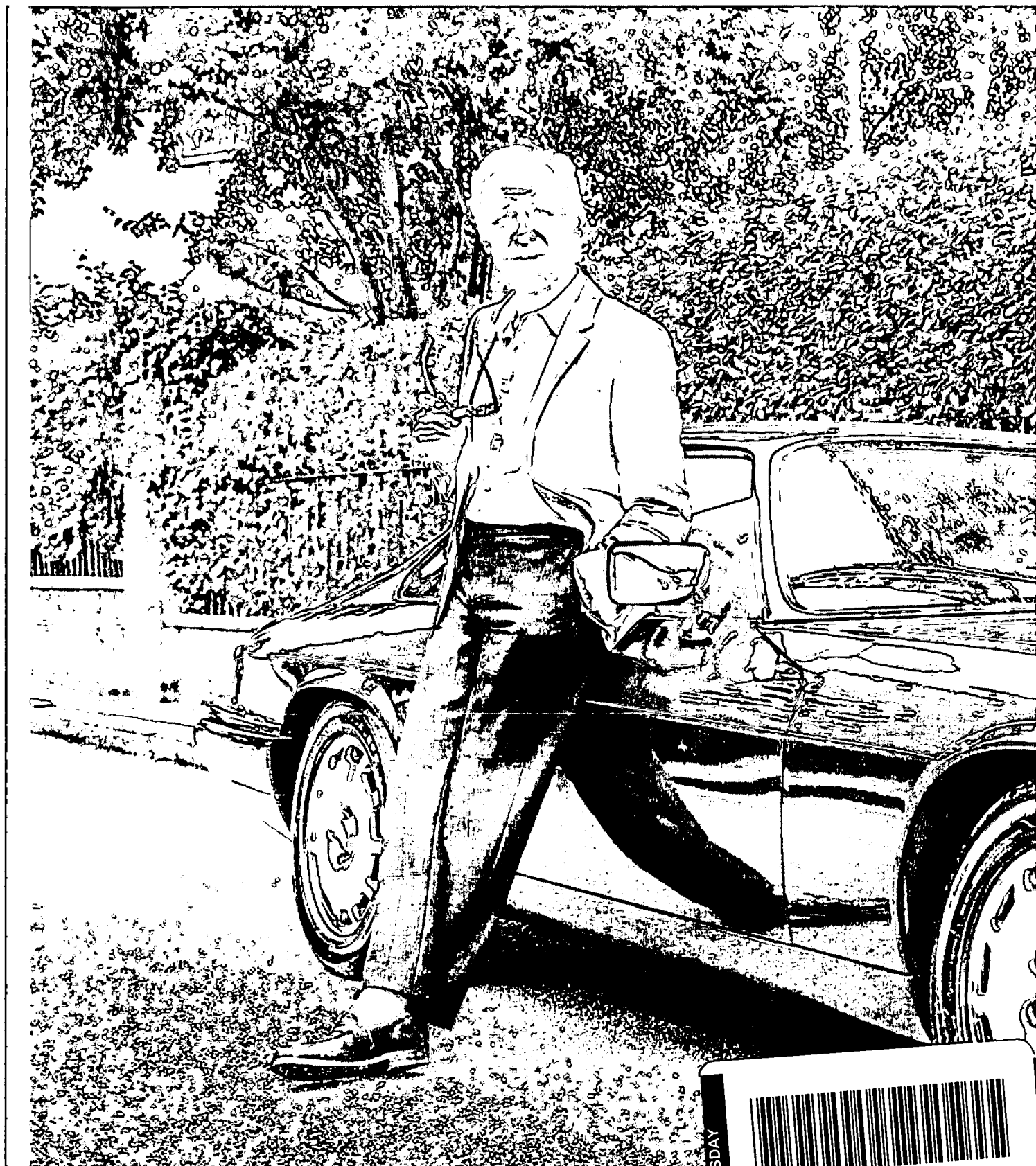




**SAGA PLC
ANNUAL REPORT
AND ACCOUNTS 2022**



SAGA

Experience is everything



SAGA'S PURPOSE IS TO DELIVER EXCEPTIONAL EXPERIENCES EVERY DAY, WHILE BEING A DRIVER OF POSITIVE CHANGE IN OUR MARKETS AND COMMUNITIES.

At the heart of our business model is the drive to understand our customers' wants and needs so that we can provide them with the products they want and the exceptional experience they deserve.

Our vision is to help lead and create a UK where older people are valued for their experience and have greater confidence, contribution and connections.

Contents

Strategic Report

2	Saga at a glance
4	Chairman's Statement
6	Group Chief Executive Officer's Statement
10	Key performance indicators
12	Market review
14	Purpose and business model
16	Engaging with stakeholders
18	Our strategy
23	Environmental, Social and Governance (ESG)
36	Group Chief Financial Officer's Review
53	Principal risks and uncertainties (PRUs)
55	Viability Statement
56	Key disclosure statements

Governance

Corporate Governance Statement

58	Chairman's introduction to governance
60	Application of UK Corporate Governance Code
61	Governance in action
65	Governance statements
66	Board leadership and Company purpose
67	Division of responsibilities
69	Composition, succession and evaluation
70	Board of Directors
72	Nomination Committee Report
74	Audit, risk and internal control
77	Audit Committee Report
82	Risk Committee Report

