruise returned to more normal operating conditions and achieved a load factor of 66% (H1 2021: 56%) and a per diem of £318 (H1 2021: £294). This has resulted in a significantly reduced Underlying Loss Before Tax[11] from £35.4m to £6.9m, with the first half of the prior year only including a month of *Spirit of Discovery* trading and a few days of *Spirit of Adventure* trading, at a government-enforced load factor restriction of 50% that was removed towards the end of July 2021.

There has been some adverse impact on a small number of cruises for customers testing positive for COVID-19 prior to departure and having to cancel, while the conflict in Ukraine has dampened customer demand for departures to the Baltics and Black Sea, resulting in late itinerary changes and further cancellations. Excluding the impact of customer refunds on two cruises impacted by COVID-19, the load factor would have been around 71%.

River Cruise and Travel

The River Cruise business has long-term leases in place for two boutique river cruise ships, the *Spirit of the Rhine* and the *Spirit of the Danube*, alongside other charters which are managed on an annual basis. Although the business is now operating, both the Omicron variant of COVID-19 and the conflict in Ukraine have impacted the number of passengers travelling in the first half of the current year due to continued customer caution in relation to Central Europe. The River Cruise business did not operate in the prior period due to the travel restrictions that were in place at the time.

The Travel business, which includes both the Saga Holidays and Titan brands, has seen much increased volumes compared to the prior period, with passenger numbers increasing from 1k to 21k in the current period. The recovery in volumes does, however, continue to be impacted by a level of ongoing disruption from a variety of factors, including operational challenges faced by airlines and airports.

The recovery in passenger volumes has led to an improvement in the Underlying Loss Before Tax[11] from £15.8m in H1 2021/22 to £4.7m in H1 2022/23.

Towards the end of the first half, we've seen customer cancellations returning closer to pre-pandemic levels and there are multiple initiatives underway to return to growth. This includes a phased launch of the newly combined Titan and Saga touring, stays and tailor-made propositions for which we have recently launched of a series of new products, with more to come over the next few months.

The Group will report the River Cruise business as a component of the Cruise business in its full year results for 2022/23.

[11] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Forward Cruise and Travel sales

Ocean Cruise booked load factors for 2022/23 of 74% have been impacted by the reduced load factor of 66% in the first half of the year, but reflect an expected load factor for the second half of around 84% as the business continues to recover. Booked per diems of £319 are 6.0% higher than at the same point in 2021/22 as the Group has reflected a significant increase in operating costs in customer pricing.

Ocean Cruise load factors for 2023/24 are behind the same point last year for 2022/23 by 18ppts. This is partly due to the release of itineraries in the prior year being earlier than usual as we emerged from COVID-19 lockdowns and partly due to the prior year including bookings which had been postponed during the period of COVID-19 suspension. We are still, however, expecting to be around 70% revenue booked for 2023/24 by the end of the current financial year which would be in line with 2022/23. Per diems for 2023/24 are 5.9% higher than the same point last year for 2022/23. On a like-for-like basis, at the point when the load factor for the prior year was 42%, per diems were £290, resulting in the current per diem of £325 being, comparably, 12.1% higher.

For Ocean Cruise, comparison with pre-pandemic bookings and per diems in 2019/20 is not meaningful since the Group at the time was only part way through the Cruise Transformation programme.

River Cruise and Travel bookings for 2022/23 are ahead of the same point last year for 2021/22 by 760% and 422% for revenue and passengers respectively. This is due to operating mainly in the second half of last year, compared to operating in full across all months in the current year.

River Cruise and Travel bookings for 2023/24 are below the same point last year for 2022/23 by 32% and 41% for revenue and passengers respectively. This is partly due to the 2023/24 season being released later in the year than was the case last year for 2022/23 given the ongoing disruption in the travel industry.

	Current year departures			Next year departures		
	18 September 2022	Change	19 September 2021	18 September 2022	Change	19 September 2021
Ocean Cruise revenue (£m)	162.5	90.3%	85.4	98.8	(26.0%)	133.5
Ocean Cruise load factor	74%	4ppt	70%	42%	(18ppt)	60%
Ocean Cruise per diem (£)	319	6.0%	301	325	5.9%	307
River Cruise and Travel revenue (£m)	137.6	760.0%	16.0	76.0	(31.5%)	111.0
River Cruise and Travel passengers ('000)	59.0	422.1%	11.3	24.7	(41.1%)	41.9

Other Businesses and Central Costs

	6m to July 2022				6m to July 2021		
£m	Other Businesses	Central Costs	Total	*Change*	Other Businesses	Central Costs	Total
Revenue:							
Saga Money	4.1	-	4.1	*46.4%*	2.8	-	2.8
Media and printing	5.1	-	5.1	*4.1%*	4.9	-	4.9
Other	-	0.8	0.8	-	-	0.8	0.8
Total revenue	**9.2**	**0.8**	**10.0**	***17.6%***	**7.7**	**0.8**	**8.5**
Gross profit	**4.2**	**1.6**	**5.8**	***26.1%***	**2.8**	**1.8**	**4.6**
Operating expenses	(3.8)	(17.2)	(21.0)	*(44.8%)*	(1.7)	(12.8)	(14.5)
Investment income	-	0.2	0.2	*100.0%*	-	-	-
IAS 19R pension charge	-	-	-	*100.0%*	-	(1.2)	(1.2)
Net finance costs	-	(11.3)	(11.3)	*(18.9%)*	-	(9.5)	(9.5)
Underlying Profit/(Loss) Before Tax[12]	**0.4**	**(26.7)**	**(26.3)**	***(27.7%)***	**1.1**	**(21.7)**	**(20.6)**

The Group's Other Businesses include Saga Money, Saga Media and MetroMail, a mailing and printing business.

Underlying Profit Before Tax[12] for Other Businesses combined has decreased by £0.7m compared to the prior period, partly due to an investment in marketing in the Saga Money business of £1.6m above the prior period, which has been partially offset by a £1.3m increase in revenue.

Central operating expenses increased to £17.2m (H1 2021: £12.8m). Administration costs, adjusted for transfers to local business units, were flat on the prior period, but net costs increased by £4.4m due to lower Group recharges to the business units. The IAS 19R pension charge has ceased following the closure of the defined benefit pension scheme in the second half of the prior year.

Net finance costs in the year were £11.3m (H1 2021: £9.5m), which excludes finance costs that are included within the Cruise and Travel businesses of £9.6m (H1 2021: £9.6m). The increase of 18.9% was due to the higher bond interest costs following the completion of the new bond issue in July 2021. This was partially offset by a reduction in debt issue costs in the first half of this year compared with the first half of the prior year.

[12] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Cash flow and liquidity

Available Operating Cash Flow[13]

£m	6m to July 2022	*Change*	6m to July 2021
Retail Broking Trading EBITDA	38.8	*(5%)*	40.9
Other Businesses and Central Costs Trading EBITDA	(12.2)	*(85%)*	(6.6)
Trading EBITDA from unrestricted businesses[13,14]	**26.6**	***(22%)***	**34.3**
Dividends paid by Underwriting business	15.0	*25%*	12.0
Working capital and non-cash items[15]	(3.5)	*(128%)*	12.5
Capital expenditure funded with Available Cash	(6.9)	*(3%)*	(6.7)
Available Operating Cash Flow before cash injections to Cruise and Travel operations[13]	**31.2**	***(40%)***	**52.1**
Cash injection into River Cruise and Travel businesses	(12.6)	*37%*	(19.9)
Ocean Cruise Available Operating Cash Flow	12.9	*33%*	9.7
Available Operating Cash Flow[13]	**31.5**	***(25%)***	**41.9**
Restructuring costs paid	(0.7)	*(40%)*	(0.5)
Interest and financing costs	(18.8)	*17%*	(22.7)
Business and property (acquisitions)/disposals	(0.9)	*(120%)*	4.5
Tax receipts	2.4	*167%*	0.9
Other payments	(5.8)	*(38%)*	(4.2)
Change in cash flow from operations	7.7	*(61%)*	19.9
Change in bond debt	-	*(100%)*	150.0
Change in bank debt	-	*(100%)*	(70.0)
Change in ship debt	(15.3)	*(100%)*	-
Cash at 1 February	186.6	*148%*	75.4
Available Cash at 31 July[13]	**179.0**	*2%*	**175.3**

Available Operating Cash Flow[13] 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 FCA regulatory requirements), Other Businesses and Central Costs, and the Group's Ocean Cruise business. Restricted businesses include AICL, River Cruise and Travel.

Excluding cash transfers to and from the Cruise and Travel businesses, the Group continued to be cash generative in the period, with an Available Operating Cash Flow[13] of £31.2m compared with £52.1m in the prior period. Trading EBITDA[13] for unrestricted businesses reduced by £7.7m, mainly due to a reduction in Retail Broking profitability and lower Group recharges in the Other Businesses and Central Costs segment. There was also a decrease in working capital from a £12.5m inflow to £3.5m outflow, mainly relating to the Retail Broking segment and a £3.0m increase in dividends paid by AICL.

For River Cruise and Travel, the Group provided £12.6m of cash to the business to cover trading cash flows in the current year. This is a reduction of £7.3m when compared with the £19.9m funded in the first half of the prior year. The Group continues to provide additional liquidity into the River Cruise and Travel businesses, although at a lower level, to meet supplier and other trading payments as both businesses operate under a ring-fenced trust arrangement and so cannot access customer money from the trust until they have returned from their river cruise or holiday. At 31 July 2022, the ring-fenced businesses held cash of £68.3m, of which £60.2m is held in trust. The Group must hold a minimum of £5.6m of cash outside of trust within the ring-fenced businesses as previously agreed with The Civil Aviation Authority.

The Ocean Cruise business reported an operating cash inflow of £12.9m (H1 2021: £9.7m), with an increase in advance customer receipts of £4.0m (H1 2021: £25.1m), and net trading income of £10.2m (H1 2021: net trading costs of £13.4m), partially offset by capital expenditure of £1.3m (H1 2021: £2.0m). Net of interest costs of £7.3m (H1 2021: £7.6m), the Ocean Cruise business reported net cash inflow before any capital repayments on the ship debt of £5.3m for the first half of 2022/23 compared to a net inflow of £2.1m in the first of half of the prior year. The improvement compared with the prior period is a result of the Ocean Cruise business operating throughout the first half of the current year whereas it only recommenced trading in the latter part of the first half of the prior year.

As a result of a reduction in Retail Broking cash generation in both Trading EBITDA and working capital, partially offset by a reduction in cash injections to the Cruise and Travel businesses, Available Operating Cash Flow[13] decreased from an inflow of £41.9m in the prior period to £31.5m in the current period.

[13] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[14] 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
[15] Adjusted to exclude IAS 19R pension current service costs

Other cash flow movements

Interest and financing costs were higher in the first half of the prior year due to the debt issue costs relating to the fees associated with the new bond issue, the tender of the existing bond and the amendments to the revolving credit facility (RCF). This has been partially offset by higher interest costs on the new bond in the first half of the current year.

In the first half of the current year, business and property acquisitions and disposals relate to the cash to fund the purchase of The Big Window Consulting Limited. The first half of the prior year included cash received from the sale of property, net of related sale costs and expenses.

The Group continued to make the agreed payments to the defined benefit pension fund as part of the deficit recovery plan of £5.8m (H1 2021: £4.2m). These are included within other payments.

In the first half of the current year, the Group restarted capital repayments against its ship debt facilities. In the first half of the prior year, 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.

Reconciliation between operating and reported metrics

Available Operating Cash Flow[16] reconciles to net cash flows from operating activities as follows:

£m	6m to July 2022	6m to July 2021
Net cash flow from operating activities (reported)	(13.3)	36.5
Exclude cash impact of:		
Trading of restricted divisions	22.0	(3.1)
Non-trading costs	6.5	4.2
Interest paid	19.9	14.9
Tax paid	0.9	4.0
	49.3	20.0
Cash released paid to restricted divisions	2.4	(7.9)
Include capital expenditure funded from Available Cash[16]	(6.9)	(6.7)
Available Operating Cash Flow[16]	**31.5**	**41.9**

Trading EBITDA[16] reconciles to Underlying Profit/(Loss) Before Tax[16] as follows:

£m	6m to July 2022	*Change*	6m to July 2021
Retail Broking Trading EBITDA	38.8		40.9
Underwriting Trading EBITDA	16.5		31.3
Ocean Cruise Trading EBITDA	12.5		(21.4)
River Cruise and Travel Trading EBITDA	(4.3)		(14.9)
Other Businesses and Central Costs Trading EBITDA	(12.2)		(6.6)
Trading EBITDA[16]	**51.3**	*75.1%*	**29.3**
Depreciation and amortisation (excluding acquired intangibles)	(20.7)		(11.8)
Pension charge IAS 19R	-		(1.2)
Titan River Cruise commitment costs	4.3		-
Net finance costs (including Ocean Cruise)	(20.9)		(19.1)
Underlying Profit/(Loss) Before Tax[16]	**14.0**	*600.0%*	**(2.8)**

Adjusted Trading EBITDA[16] is used in the Group's leverage calculation and is calculated as follows:

£m	6m to July 2022	*Change*	6m to July 2021
Trading EBITDA for 12m to 31 January 2022	65.2		78.7
Less Trading EBITDA for 6m to 31 July 2021	(29.3)		(45.1)
Add Trading EBITDA for 6m to 31 July 2022	51.3		29.3
Less Trading EBITDA of disposed companies not disclosed below Underlying Profit Before Tax[16]	-		(0.2)
Trading EBITDA[16]	**87.2**	*39.1%*	**62.7**
Titan River Cruise commitment costs	4.3		-
Impact of IFRS 16 'Leases'	(7.0)		(2.3)
Spirit of Discovery and *Spirit of Adventure* Trading EBITDA[17]	(21.2)		33.7
Adjusted Trading EBITDA[16]	**63.3**	*(32.7%)*	**94.1**

[16] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[17] EBITDA includes central Ocean Cruise overheads

Statement of financial position

Goodwill

During the first half of the current year, the Group's new business sales of motor and home insurance have been significantly lower than expected as a result of competitive market conditions and a challenging environment following the implementation of the FCA market study reforms from 1 January 2022. In order to remain competitive and to restore the business to policy growth in future years, the Group has now launched a new standard motor product. This product, and other actions taken to improve competitiveness, are expected to lead to materially lower margins per policy in future years, and lower overall profit before tax, compared to prior assumptions. Since the lower expected future cash flows represent a potential indicator of impairment, the Group has conducted an impairment review of the £718.6m goodwill asset relating to the Insurance business that was included on the statement of financial position at 31 January 2022.

The Group's revised five-year financial forecasts incorporate the modelled impact of the changes in the market environment, including also an expected reduction in margins from a switch to more standard products and lower sales of more feature-rich policies. Further stress tests have also been considered including the continuation of the current competitive environment for an extended period and further downsides compared to revised base case assumptions. This has resulted in management taking the decision to impair insurance goodwill by £269.0m in the first half of 2022/23. Consistent with the approach taken in prior years, this impairment is not included within Underlying Profit Before Tax[18].

Carrying value of ocean cruise ships

At 31 July 2022, the carrying value of the Group's ocean cruise ships totalled £612.5m (31 January 2022: £621.3m). Due to the continued challenging operating environment in the first half of the year for the Ocean Cruise business, the Group carried out an impairment review of both of its vessels. The results of the review showed that there is headroom in both the central and stress test scenarios for both *Spirit of Discovery* and *Spirit of Adventure*, with no impairment required.

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 decreased by £37.4m to £292.8m (31 January 2022: £330.2m), partly due to payment of £15.0m of dividends from AICL in the period. At 31 July 2022, 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 investment holdings.

	Credit risk rating					
At 31 July 2022	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Underwriting investment portfolio:						
Debt securities	24.4	80.0	63.6	91.9	-	259.9
Money market funds	27.1	-	-	-	-	27.1
Loan funds	-	-	-	-	5.8	5.8
Total invested funds	51.5	80.0	63.6	91.9	5.8	292.8
Derivative assets	-	-	4.4	-	0.8	5.2
Total financial assets	**51.5**	**80.0**	**68.0**	**91.9**	**6.6**	**298.0**

	Credit risk rating					
At 31 January 2022	**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	20.2	94.4	68.0	98.2	-	280.8
Money market funds	29.2	-	-	-	-	29.2
Loan funds	-	-	-	-	6.2	6.2
Total invested funds	49.4	94.4	82.0	98.2	6.2	330.2
Derivative assets	-	-	1.8	0.1	-	1.9
Total financial assets	**49.4**	**94.4**	**83.8**	**98.3**	**6.2**	**332.1**

[18] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Insurance reserves

Analysis of insurance contract liabilities at 31 July 2022 and 31 January 2022 is as follows:

	At 31 July 2022			At 31 January 2022 (restated)		
£m	**Gross**	**Reinsurance assets[19]**	**Net**	**Gross**	**Reinsurance assets[19]**	**Net**
Reported claims	226.5	(62.0)	164.5	227.4	(55.8)	171.6
Incurred but not reported[20]	48.4	(3.7)	44.7	57.5	(3.3)	54.2
Claims handling provision	7.4	-	7.4	7.9	-	7.9
Total claims outstanding	282.3	(65.7)	216.6	292.8	(59.1)	233.7
Unearned premiums	93.2	(4.1)	89.1	93.9	(6.3)	87.6
Total	**375.5**	**(69.8)**	**305.7**	**386.7**	**(65.4)**	**321.3**

The Group's total insurance contract liabilities, net of reinsurance assets, have decreased by £15.6m in the period to 31 July 2022 from the previous year end, primarily due to a £7.1m reduction in reported net claims reserves, coupled with a £9.5m 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, the final part of the additional component of reserve margin held in respect of the 2020/21 accident year has been released in the current year. The 31 January 2022 position has been restated due to an incorrect classification between reported net claims and net incurred but not reported of £16.1m.

Financing

At 31 July 2022, the Group's net debt was £721.3m, which is £7.7m lower than at the beginning of the financial year. In the first half, the RCF agreement was simplified by removing certain clauses that were introduced during the pandemic and by reducing the aggregate facility cost. The amendments to the RCF include:

- removal of the £40m minimum free liquidity requirement;
- removal of the condition that the facility is terminated on 1 March 2024, should the 2024 bond not be repaid by that date; and
- reduction of the RCF commitment from £100m to £50m.

The RCF termination date is 31 May 2025 and the facility is expected to remain undrawn.

Excluding the impact of debt and earnings relating to the ocean cruise ships, the Group's leverage ratio was 3.6x as at 31 July 2022 (31 January 2022: 3.0x), within the 3.75x covenant applicable to the Group's RCF.

The Group resumed repayments on its ship debt facilities with a repayment made on its *Spirit of Discovery* ship facility in June 2022. Further repayments are scheduled to be made in current financial year on the *Spirit of Adventure* ship facility and *Spirit of Discovery* ship facility in September 2022 and December 2022 respectively.

£m	**Maturity date[21]**	**31 July 2022**	**31 January 2022**
3.375% Corporate bond	May 2024	150.0	150.0
5.5% Corporate bond	July 2026	250.0	250.0
Revolving credit facility	May 2025[22]	-	-
Spirit of Discovery ship loan	June 2031	219.5	234.8
Spirit of Adventure ship loan	September 2032	280.8	280.8
Less Available Cash[23,24]		(179.0)	(186.6)
Net debt		**721.3**	**729.0**

[19] Excludes funds-withheld quota share arrangement
[20] Includes amounts for reported claims that are expected to become periodical payment orders
[21] Maturity date represents the date that the principal must be repaid, other than the ship loans, which are repaid in instalments over the next 10 years
[22] At 31 January 2022, the terms also included a requirement to repay the RCF on 1 March 2024 if the remaining £150m of the 3.375% bond notes had not been redeemed prior to this date. This term has now been removed and does not apply at 31 July 2022
[23] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation
[24] Refer to Note 13 of the financial statements for information as to how this reconciles to a statutory measure of cash

Adjusted Net Debt[25] is used in the Group's leverage calculation and reconciles to net debt as follows:

£m	31 July 2022	31 January 2022
Net debt	721.3	729.0
Exclude ship loans	(500.3)	(515.6)
Exclude Ocean Cruise Available Cash[25]	3.8	4.7
Adjusted Net Debt[25]	**224.8**	**218.1**

Pensions

The Group's defined benefit pension scheme surplus, as measured on an IAS 19R basis increased by £16.3m to a £17.4m surplus at 31 July 2022 (£1.1m surplus as at 31 January 2022).

£m	31 July 2022	31 January 2022
Fair value of scheme assets	331.9	412.0
Present value of defined benefit obligation	(314.5)	(410.9)
Defined benefit scheme surplus	**17.4**	**1.1**

The present value of defined benefit obligations decreased by £96.4m to £314.5m, primarily due to a 110bps increase in the discount rate based on high-quality bond yields, coupled with a 30bps decrease in the long term RPI inflation assumption. The fair value of scheme assets decreased by £80.1m to £331.9m. The decrease in asset values has been largely driven by the increase in interest rates in the first half of the year. This has been partially offset by a £5.8m deficit funding contribution in February 2022.

Net assets

Since 31 January 2022, total assets have decreased by £207.0m and total liabilities have increased by £49.2m, resulting in an overall decrease in net assets of £256.2m.

The decrease in total assets is primarily due to a reduction in goodwill of £269.0m following the impairment to the Insurance CGU and a decrease in financial assets of £34.1m following a reduction to the Underwriting investment portfolio, partly to fund £15.0m of dividends from AICL. This has been partially offset by an increase in trust accounts of £36.8m due to the ramp up in River Cruise and Travel operations, an increase in right-of-use assets of £41.5m following delivery of the *Spirit of the Danube* river cruise ship and an increased surplus of £16.3m in the defined benefit scheme.

The increase in total liabilities reflects a £28.9m increase in financial liabilities, which was due to a £42.2m increase in lease liabilities following the delivery of the *Spirit of the Danube* river cruise ship, partially offset by a £15.3m capital repayment on the *Spirit of Discovery* ship facility. There was also an increase in contract liabilities of £32.4m following the ramp up of Cruise and Travel operations in the period, partially offset by a £11.2m reduction in insurance contract liabilities driven by reserve releases in the first half.

[25] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Going concern

The Group's Cruise and Travel business continues to recover from the COVID-19 pandemic, and although there are operational challenges from the current economic environment and the ongoing disruption experienced by many airlines, we expect to see further improvement in the second half of the year, and into 2023/24.

For the Insurance business, motor and home broking markets have experienced a period of turbulence as pricing has adjusted to reflect the impact of the new FCA reform of general insurance pricing practices, which came into force on 1 January 2022, but the business is expected to remain profitable and cash generative.

While the Group remains highly indebted, the return to an Underlying Profit Before Tax[26] for 2022/23, with continued improvement in future years, will enable net debt to be reduced over time.

In the latest round of long-term financial forecasting, the Group updated its modelling assumptions to reflect:

- In the base case, which represents the Group's central plan and best estimate outlook, Ocean Cruise expects to return to broadly normal operations after 31 July 2022. The River Cruise and Travel businesses also continue to recover and are expected to return to profit from 2023/24, with a lower overhead cost base following completion of the restructuring plans. Insurance plans include the latest outlook of the Retail Broking business in relation to competitive pricing pressures observed over the first half of the year, which are expected to have an adverse impact on profit before tax for 2022/23 and 2023/24.
- In the reasonable worst-case (RWC), which represents the Group's severe, but plausible, downside scenario, Ocean Cruise assumes reduced load factors for 2023/24, with normal operations thereafter. The River Cruise and Travel businesses see a slower recovery from 2023/24 onwards than in the base case. Insurance is assumed to be impacted by a number of downside risks, including a more conservative outlook for the Retail Broking business compared with base case assumptions.

The Russian invasion of Ukraine on 24 February 2022 has created heightened global economic and political uncertainty and contributed to a significant short-term increase in inflation. Over the short-term, the Group's exposure to potential downsides is limited to short-term reductions in Cruise and Travel bookings and itinerary changes, increasing inflationary pressures on both product margins and consumer spending behaviours caused by rising commodity prices, supply chain disruption and foreign exchange volatility. These risks have been factored into the Group's latest forecasts, and whilst the Directors continue to monitor the impacts on the business, they do not believe they impact the going concern status of the Group.

In both the base case and RWC scenarios modelled, the Group expects to operate within covenants in the ship debt and to maintain sufficient liquidity until at least March 2024, with no reliance placed on the availability of funds under the RCF. March 2024 is 18 months from the date of signing the interim financial statements, which more than accommodates the minimum 12-month assessment period for going concern. The Directors therefore have a reasonable expectation that the Group has sufficient funds to continue trading for at least the next 12 months, and accordingly have prepared the financial statements to 31 July 2022 on a going concern basis.

Dividends and financial priorities for 2022/23

Dividends

Given the Group's priority of reducing net debt, the Board of Directors does not recommend payment of an interim dividend for the 2022/23 financial year, nor would this currently be permissible under financing arrangements due to the leverage ratio being above 3.0x.

Financial priorities for 2022/23

The Group's financial priorities for the current year are to reduce net debt, build on the already positive load factor and per diems in Ocean Cruise, complete the restructure of the Travel business, and to continue progress in execution of its Insurance strategy. Based on current conditions and a recovery in the Cruise and Travel businesses in the second half of the current year, the Group expects to generate an Underlying Profit Before Tax[26] for the year of around £20-30m.

[26] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

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 53 and 54 of its Annual Report and Accounts for the year ended 31 January 2022, 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
Regulatory landscape	Increasing risk which reflects recent incidents	Preparation in advance of consumer duty implementation, the embedding of 1st line control self-assessment testing. Detailed incident investigation and root cause analysis.
Insurance risk	Increasing risk due to claims supply chain constraints and inflation risk	Implementation of technical claims review, the use of coinsurance and reinsurance and investment in advanced analytics across pricing and claims.
Breach of Data Protection Act 2018/UK GDPR	Increasing risk due to project work still to be completed	Decommissioning of key legacy systems alongside greater levels of testing and completion of key projects.

Principal risks and uncertainties for which the outlook has improved

PRU	Reason for change in outlook
Capability	Recent recruitment of senior appointments to accelerate business growth and acceleration of learning strategy, including roll-out of leadership training.
Delivery and execution	Reflects delivery of 2nd and 3rd line assurance plan, enhanced change governance, FCA market study changes and an external strategy review within Insurance.
Saga brand and relevance	Reflects status of brand advertising campaign with metrics at, or above, benchmark.

Condensed consolidated income statement
for the period ended 31 July 2022

	Note	**Unaudited 6m to Jul 2022 £m**	Unaudited 6m to Jul 2021 £m	12m to Jan 2022 £m
Gross earned premiums	3	96.0	104.2	203.0
Earned premiums ceded to reinsurers	3	(56.4)	(63.3)	(123.8)
Net earned premiums	3	39.6	40.9	79.2
Other revenue	3	218.7	115.5	298.0
Total revenue	3	258.3	156.4	377.2
Gross claims incurred		(61.5)	(52.0)	(94.6)
Reinsurers' share of claims incurred		54.2	37.5	63.3
Net claims incurred		(7.3)	(14.5)	(31.3)
Other cost of sales		(117.3)	(34.1)	(112.0)
Cost of sales	3	**(124.6)**	**(48.6)**	**(143.3)**
Gross profit		**133.7**	**107.8**	**233.9**
Administrative and selling expenses		(100.1)	(92.3)	(212.8)
Impairment of assets		(269.5)	-	(11.2)
Gain on lease modification		-	-	0.3
Net profit on disposal of assets held for sale	18	-	7.2	7.2
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software		0.1	(0.1)	(0.4)
Net investment (expense)/income		(0.2)	0.4	0.3
Finance costs		(22.4)	(22.3)	(40.8)
Finance income		0.9	-	-
(Loss)/profit before tax		**(257.5)**	**0.7**	**(23.5)**
Tax expense	4	(5.6)	(3.8)	(4.5)
Loss for the period		**(263.1)**	**(3.1)**	**(28.0)**
Attributable to:				
Equity holders of the parent		(263.1)	(3.1)	(28.0)
Loss per share:				
Basic	6	(189.0p)	(2.2p)	(20.1p)
Diluted	6	(189.0p)	(2.2p)	(20.1p)

Condensed consolidated statement of comprehensive income for the period ended 31 July 2022

	Unaudited 6m to Jul 2022 £m	Unaudited 6m to Jul 2021 £m	12m to Jan 2022 £m
Loss for the period	**(263.1)**	**(3.1)**	**(28.0)**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net gains/(losses) on hedging instruments during the period	5.4	(1.4)	2.1
Recycling of previous (gains)/losses on matured hedges to income statement	(2.3)	1.2	(1.2)
Total net gains/(losses) on cash flow hedges	3.1	(0.2)	0.9
Associated tax effect	(0.7)	-	0.3
Net losses on fair value financial assets during the period	(6.9)	(2.5)	(10.3)
Recycling of previous losses on fair value financial assets to income statement during the period	-	-	0.1
Total net losses on fair value financial assets during the period	(6.9)	(2.5)	(10.2)
Associated tax effect	1.8	0.2	2.1
Total other comprehensive losses with recycling to income statement	(2.7)	(2.5)	(6.9)
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement gains on defined benefit plans	10.5	14.1	4.8
Associated tax effect	(2.7)	(3.5)	(1.2)
Total other comprehensive gains without recycling to income statement	7.8	10.6	3.6
Total other comprehensive gains/(losses)	**5.1**	**8.1**	**(3.3)**
Total comprehensive (losses)/income for the period	**(258.0)**	**5.0**	**(31.3)**
Attributable to:			
Equity holders of the parent	**(258.0)**	**5.0**	**(31.3)**

Condensed consolidated statement of financial position as at 31 July 2022

Assets	Note	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Goodwill	8	449.6	718.6	718.6
Intangible assets	9	46.5	58.0	47.1
Retirement benefit scheme surplus	14	17.4	12.8	1.1
Property, plant and equipment	10	636.5	653.3	646.5
Right-of-use assets	11	77.5	2.8	36.0
Financial assets	12	298.0	363.1	332.1
Current tax assets		3.3	3.8	4.3
Deferred tax assets	4	11.6	12.9	12.3
Reinsurance assets	15	69.8	72.9	65.4
Inventories		7.6	4.3	6.3
Trade and other receivables		192.7	175.2	169.5
Trust accounts		60.2	23.6	23.4
Cash and short-term deposits	13	211.8	203.2	226.9
Assets held for sale	18	12.9	16.9	12.9
Total assets		**2,095.4**	**2,321.4**	**2,302.4**
Liabilities				
Gross insurance contract liabilities	15	375.5	421.3	386.7
Provisions		6.2	10.9	6.7
Financial liabilities	12	965.1	904.4	936.2
Deferred tax liabilities	4	10.2	10.0	5.6
Contract liabilities		147.0	105.7	114.6
Trade and other payables		194.7	181.7	199.7
Total liabilities		**1,698.7**	**1,634.0**	**1,649.5**
Equity				
Issued capital		21.1	21.0	21.1
Share premium		648.3	648.3	648.3
Retained (deficit)/earnings		(277.7)	8.2	(22.4)
Share-based payment reserve		9.2	7.0	7.4
Fair value reserve		(5.9)	5.0	(0.8)
Hedging reserve		1.7	(2.1)	(0.7)
Total equity		**396.7**	**687.4**	**652.9**
Total equity and liabilities		**2,095.4**	**2,321.4**	**2,302.4**

Condensed consolidated statement of changes in equity for the period ended 31 July 2022

	Attributable to the equity holders of the parent						
	Issued capital £m	Share premium £m	Retained (deficit)/ earnings £m	Share-based payment reserve £m	Fair value reserve £m	Hedging reserve £m	Total equity £m
Unaudited							
At 1 February 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**
Loss for the period	-	-	(263.1)	-	-	-	(263.1)
Other comprehensive income/(losses) excluding recycling	-	-	7.8	-	(5.1)	4.2	6.9
Recycling of previous gains to income statement	-	-	-	-	-	(1.8)	(1.8)
Total comprehensive (losses)/income	-	-	(255.3)	-	(5.1)	2.4	(258.0)
Share-based payment charge	-	-	-	1.8	-	-	1.8
At 31 July 2022	**21.1**	**648.3**	**(277.7)**	**9.2**	**(5.9)**	**1.7**	**396.7**
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/(losses) 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**
At 1 February 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**
Loss for the year	-	-	(28.0)	-	-	-	(28.0)
Other comprehensive income/(losses) excluding recycling	-	-	3.6	-	(8.2)	3.3	(1.3)
Recycling of previous losses/(gains) to income statement	-	-	-	-	0.1	(2.1)	(2.0)
Total comprehensive (losses)/income	-	-	(24.4)	-	(8.1)	1.2	(31.3)
Issue of share capital	0.1	-	-	-	-	-	0.1
Share-based payment charge	-	-	-	3.4	-	-	3.4
Exercise of share options	-	-	1.8	(1.8)	-	-	-
At 31 January 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**

Condensed consolidated statement of cash flows for the period ended 31 July 2022

	Note	Unaudited 6m to Jul 2022 £m	Unaudited 6m to Jul 2021 £m	12m to Jan 2022 £m
(Loss)/profit before tax		(257.5)	0.7	(23.5)
Depreciation, impairment and net loss on disposal, of property, plant and equipment and right-of-use assets		19.7	6.9	22.2
Amortisation and impairment of intangible assets and goodwill, and (profit)/loss on disposal of software		273.9	4.9	20.6
Impairment of assets held for sale		-	-	1.0
Gain on lease modification		-	-	(0.3)
Share-based payment transactions		1.8	1.7	3.4
Profit on disposal of assets held for sale	18	-	(7.2)	(7.2)
Finance costs		22.4	22.3	40.8
Finance income		(0.9)	-	-
Net expense/(income) from investments		0.2	(0.4)	(0.3)
Increase in trust accounts		(36.8)	(1.2)	(1.0)
Movements in other assets and liabilities		(15.1)	27.3	29.3
		7.7	55.0	85.0
Net investment (expense)/income interest (paid)/received		(0.2)	0.4	0.3
Interest paid		(19.9)	(14.9)	(34.2)
Income tax paid		(0.9)	(4.0)	(4.6)
Net cash flows (used in)/from operating activities		**(13.3)**	**36.5**	**46.5**
Investing activities				
Proceeds from sale of property, plant and equipment, intangible assets and right-of-use assets		0.1	-	0.3
Net proceeds from disposal of assets held for sale	18	-	10.2	10.2
Acquisition of subsidiary	7	(0.9)	-	-
Purchase of and payments for the construction of property, plant and equipment, and intangible assets		(8.8)	(10.4)	(18.9)
Net disposal/(purchase) of financial assets		28.4	20.6	(18.9)
Net cash flows from/(used in) investing activities		**18.8**	**20.4**	**(27.3)**
Financing activities				
Payment of principal portion of lease liabilities		(7.8)	(1.3)	(3.6)
Proceeds from borrowings		-	250.0	250.0
Repayment of borrowings	16	(15.3)	(170.0)	(170.0)
Debt issue costs		-	(6.7)	(6.8)
Net cash flows (used in)/from financing activities		**(23.1)**	**72.0**	**69.6**
Net (decrease)/increase in cash and cash equivalents		**(17.6)**	**128.9**	**88.8**
Cash and cash equivalents at the start of the period		255.7	166.9	166.9
Cash and cash equivalents at the end of the period	13	**238.1**	**295.8**	**255.7**

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 08804263). The Company is registered in England and its registered office is located at Enbrook Park, Folkestone, Kent, CT20 3SE.

The condensed consolidated interim financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively **Saga Group** or the **Group**) for the six months ended 31 July 2022 were authorised for issue in accordance with a resolution of the Directors on 26 September 2022.

2.1 Basis of preparation

These financial statements comprise the condensed consolidated interim financial statements (the **financial statements**) of the Group for the six-month period to 31 July 2022.

The 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 financial statements, particularly in light of the COVID-19 pandemic, the Russia-Ukraine conflict and other macroeconomic pressures, details of which are included in Note 2.6. The Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The Group's 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.

The 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 2022 as referenced in Note 2.3. These are consistent with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and adopted by the UK Endorsement Board for use in the United Kingdom.

The 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 2022 have been taken from the Group's Annual Report and Accounts for that year. Therefore, these financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 January 2022 that have been prepared in accordance with UK-adopted International Accounting Standards. The 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 2022 have been delivered to the Registrar of Companies. The auditor's report on those financial statements: (i) was unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not constitute a statement under Section 498 (2) or (3) of the Companies Act 2006.

2.2 Basis of consolidation

The 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 financial statements.

2.3 Summary of significant accounting policies

The financial statements for the period ended 31 July 2022 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 2022.

Full details of the accounting policies of the Group can be found in the Annual Report and Accounts for the year ended 31 January 2022, available at www.corporate.saga.co.uk.

2.4 New standards adopted and future accounting developments

The accounting policies applied in these financial statements are consistent with those used in the preparation of the Annual Report and Accounts for the year ended 31 January 2022, available at www.corporate.saga.co.uk, as described in those annual financial statements, with the exception of policies, standards, amendments and interpretations effective as of 1 January 2022 and other changes detailed below.

New accounting policies, standards, amendments and interpretations effective, or adopted, in 2022

The following standards and amendments are effective for annual reporting periods beginning on, or after, 1 April 2021:

- Amendment to IFRS 16: 'Leases' regarding COVID-19 related rent concessions beyond 30 June 2021.

The following standards and amendments are effective for annual reporting periods beginning on, or after, 1 January 2022:

- Amendments to IAS 16: 'Property, Plant and Equipment' regarding proceeds before intended use. The amendments specify that proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended should be included in profit or loss.
- Amendments to IAS 37: 'Provisions, contingent assets and contingent liabilities'. The amendments specify which costs an entity should include when assessing whether a contract is onerous and therefore requires a provision.
- Annual Improvements to IFRS 2018-2020.
- Amendments to IFRS 3: 'Business Combinations' relating to an outdated reference to the Conceptual Framework.

None of the changes to IFRS described above have a material impact on the Group's consolidated financial statements.

Standards, amendments and interpretations that are issued but not yet applied by the Group

The following standards and amendments have been issued and will be applied to the Group in future periods, subject to UK endorsement:

- Amendments to IAS 1: 'Presentation of Financial Statements' relating to the classification of financial liabilities effective from 1 January 2023. The amendments clarify the meaning of settlement in the context of liabilities, and the circumstances in which liabilities are classified as current or non-current.
- Amendments to IAS 12: 'Income Taxes' relating to deferred tax on assets and liabilities arising from a single transaction effective from 1 January 2023.
- Amendments to IAS 1 relating to the disclosure of accounting policy and materiality judgements, effective from 1 January 2023.
- Amendments to IAS 8: 'Accounting policies, change in accounting estimates and errors' relating to the definition of accounting estimates, effective from 1 January 2023.

The following standards and amendments have been issued, endorsed and will be applied to the Group in future periods:

- IFRS 17: 'Insurance Contracts', effective from 1 January 2023.

IFRS 17 will be effective from 1 January 2023 and is a comprehensive new accounting standard that applies to all insurance and reinsurance contracts covering the principles of recognition and measurement, financial statement presentation and disclosure. It establishes a principles-based accounting approach for insurance contracts that will replace IFRS 4 'Insurance Contracts'. It is expected to have a material impact on the Group's financial statements as it represents a significant change to current insurance and reinsurance accounting requirements.

2.4 New standards adopted and future accounting developments (continued)

The Group has substantially completed its assessment of IFRS 17. As a general insurer issuing short-term contracts, the Group plans to apply the simplified 'premium allocation approach' to its insurance and reinsurance contracts. As such, the recognition and measurement of premium income is expected to remain largely unchanged from current accounting.

The recognition and measurement of insurance contract liabilities in relation to coverage provided before the statement of financial position date, now referred to as the liability for incurred claims, is likely to change significantly under the new standard. The IFRS 17 liability for incurred claims will include an explicit best estimate and an explicit margin for uncertainty above the best estimate (now referred to as a risk adjustment). The liability for incurred claims will also be discounted using a current discount rate.

The Group intends to finalise its approach to all key judgements and estimates towards the end of the calendar year 2022.

The standard is expected to have a significant impact on the presentation of the Group's financial statements, particularly the Group's income statement, where the description of line items will change, and the recognition of certain transactions will be reflected within different line items to those in which they are currently included. The standard will also require new, and changes to existing, disclosure notes in relation to insurance and reinsurance contracts.

Management does not expect other issued but not effective, amendments of standards, or standards not discussed above to have a material impact on the Group's financial statements.

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 2022, available at www.corporate.saga.co.uk. There have been no changes to the principles in these critical accounting estimate and judgement areas during the six months ended 31 July 2022.

2.6 Going concern

The Directors have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 July 2022, and in doing so, have considered a range of possible scenarios that factor in the potential ongoing impact of COVID-19, the Russia-Ukraine conflict 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 2022 (see Principal Risks and Uncertainties; Group Chief Financial Officer's 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 2022, 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 27. 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 result, the Directors believe that the Group is well-placed to successfully manage its business risks.

The Group's Cruise and Travel business continues to recover from the COVID-19 pandemic, and although there are operational challenges from the current economic environment and the ongoing disruption experienced by many airlines, we expect to see further improvement in the second half of the year, and into 2023/24.

For the Insurance business, motor and home broking markets have experienced a period of turbulence as pricing has adjusted to reflect the impact of the new FCA reform of general insurance pricing practices, which came into force on 1 January 2022, but the business is expected to remain profitable and cash generative.

2.6 Going concern (continued)

While the Group remains highly indebted, the return to an Underlying Profit Before Tax[1] for 2022/23, with continued improvement in future years, will enable net debt to be reduced over time.

In the latest round of long-term financial forecasting, the Group updated its modelling assumptions to reflect:

- In the base case, which represents the Group's central plan and best estimate outlook, Ocean Cruise expects to return to broadly normal operations after 31 July 2022. The River Cruise and Travel businesses also continue to recover and are expected to return to profit from 2023/24, with a lower overhead cost base following completion of the restructuring plans. Insurance plans include the latest outlook of the Retail Broking business in relation to competitive pricing pressures observed over the first half of the year, which are expected to have an adverse impact on profit before tax for 2022/23 and 2023/24.
- In the reasonable worst-case (RWC), which represents the Group's severe, but plausible, downside scenario, Ocean Cruise assumes reduced load factors for 2023/24, with normal operations thereafter. The River Cruise and Travel businesses see a slower recovery from 2023/24 onwards than in the base case. Insurance is assumed to be impacted by a number of downside risks, including a more conservative outlook for the Retail Broking business compared with base case assumptions.

The Russian invasion of Ukraine on 24 February 2022 has created heightened global economic and political uncertainty and contributed to a significant short-term increase in inflation. Over the short-term, the Group's exposure to potential downsides is limited to short-term reductions in Cruise and Travel bookings and itinerary changes, increasing inflationary pressures on both product margins and consumer spending behaviours caused by rising commodity prices, supply chain disruption and foreign exchange volatility. These risks have been factored into the Group's latest forecasts, and whilst the Directors continue to monitor the impacts on the business, they do not believe they impact the going concern status of the Group.

In both the base case and RWC scenarios modelled, the Group expects to operate within covenants in the ship debt and to maintain sufficient liquidity until at least March 2024, with no reliance placed on the availability of funds under the RCF. March 2024 is 18 months from the date of signing the financial statements, which more than accommodates the minimum 12-month assessment period for going concern. The Directors therefore have a reasonable expectation that the Group has sufficient funds to continue trading for at least the next 12 months, and accordingly have prepared the financial statements to 31 July 2022 on a going concern basis.

[1] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

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**: comprises the provision of general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into four product sub-segments:
  - Retail Broking, consisting of:
    - Motor Broking
    - Home Broking
    - Other Broking
  - Underwriting

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

- **Other Businesses and Central Costs**: comprises the Group's other businesses and its central cost base. The other businesses include Saga Money (the financial services product offering), Saga Media and the Group's mailing and printing business.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit/(Loss) Before Tax[2]. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Seasonality

The Group is subject to seasonal fluctuations in both its Insurance, and Cruise 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 Cruise and Travel segment. For the six months ended 31 July 2022, the increase in the Cruise and Travel segment's revenue during this period of time versus the six months ended 31 July 2021, has been significant due to the resumption of trading, as the impact of the COVID-19 pandemic on the business begins to subside.

Excluding the impact of COVID-19, when the seasonality of the various segments is considered in aggregate, the resultant half yearly Underlying Profit/(Loss) Before Tax[2] is broadly consistent with half of the full year result.

[2] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Notes to the condensed consolidated interim financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2022	Insurance: Motor broking £m	Insurance: Home broking £m	Insurance: Other insurance broking £m	Insurance: Under-writing £m	Insurance: Total £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Revenue	**40.8**	**27.2**	**21.4**	**22.7**	**112.1**	**136.2**	**12.2**	**(2.2)**	**258.3**
Cost of sales	(1.7)	-	1.6	(5.9)	(6.0)	(114.4)	(4.2)	-	(124.6)
Gross profit/(loss)	**39.1**	**27.2**	**23.0**	**16.8**	**106.1**	**21.8**	**8.0**	**(2.2)**	**133.7**
Administrative and selling expenses	(26.8)	(16.9)	(10.2)	(1.6)	(55.5)	(24.5)	(22.2)	2.1	(100.1)
Impairment of assets	-	-	-	-	-	-	-	(269.5)	(269.5)
Net profit on disposal of software	0.1	-	-	-	0.1	-	-	-	0.1
Investment income/(loss)	-	-	-	1.2	1.2	-	(1.4)	-	(0.2)
Finance costs	-	-	-	-	-	(11.1)	(11.3)	-	(22.4)
Finance income	-	-	-	-	-	0.9	-	-	0.9
Profit/(loss) before tax	**12.4**	**10.3**	**12.8**	**16.4**	**51.9**	**(12.9)**	**(26.9)**	**(269.6)**	**(257.5)**

Reconciliation to Underlying Profit/(Loss) Before Tax[3]

	Motor broking £m	Home broking £m	Other insurance broking £m	Under-writing £m	Total £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Profit/(loss) before tax	**12.4**	**10.3**	**12.8**	**16.4**	**51.9**	**(12.9)**	**(26.9)**	**(269.6)**	**(257.5)**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(0.9)	-	-	(0.9)
Impairment of goodwill	-	-	-	-	-	-	-	269.5	269.5
Business acquisition related costs	-	-	-	-	-	-	-	0.1	0.1
Restructuring costs	-	-	-	-	-	1.5	0.6	-	2.1
Foreign exchange movement on lease liabilities	-	-	-	-	-	0.3	-	-	0.3
IFRS 16 adjustment on river cruise vessels	-	-	-	-	-	0.4	-	-	0.4
Underlying Profit/(Loss) Before Tax[3]	**12.4**	**10.3**	**12.8**	**16.4**	**51.9**	**(11.6)**	**(26.3)**	**-**	**14.0**

All revenue is generated solely in the UK.

[3] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

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	Cruise and Travel £m	Other Businesses and Central Costs £m	Adjustments £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)
Net 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[4]

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
Net profit on disposal of assets held for sale	-	-	-	-	-	-	(7.2)	-	(7.2)
Loss on disposal of property, plant and equipment	-	-	-	-	-	0.1	-	-	0.1
Restructuring costs	-	-	-	-	-	0.4	-	-	0.4
Underlying Profit/(Loss) Before Tax[4]	**16.6**	**13.4**	**7.9**	**31.1**	**69.0**	**(51.2)**	**(20.6)**	**-**	**(2.8)**

All revenue is generated solely in the UK.

[4] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

3 Segmental information (continued)

12m to Jan 2022	Insurance: Motor broking £m	Insurance: Home broking £m	Insurance: Other insurance broking £m	Insurance: Under-writing £m	Insurance: Total £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Revenue	**85.0**	**60.2**	**35.3**	**84.7**	**265.2**	**94.7**	**21.5**	**(4.2)**	**377.2**
Cost of sales	(2.6)	-	0.3	(29.9)	(32.2)	(102.9)	(8.2)	-	(143.3)
Gross profit/(loss)	**82.4**	**60.2**	**35.6**	**54.8**	**233.0**	**(8.2)**	**13.3**	**(4.2)**	**233.9**
Administrative and selling expenses	(52.4)	(35.0)	(24.3)	(4.2)	(115.9)	(54.9)	(46.2)	4.2	(212.8)
Impairment of assets	-	-	-	(1.0)	(1.0)	(9.7)	(0.5)	-	(11.2)
Gain on lease modification	-	-	-	-	-	-	0.3	-	0.3
Net profit on disposal of assets held for sale	-	-	-	-	-	-	7.2	-	7.2
Net (loss)/profit on disposal of property, plant and equipment, right-of-use assets and software	(0.1)	-	-	-	(0.1)	0.1	(0.4)	-	(0.4)
Investment income/(loss)	-	-	-	3.5	3.5	0.1	(3.3)	-	0.3
Finance costs	-	-	-	-	-	(22.2)	(18.6)	-	(40.8)
Profit/(loss) before tax	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**	**(94.8)**	**(48.2)**	**-**	**(23.5)**

Reconciliation to Underlying Profit/(Loss) Before Tax[5]

	Motor broking £m	Home broking £m	Other insurance broking £m	Under-writing £m	Total £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Profit/(loss) before tax	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**	**(94.8)**	**(48.2)**	**-**	**(23.5)**
Net fair value loss on derivative financial instruments	-	-	-	-	-	2.7	-	-	2.7
Impairment/loss on disposal of assets	-	-	-	1.0	1.0	9.8	0.7	-	11.5
Restructuring costs	-	-	-	-	-	3.9	2.4	-	6.3
Net profit on disposal of assets held for sale	-	-	-	-	-	-	(7.2)	-	(7.2)
Foreign exchange movement on lease liabilities	-	-	-	-	-	(0.9)	-	-	(0.9)
Costs incurred for ship debt holiday	-	-	-	-	-	-	2.4	-	2.4
Charge on closure of defined benefit pensions scheme	-	-	-	-	-	-	2.0	-	2.0
Underlying Profit/(Loss) Before Tax[5]	**29.9**	**25.2**	**11.3**	**54.1**	**120.5**	**(79.3)**	**(47.9)**	**-**	**(6.7)**

All revenue is generated solely in the UK.

[5] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Notes to the condensed consolidated interim financial statements (continued)

3a Disaggregation of revenue

Unaudited 6m to Jul 2022	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £m	Other Revenue £m	Total Insurance £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Total £m
Gross earned premiums on insurance underwritten by the Group	96.0		96.0			96.0
Less: ceded to reinsurers	(56.4)		(56.4)			(56.4)
Net revenue on:						
- Motor Broking	14.9	25.9	40.8			40.8
- Home Broking	-	27.2	27.2			27.2
- Other Broking	0.5	20.9	21.4			21.4
- Underwriting	24.2	(1.5)	22.7			22.7
River Cruise and Travel				60.5		60.5
Ocean Cruise				75.7		75.7
Money					4.1	4.1
Media					5.1	5.1
Other					0.8	0.8
	39.6	**72.5**	**112.1**	**136.2**	**10.0**	**258.3**

Unaudited 6m to Jul 2021	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £m	Other Revenue £m	Total Insurance £m	Cruise and 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
River Cruise and Travel				2.0		2.0
Ocean Cruise				8.0		8.0
Money					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**

3a Disaggregation of revenue (continued)

12m to Jan 2022 Major product lines	Insurance Earned premium on insurance underwritten by the Group £m	Other Revenue £m	Total Insurance £m	Cruise and Travel £m	Other Businesses and Central Costs £m	Total £m
Gross earned premiums on insurance underwritten by the Group	203.0		203.0			203.0
Less: ceded to reinsurers	(123.8)		(123.8)			(123.8)
Net revenue on:						
- Motor Broking	26.7	58.3	85.0			85.0
- Home Broking	-	60.2	60.2			60.2
- Other Broking	1.0	34.3	35.3			35.3
- Underwriting	51.5	33.2	84.7			84.7
River Cruise and Travel				12.2		12.2
Ocean Cruise				82.5		82.5
Money					5.9	5.9
Media					9.9	9.9
Other					1.5	1.5
	79.2	**186.0**	**265.2**	**94.7**	**17.3**	**377.2**

4 Tax

The major components of the income tax expense are:

	Unaudited 6m to Jul 2022 £m	Unaudited 6m to Jul 2021 £m	12m to Jan 2022 £m
Condensed consolidated income statement			
Current income tax			
Current income tax charge	2.4	5.5	3.4
Adjustments in respect of previous periods	(0.5)	(2.2)	(0.1)
	1.9	3.3	3.3
Deferred tax			
Relating to origination and reversal of temporary differences	1.6	2.0	2.7
Effect of tax rate on opening balance	-	(2.6)	(2.6)
Adjustments in respect of previous periods	2.1	1.1	1.1
	3.7	0.5	1.2
Tax expense in the income statement	**5.6**	**3.8**	**4.5**

4 Tax (continued)

The Group's tax expense for the period was £5.6m (July 2021: £3.8m) representing a tax effective rate of 46.7% (July 2021: 542.9%) before the impairment of goodwill. In both the current and prior periods, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19%, is mainly due to the Group's Ocean Cruise business entering the tonnage tax regime on 1 February 2020. Excluding the impact of the goodwill impairment, cruise tonnage tax and adjustments in respect of previous tax years, the Group's tax effective rate is 21.7%.

Adjustments in respect of previous periods include adjustments for the under provision of the tax charge in prior periods of £1.6m (July 2021: £1.1m over provision) and the impact of the change in the tax rate on opening deferred tax balances of £nil (July 2021: £2.6m credit).

Reconciliation of net deferred tax assets:

	Unaudited 6m to Jul 2022 £m	Unaudited 6m to Jul 2021 £m	12m to Jan 2022 £m
At 1 February	**6.7**	**6.7**	**6.7**
Tax charge recognised in the income statement	(3.7)	(0.5)	(1.2)
Tax (charge)/credit recognised in other comprehensive income	(1.6)	(3.3)	1.2
At the end of the period	**1.4**	**2.9**	**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.

5 Dividends

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

Under the terms of the ship debt facilities, dividends remain restricted until the ship debt principal repayments that were deferred as part of the ship debt repayment holiday are fully repaid (Note 16). In addition, under the terms of the RCF, dividends also remain restricted while leverage is above 3.0x (excluding Ocean Cruise EBITDA and debt). The Group maintained sufficient headroom under the RCF covenant during the six months ended 31 July 2022.

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 2022	Unaudited 6m to Jul 2021	12m to Jan 2022
	£m	£m	£m
Loss attributable to ordinary equity holders	(263.1)	(3.1)	(28.0)
Weighted average number of ordinary shares	**'m**	'm	'm
Ordinary shares as at 1 February	139.5	139.4	139.4
Movement during the period	(0.3)	0.1	0.1
Ordinary shares as at the end of the period	139.2	139.5	139.5
Weighted average number of ordinary shares for basic loss per share and diluted loss per share	139.2	139.5	139.5
Basic loss per share	**(189.0p)**	**(2.2p)**	**(20.1p)**
Diluted loss per share	**(189.0p)**	**(2.2p)**	**(20.1p)**

The table below reconciles between basic loss per share and Underlying Basic Earnings/(Loss) Per Share[6]:

	Unaudited 6m to Jul 2022	Unaudited 6m to Jul 2021	12m to Jan 2022
Basic loss per share	**(189.0p)**	**(2.2p)**	**(20.1p)**
Adjusted for:			
Derivative (gains)/losses	(0.7p)	0.5p	1.4p
Impairment, and net (profit)/loss on disposal, of assets	-	(1.1p)	2.3p
Impairment of goodwill	193.6p	-	-
Charge on closure of defined benefit pension scheme	-	-	1.1p
Foreign exchange movement on lease liabilities	0.2p	-	(0.5p)
Costs incurred for ocean cruise ship loan holiday	-	-	1.3p
Restructuring costs	1.7p	0.1p	3.4p
IFRS 16 lease accounting adjustment on river cruise vessels	0.3p	-	-
Underlying Basic Earnings/(Loss) Per Share	**6.1p**	**(2.7p)**	**(11.1p)**

[6] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

Notes to the condensed consolidated interim financial statements (continued)

7 Business combinations and disposals

(a) Acquisitions during the period ended 31 July 2022

On 16 February 2022, the Group acquired The Big Window Consulting Limited (the **Big Window**), a specialist research and insight business focusing on ageing.

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

	£m
Assets	
Trade and other receivables	0.1
Cash	1.3
Total assets	1.4
Liabilities	
Trade and other payables	0.1
Corporation tax liability	0.1
Total liabilities	0.2
Total identifiable net assets at fair value	**1.2**
Goodwill arising on acquisition	0.5
Cash purchase consideration transferred	**1.7**

The cash purchase consideration of £1.7m was settled in cash. In addition to the £1.7m cash purchase consideration transferred, as part of the purchase agreement the Group granted a £0.5m share-based payment arrangement which vests over three years subject to a number of conditions being met. The £0.5m was transferred in cash to the Group's share administrators on the date of completion. Cash of £1.3m was acquired with the Big Window, resulting in a net cash outflow of £0.9m.

Since acquisition, the addition of The Big Window insights and capabilities has added significant value to all Saga business units, in line with pre-acquisition expectations. However, because these benefits are largely associated with the continued employment of a small number of individuals, which under IFRS 3 cannot be separately capitalised, and given the low materiality of the amounts in question, the Group decided to write-off in full the £0.5m goodwill arising on acquisition in the period to 31 July 2022.

The Big Window contributed £0.3m of revenue and £0.1m to the Group profit before tax from the date of acquisition to 31 July 2022.

(b) Acquisitions during the period ended 31 July 2021

There were no business acquisitions during the period ended 31 July 2021.

(c) Disposals

There were no business disposals in the period ended 31 July 2022 or the period ended 31 July 2021.

8 Goodwill

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

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Insurance	449.6	718.6	718.6
	449.6	**718.6**	**718.6**

On 1 January 2022, the new pricing rules arising from the FCA market study came into effect. As a result of the impact of the FCA market study on customer pricing, especially in the highly competitive motor insurance market, there has been a fall in policy volumes in the period to 31 July 2022, with a consequential adverse impact on the profitability of the Insurance business. Management have considered this to be an indicator of impairment and have therefore conducted a full impairment review of the Insurance CGU as at 31 July 2022.

The recoverable amount of the Insurance CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's latest five-year financial forecasts to 2026/27, which are derived using past experience of the Group's trading combined with the anticipated impact of changes in macroeconomic and regulatory factors. A terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (January 2022: 2.0%) as the expected long-term average growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market-participant view of the cost of capital and debt relevant to the insurance industry.

As at 31 July 2022, the pre-tax discount rate used for the Insurance CGU was 12.7% (January 2022: 11.5%). The Group's five-year financial forecasts incorporate the modelled impact of the publication of the FCA's findings from its market study into general insurance pricing and the impact this will likely have on new business pricing and retention rates. As per IAS 36.44, incremental cash flows directly attributable to growth initiatives not yet enacted at the statement of financial position date have then also been removed for the purpose of the value-in-use calculation.

Furthermore, the Group also considered the impact of downside stresses, both in terms of adverse impacts to the cash flow projections and to the discount rate. For the cash flow stress test, the Group has modelled the impact of a more prudent outlook of the current competitive challenges seen in the insurance broking market, in combination with a more cautious terminal growth rate of 1.5%, reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of +1.2ppt.

The headroom/(deficit) for the Insurance CGU against the brought forward carrying value is as follows:

	Headroom/(deficit) £m					
	Central scenario		Cash flow stress test scenario		Discount rate stress test scenario	
	31 July 2022 £m	31 January 2022 £m	**31 July 2022 £m**	31 January 2022 £m	**31 July 2022 £m**	31 January 2022 £m
Insurance	**(121.8)**	146.3	**(269.0)**	89.7	**(146.8)**	(10.2)

Given these outcomes, the Directors have taken the decision to impair goodwill allocated to the Insurance CGU by £269.0m in the period to 31 July 2022. The quantum of this impairment is based on a combination of both the cash flow stress test scenario and reasonable discount rate stresses.

8 Goodwill (continued)

The headroom calculated is sensitive to the discount rate and terminal growth rate assumed, and to changes in the projected cash flow of the CGU. Increased inflationary pressures on claims, the evolving market response to the regulatory changes introduced in early 2022 and in particular the extent to which market prices move against Saga in a period of heightened global economic uncertainty, combine to increase the range of possible cashflow outcomes in management's modelling. A quantitative sensitivity analysis for each of these as at 31 July 2022 and its impact on the central scenario headroom against the brought forward goodwill carrying value is as follows:

	Pre-tax discount rate		Terminal growth rate		Cash flow (annual)	
	+1.0ppt £m	–1.0ppt £m	+1.0ppt £m	–1.0ppt £m	+10% £m	-10% £m
Insurance	(58.4)	75.3	60.1	(46.6)	57.5	(57.5)

Goodwill arising on the acquisition of the Big Window (Note 7) of £0.5m was immediately impaired in full.

9 Intangible fixed assets

During the period, the Group capitalised £3.9m (July 2021: £6.3m) of software assets, disposed of assets with a net book value of £nil (July 2021: £nil) and charged £4.5m (July 2021: £4.9m) of amortisation and impairment to its intangible assets. Profit arising on disposal was £0.1m (July 2021: £nil).

10 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £1.7m (July 2021: £2.7m), disposed of assets with a net book value of £0.1m (July 2021: £0.1m) and charged £11.6m (July 2021: £6.5m) of depreciation and impairment to its property, plant and equipment. Profit arising on disposal was £nil (July 2021: £0.1m loss).

As at 31 July 2022, capital amounts contracted for but not provided for, in the financial statements, amounted to £nil (July 2021: £nil).

Impairment review of property, plant and equipment

Due to the continued impact of the COVID-19 pandemic on the Group's Cruise and Travel operations in the first half of the year, management has concluded potential indicators of impairment continue to exist for both of its ocean cruise ships, *Spirit of Discovery* and *Spirit of Adventure* and has therefore conducted impairment reviews at 31 July 2022 for both vessels.

The impairment test has been conducted using a methodology consistent with that applied as at 31 January 2022 and as detailed in the most recent Annual Report and Accounts. The recoverable amount of each ocean cruise ship was determined based on a value-in-use calculation using cash flow projections from the Group's five-year financial forecasts to 2026/27 and applying a constant annual growth rate of 2% thereafter for subsequent periods until the end of the ship's useful economic life of 30 years, at which point a residual value of 15% of original cost has been assumed. This was then discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows were updated for the latest impact of the COVID-19 pandemic. In addition, a stress test of the potential adverse medium-term impact that the pandemic may have on demand for ocean cruises was also considered, with load factors capped at 80% throughout 2023/24. The annual growth rate beyond the fifth year of management forecasts was reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

Potential environmental regulatory changes have also been considered as part of this assessment. The shipping industry has made a commitment to reduce CO_2 emissions by 40% by 2030 (from a 2008 baseline), and the UK Government has made commitments to reach net zero emissions by 2050. The EEXI (carbon design/technical efficiency indicator) and CII ((in-service/operational carbon intensity efficiency indicator) regulations are being introduced internationally to enable the industry to meet the 2030 target, and both of Saga's ocean cruise ships will exceed the requirements of these regulations on implementation in 2023. The end of their useful economic lives of 30 years will have been reached by 2049 in the case of *Spirit of Discovery* and 2051 in the case of *Spirit of Adventure*.

10 Property, plant and equipment (continued)

Impairment review of property, plant and equipment (continued)

The Group has not factored in any potential fuel modifications that may occur in the future into the cash flow forecasts used for the impairment assessment of either ship. Whilst alternative fuels may present a viable route to decarbonisation for the Ocean Cruise business, there are significant upstream supply challenges which will need to be resolved before these become viable for deployment. The main engines currently installed in the Group's ocean cruise ships are capable of being modified for use with certain alternative fuels. Being new vessels, the design and specification of the Group's ocean cruise ships was guided by a desire to maximise efficiency through deployment of the most up-to-date technology. Their hull design maximises fuel efficiency, onboard technology minimises fuel consumption and catalytic converters reduce carbon emissions. Additionally, the Group is planning to retro-fit shore power connections to both vessels, allowing them to use clean energy, where available, in ports of call and has commenced a study to evaluate other emerging technologies. The capital expenditure required for the shore power connections has been included in the forecast cash flows used in the assessment.

There is also currently no technological alternative to either oil or gas to power large vessels and it is not clear if such technology will ever be commercially viable, or in what time-frame this might be achieved.

The cash flows have been discounted to present value using a pre-tax discount rate of 8.6% (January 2022: 9.9%) for both vessels. As at 31 July 2022, 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	169.0	146.5
Spirit of Adventure	114.7	91.6

Based on these impairment tests, and looking at the likelihood of a range of outcomes, the Group is satisfied that no impairment of either vessel was necessary as at 31 July 2022.

11 Right-of-use assets

During the period, the Group capitalised assets with a cost of £49.6m (July 2021: £0.3m) and charged £8.1m (July 2021: £0.3m) of depreciation and impairment to its right-of-use assets. Right-of-use assets capitalised in the period ended 31 July 2022 primarily relate to river cruise ship additions relating to the vessels, *Spirit of the Danube*, *MS River Discovery II* and *MS Serenade 1*.

As at 31 July 2022, the value of lease liabilities contracted for, but not provided for, in the financial statements in respect of right-of-use assets amounted to £nil (July 2021: £89.3m). As at 31 July 2021, the lease commitments related to the river cruise vessels, *Spirit of the Rhine* and *Spirit of the Danube*.

a. Impairment review of right-of-use assets

During the year ended 31 January 2022, the Group took delivery of the river cruise ship*, Spirit of the Rhine*, under a 10-year lease. The ship's first cruise season was initially planned to commence on 1 April 2021, but due to the impact of the COVID-19 pandemic, the start of the first season was delayed for several months. The Group did not therefore take control of the asset until the ship's inaugural cruise took place in September 2021, at which point a right-of-use asset was recognised and corresponding lease liability was capitalised on the statement of financial position.

Given the carrying value of the asset is quantitatively material to the Group, combined with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, which constitute an indicator of impairment, management deemed it necessary to conduct an impairment review on *Spirit of the Rhine* at 31 January 2022.

Based on the impairment tests undertaken and looking at the likelihood of a range of outcomes, the Group was satisfied that there was headroom over and above the carrying value of *Spirit of the Rhine*. Management considered that there was no reasonable possible change in the key assumptions made in its impairment assessment that would give rise to an impairment of the carrying value of this vessel as at 31 January 2022.

The Group does not consider it necessary to conduct an impairment review of right-of-use assets as at 31 July 2022 since no new indicators of impairment exist in relation to the *Spirit of the Rhine*, *Spirit of the Danube*, *MS River Discovery II* or *MS Serenade 1*.

Notes to the condensed consolidated interim financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2022 £m**	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts		0.9	0.1	0.4
Loan funds		5.8	6.1	6.2
Money market funds	13	27.1	93.4	29.2
		33.8	**99.6**	**35.8**
FVTPL designated in a hedging relationship				
Foreign exchange forward contracts		3.4	0.1	0.3
Fuel oil swaps		0.9	0.4	1.2
		4.3	**0.5**	**1.5**
Fair value through other comprehensive income (FVOCI)				
Debt securities		259.9	249.0	280.8
		259.9	**249.0**	**280.8**
Amortised cost				
Deposits with financial institutions		-	14.0	14.0
		-	**14.0**	**14.0**
Total financial assets		**298.0**	**363.1**	**332.1**
Current		66.3	164.8	110.0
Non-current		231.7	198.3	222.1
		298.0	**363.1**	**332.1**

The Group's financial assets are analysed by Moody's credit risk rating on page 23 of the Group Chief Financial Officer's Review.

b) Financial liabilities

	Note	**Unaudited As at Jul 2022 £m**	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
FVTPL				
Foreign exchange forward contracts		0.8	1.2	1.3
		0.8	**1.2**	**1.3**
FVTPL designated in a hedging relationship				
Foreign exchange forward contracts		1.6	4.2	2.7
Fuel oil swaps		0.9	-	-
		2.5	**4.2**	**2.7**
Amortised cost				
Bonds and bank loans	16	883.5	894.6	896.5
Lease liabilities		77.5	3.6	35.3
Bank overdrafts	13	0.8	0.8	0.4
		961.8	**899.0**	**932.2**
Total financial liabilities		**965.1**	**904.4**	**936.2**
Current		80.6	28.3	56.1
Non-current		884.5	876.1	880.1
		965.1	**904.4**	**936.2**

Notes to the condensed consolidated interim financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy

	Unaudited As at Jul 2022				Unaudited As at Jul 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Financial assets measured at fair value								
Foreign exchange forwards	-	4.3	-	**4.3**	-	0.2	-	**0.2**
Fuel oil swaps	-	0.9	-	**0.9**	-	0.4	-	**0.4**
Loan funds	5.8	-	-	**5.8**	6.1	-	-	**6.1**
Debt securities	259.9	-	-	**259.9**	249.0	-	-	**249.0**
Money market funds	27.1	-	-	**27.1**	93.4	-	-	**93.4**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	2.4	-	**2.4**	-	5.4	-	**5.4**
Fuel oil swaps	-	0.9	-	**0.9**	-	-	-	**-**
Financial assets for which fair values are disclosed								
Deposits with institutions	-	-	-	**-**	-	14.0	-	**14.0**
Financial liabilities for which fair values are disclosed								
Bonds and bank loans	-	825.5	-	**825.5**	-	894.6	-	**894.6**
Lease liabilities	-	77.5	-	**77.5**	-	3.6	-	**3.6**
Bank overdrafts	-	0.8	-	**0.8**	-	0.8	-	**0.8**

	As at Jan 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Financial assets measured at fair value				
Foreign exchange forwards	-	0.7	-	**0.7**
Fuel oil swaps	-	1.2	-	**1.2**
Loan funds	6.2	-	-	**6.2**
Debt securities	280.8	-	-	**280.8**
Money market funds	29.2	-	-	**29.2**
Financial liabilities measured at fair value				
Foreign exchange forwards	-	4.0	-	**4.0**
Fuel oil swaps	-	-	-	**-**
Financial assets for which fair values are disclosed				
Deposits with institutions	-	14.0	-	**14.0**
Financial liabilities for which fair values are disclosed				
Bonds and bank loans	-	879.0	-	**879.0**
Lease liabilities	-	35.3	-	**35.3**
Bank overdrafts	-	0.4	-	**0.4**

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 2022.

12 Financial assets and financial liabilities (continued)

d) Other information

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

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the period (July 2021: none).

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 205 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods and designated 57 fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2022, the Group has designated 424 forward currency contracts and 57 fuel oil swaps as hedges.

During the period, the Group recognised net gains of £5.4m (July 2021: £1.4m losses) on cash flow hedging instruments through other comprehensive income (OCI) into the hedging reserve. The Group recognised £nil gains (July 2021: £nil 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 five foreign currency forward contracts, with a transaction value of £0.4m, 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 accumulated gains in relation to these contracts of £nil have been reclassified from the hedging reserve into profit or loss during the period. The Group has not de-designated any fuel oil swaps during the period. During the period, the Group recognised a £2.3m gain (July 2021: £1.2m loss) through the income statement in respect of matured hedges which have been recycled from OCI.

13 Cash and cash equivalents

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Cash at bank and in hand	99.6	196.0	174.6
Short-term deposits	112.2	7.2	52.3
Cash and short-term deposits	**211.8**	**203.2**	**226.9**
Money markets funds (Note 12a)	27.1	93.4	29.2
Bank overdraft (Note 12b)	(0.8)	(0.8)	(0.4)
Cash and cash equivalents in the cash flow statement	**238.1**	**295.8**	**255.7**

Included within cash and cash equivalents are amounts held by the Group's Cruise and 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 £59.1m (July 2021: £120.5m). Available Cash[7] 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.

[7] Refer to the Alternative Performance Measures Glossary on pages 61-62 for definition and explanation

14 Retirement benefit schemes

The Group operates retirement benefit schemes for the employees of the Group consisting of defined contribution plans and a legacy defined benefit plan. In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. The consultation process concluded during October 2021, and with effect from 31 October 2021, the Group closed both 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 launched a new defined contribution pension scheme arrangement, operated as a Master Trust. This move served 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.

a) Defined contribution schemes

There are three 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.

b) Defined benefit plan

The Group operated a funded defined benefit scheme, the Saga Pension Scheme, which was closed to future accrual on 31 October 2021 (see above). From 1 November 2021, members moved from active to deferred status, with future indexation of deferred pensions before retirement measured by reference to the Consumer Price Index (CPI). 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 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Fair value of scheme assets	331.9	438.6	412.0
Present value of defined benefit obligation	(314.5)	(425.8)	(410.9)
Defined benefit scheme asset	**17.4**	**12.8**	**1.1**

The present values of the defined benefit obligation at 31 January 2022, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2022 have been estimated by rolling forward from 31 January 2022, 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 2022, the net position of the Saga Scheme has increased by £16.3m, resulting in an overall scheme surplus of £17.4m. The movements observed in the schemes assets and obligations have been impacted significantly by macroeconomic factors since the year-end, where at a global level there have been rising inflation and cost of living pressures, as well as shifts in long-term market perceptions. The present value of defined benefit obligations decreased by £96.4m to £314.5m, primarily due to a 110bps increase in the discount rate which is based on increases in long-term trend corporate bond yields, coupled with a 30bps decrease in the expected long term RPI inflation assumption, driven by changes in the relative expected long-term returns of index-linked gilts and fixed-interest rate gilts. The fair value of scheme assets decreased by £80.1m to £331.9m. A £5.8m deficit funding contribution was paid by the Group in February 2022 in relation to a recovery plan agreed under the latest triennial valuation of the scheme as at 31 January 2020.

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Gross			
Claims outstanding	282.3	324.6	292.8
Provision for unearned premiums	93.2	96.7	93.9
Total gross liabilities	**375.5**	**421.3**	**386.7**

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Recoverable from reinsurers			
Claims outstanding	65.7	68.8	59.1
Provision for unearned premiums	4.1	4.1	6.3
Total reinsurers' share of insurance liabilities (as presented on the face of the condensed statement of financial position)	**69.8**	**72.9**	**65.4**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:			
- Claims outstanding	108.2	144.2	133.0
- Provision for unearned premiums	50.6	56.4	50.7
Total reinsurers' share of insurance liabilities after funds - withheld quota share	**228.6**	**273.5**	**249.1**

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Net			
Claims outstanding	216.6	255.8	233.7
Provision for unearned premiums	89.1	92.6	87.6
Total net insurance liabilities	**305.7**	**348.4**	**321.3**
Amounts recoverable under funds - withheld quota share agreements recognised within trade payables:			
- Claims outstanding	(108.2)	(144.2)	(133.0)
- Provision for unearned premiums	(50.6)	(56.4)	(50.7)
Total net insurance liabilities after funds - withheld quota share	**146.9**	**147.8**	**137.6**

The total cost of purchasing reinsurance recognised during the period was £2.8m (July 2021: £4.2m (restated)).

16 Loans and borrowings

	Unaudited As at Jul 2022 £m	Unaudited As at Jul 2021 £m	As at Jan 2022 £m
Bonds	400.0	400.0	400.0
Ship loans	500.3	515.6	515.6
Accrued interest payable	5.7	6.5	5.9
	906.0	922.1	921.5
Less: deferred issue costs	(22.5)	(27.5)	(25.0)
	883.5	**894.6**	**896.5**

Term loan, RCF and bonds

At 31 July 2021 and 31 January 2022, the Group's financing facilities consisted of a £150.0m seven-year senior unsecured bond (repayable May 2024), a £250.0m five-year senior unsecured bond (repayable July 2026) and a £100.0m five-year RCF (expiry in May 2025). The bonds are listed on the Irish Stock Exchange and are guaranteed by Saga Services Limited and Saga Mid Co Limited.

Interest on the 2024 corporate bond is incurred at an annual interest rate of 3.375%. Interest on the 2026 corporate bond is incurred at an annual interest rate of 5.5%. Interest payable on the Group's RCF, if drawn down, is incurred at a variable rate of SONIA plus a bank margin which is linked to the Group's leverage ratio.

During the period to 31 July 2022, the Group reached agreement with its banks to simplify the RCF arrangement to remove certain clauses that were introduced during the COVID-19 pandemic and reduce the aggregate facility cost. The amendments to the RCF include:

- removal of the £40.0m minimum liquidity requirement;
- removal of the condition that the facility (if drawn) is repaid on 1 March 2024, if the existing 2024 bond has not been redeemed prior to this date; and
- reduction of the RCF commitment from £100.0m to £50.0m.

At 31 July 2022, the Group's financing facilities consist of a £150.0m seven-year senior unsecured bond (repayable May 2024), a £250.0m five-year senior unsecured bond (repayable July 2026) and a £50.0m five-year RCF (expiry in May 2025). The bonds are listed on the Irish Stock Exchange and are guaranteed by Saga Services Limited and Saga Mid Co Limited.

At 31 July 2022, the Group's £50.0m RCF remained undrawn. The Group's £200.0m five-year term loan (repayable May 2023) was repaid in full in the period ended 31 July 2021.

Accrued interest payable on the Group's bonds at 31 July 2022 is £2.5m (July 2021: £3.2m).

Ocean cruise ship loans

In June 2019, the Group drew down the financing for its ocean cruise ship, *Spirit of Discovery*, of £245.0m. The financing for *Spirit of Discovery* comprises 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 the *Spirit of Discovery* ocean 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 of 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 remained payable.

16 Loans and borrowings (continued)

Ocean cruise ship loans (continued)

On 29 September 2020, the Group drew down the financing for its ocean cruise ship*, Spirit of Adventure*, of £280.8m. The financing for *Spirit of Adventure* comprises 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 the *Spirit of Adventure* ocean cruise ship asset.

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

- all principal payments to 31 March 2022 (£51.8m) deferred and repaid over five years;
- all financial covenants until 31 March 2022 waived; and
- dividends remain restricted while the deferred principal is outstanding.

Since 31 January 2022, the Group concluded discussions with its Ocean Cruise lenders to amend the covenants on the two ship debt facilities as follows:

- Reduction in the EBITDA to debt repayment ratio from 1.2x to 1.0x for the periods from 31 July 2022 to 31 January 2024.
- Reduction in the EBITDA to cash interest ratio from 2.0x to 1.7x as at 31 July 2022.

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). Interest payable on the Group's ocean cruise ship debt deferrals is incurred at a variable rate of SONIA plus a bank margin.

Accrued interest payable on the Group's ocean cruise ship loans at 31 July 2022 is £3.2m (July 2021: £3.3m).

Total debt and finance costs

At 31 July 2022, deferred debt issue costs were £22.5m (July 2021: £27.5m). The movement of £5.0m represents expense amortisation for the period.

During the period, the Group charged £20.5m (July 2021: £19.0m) to the income statement in respect of fees and interest associated with the bonds, term loan and ship loans. In addition, finance costs recognised in the income statement include £1.9m (July 2021: £0.1m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives of £nil (July 2021: £3.2m). 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 or approved during the six months ended 31 July 2022 were as follows:

a) On 28 April 2022, nil cost options over 345,353 shares were issued under the Deferred Bonus Plan to Executive Directors reflecting their deferred bonus in respect of 2021/22, which vest and become exercisable on the third anniversary of the grant date. Under the Deferred Bonus Plan, executives receive a 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.

b) On 13 July 2022, nil cost options over 1,844,538 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.

c) In July, the Board and shareholders approved the issue of an additional new award called the Saga Transformation Plan (STP). The STP has a five-year vesting period and participants receive a 12.5% share in shareholder value (share price plus dividends) created above a £6 per share hurdle over a five-year performance period commencing from the grant date, subject to continuing employment. For Directors and senior leaders, the STP will be equity-settled. For other employees, the STP will be settled in cash. There is a cap of £88.0m on the value of awards that may vest, and the awards have a range of grant dates based on the tranche that each participant falls into.

The fair values of all awards are assessed using techniques based upon the Black-Scholes pricing model. The Group charged £1.8m during the period (July 2021: £1.7m) to the income statement in respect of equity-settled share-based payment transactions.

18 Assets held for sale

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. 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.

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.

During the six-month period to 31 January 2022, the Group declassified one of the properties from held for sale back to property, plant and equipment, since it was no longer being actively marketed for disposal. The carrying value of this property as at 31 July 2021 was £3.0m. An impairment charge of £1.0m was also recorded as a result of updated market valuations undertaken to determine the fair value of each building.

As at 31 July 2022 the properties continue to be being actively marketed and the disposals are expected to be completed within 12 months of the end of the financial period. No gains or losses were recognised with respect to the properties during the six months ended 31 July 2022 and the carrying values continue to be representative of either each property's fair value or historic cost, whichever is the lower.

19 Related party transactions

Related party transactions during the six months ended 31 July 2022 were consistent in nature, scope and quantum with those disclosed in the Group's Annual Report and Accounts for the year ended 31 January 2022 available at www.corporate.saga.co.uk.

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
26 September 2022

J B Quin
Group Chief Financial Officer
26 September 2022

Independent Review Report to Saga plc

Conclusion

We have been engaged by Saga plc (the **Company** or the **Group**) to review the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 July 2022 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.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 July 2022 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 (DTR) of the UK's Financial Conduct Authority (FCA).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE (UK) 2410) issued 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 interim financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated 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.

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the 'Basis for conclusion' section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusion is not a guarantee that the Group will continue in operation.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim 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 UK-adopted international accounting standards.

The Directors are responsible for preparing the condensed consolidated set of financial statements included in the interim financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed consolidated set of financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the interim financial report based on our review. Our conclusion, including our conclusion relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the 'Basis for conclusion' section of this report.

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 conclusion we have reached.

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

26 September 2022

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

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

Underlying Profit/(Loss) Before Tax

Underlying Profit/(Loss) Before Tax represents the profit/(loss) before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, charge on closure of defined benefit pension scheme, foreign exchange movements on river cruise ship leases, costs incurred for ship debt holiday, costs in relation to the acquisition of the Big Window, IFRS 16 lease accounting adjustment on river cruise vessels and restructuring costs. It is reconciled to statutory loss before tax within the Group Chief Financial Officer's 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 IAS 19R pension charge, exceptional costs, Titan river cruise commitment costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16 and the Trading EBITDA relating to the two ocean cruise ships, *Spirit of Discovery and Spirit of Adventure* in line with the covenant on the Group's revolving credit facility (RCF). It is reconciled to Underlying Profit/(Loss) Before Tax within the Group Chief Financial Officer's Review on page 22. Underlying Profit/(Loss) Before Tax is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 11.

This measure is linked to the covenant on the Group's RCF, being the denominator in the Group's leverage ratio calculation.

Underlying Basic Earnings/(Loss) Per Share

Underlying Basic Earnings/(Loss) Per Share represents basic loss per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, charge on closure of defined benefit pension scheme, foreign exchange gains on river cruise ship leases, costs incurred for ship debt holiday, costs in relation to the acquisition of the Big Window, IFRS 16 lease accounting adjustment on river cruise vessels and restructuring costs. 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/(Loss) Before Tax and represents what management considers to be the underlying shareholder value generated in the period.

Available Cash

Available Cash represents cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries. This measure is reconciled to the statutory measure of cash in Note 13 to the accounts on page 52.

Available Operating Cash Flow

Available Operating Cash Flow is net cash flow from operating activities after capital expenditure but before tax, interest paid, restructuring costs, proceeds from business and property disposals 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 operating activities within the Group Chief Financial Officer's Review on page 22.

Alternative Performance Measures Glossary

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 Ocean Cruise business Available Cash. It is linked to the covenant on the Group's RCF, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Group Chief Financial Officer's Review on page 25.