Directors' Remuneration Report

85	Annual Statement
88	Remuneration at a glance
90	Directors' Remuneration Policy
94	Annual Report on Remuneration

Directors' Report

111	Statements of responsibilities
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Independent Auditor's Report to the Members of Saga plc

Financial statements

Consolidated financial statements

121	Consolidated income statement
122	Consolidated statement of comprehensive income
123	Consolidated statement of financial position
124	Consolidated statement of changes in equity
125	Consolidated statement of cash flows
126	Notes to the consolidated financial statements

Company financial statements of Saga plc

193	Balance sheet
194	Statement of changes in equity
195	Notes to the Company financial statements

Additional information

201	Alternative Performance Measures Glossary
202	Glossary
204	Shareholder information

Alternative Performance Measures

In addition to statutory performance measures, the Group also measures performance using Alternative Performance Measures. These are reconciled to statutory measures of performance on page 47 of the Group Chief Financial Officer's Review and defined in full on page 201.

TRANSFORMING SAGA

We have made strong progress against our turnaround strategy, unlocking the potential that exists within Saga. In 2021/22 our Insurance business performed resiliently, delivering the second year of policy growth after several years of decline. In Travel, we resumed operations, delivered a strong pipeline of Cruise bookings for 2022/23 and began the restructure of our Tour Operations business.

During the year, we also launched our new brand approach, showcased by three new television adverts, proudly celebrating our audience and focusing on their attitude, rather than age.

In order to convert the foundations laid into sustainable growth, we are further evolving our strategic approach, focused on maximising our existing businesses, reducing our debt and developing new businesses in a capital-light way and creating 'The Superbrand' for older people.



See our **new television advert** here



See our **CEO presenting** our growth plan

Saga at a glance

TRANSFORMING SAGA, BUILDING OUR FUTURE

Our purpose is to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities.

We aim to build exceptional insight that runs throughout our businesses, allowing us to understand our customers, the ageing process and life stages better than anyone else. Everything we do for our customers, and indeed each other, is simple, personal and special.

Throughout 2021/22 we delivered against our turnaround strategy, focused on five strategic priorities:

- 1 People and culture step change
- 2 Data, digital and brand transformation
- 3 Optimising our businesses
- 4 Driving simplicity and efficiency
- 5 Reducing our debt

We are now well-placed to return the business to sustainable long-term growth and will focus on three key areas to do so:

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

This will continue to be underpinned by our commitment to high Environmental, Social and Governance standards.

Our values

Our values represent who we are and how we work, brought to life every day by our colleagues. We believe that every interaction, in whatever form that takes, should reflect these values.



Precision pace

Always owning and making things happen
We agree clear goals and plans, we move quickly and boldly, and we act and take ownership.



Empathy

Always aware of others
We understand and acknowledge how someone else is feeling and their experience, and we walk in their shoes.



Curiosity

Always asking why
We are open minded, always seeking new insights and learning about our customers, markets, competitors and each other, and we welcome and provide challenge.



Collaboration

Always one team, the Saga team
We are one team, working together, valuing inclusivity and difference.

Our businesses

Saga's businesses all focus on the specific needs and wishes of our unique customer group.

Insurance



Saga's Insurance business remains the largest part of the Group and comprises:

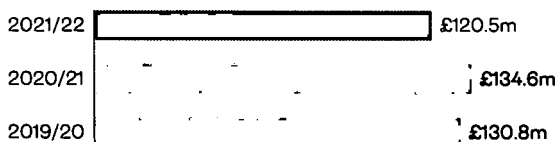
- Retail Broking, which includes principally motor, home, private medical and travel insurance; and
- Underwriting, representing the Group's in-house underwriter, Acromas Insurance Company Limited (AICL), which sits on the panel of insurers and underwrites 70% of Saga's motor insurance policies.

Highlights for 2021/22

- Second year of policy growth following several years in decline, supported by increased customer retention.
- Launch of our enhanced Saga Plus three-year fixed-price motor and home insurance.
- AICL policies, in relation to the Saga motor book, returned to growth for the first time since 2012.

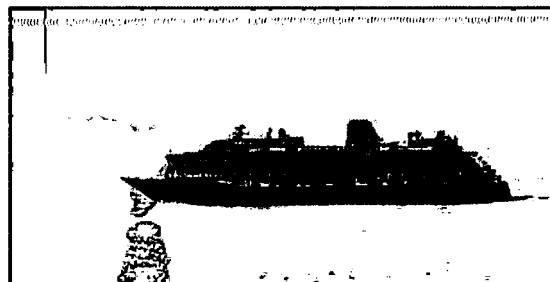
Underlying Profit Before Tax¹

£120.5m



[Read more on pages 39-42](#)

Travel



The Travel business, where Saga began, has always been at the heart of the brand and consists of:

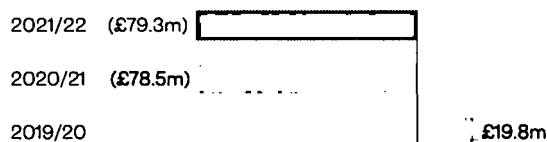
- Cruise, offering boutique ocean and river cruises; and
- Tour Operations, offering package holidays including escorted tours, special interest trips and hotel stays.

Highlights for 2021/22

- Travel business successfully resumed operations in June 2021.
- Cruise business delivered strong load factor and per diems, despite travel restrictions in place.
- Strong Cruise bookings into 2022/23 with load factor of 73% and per diem of £319 at 20 March 2022.
- Began the restructure of Tour Operations, to deliver growth and create a lower-cost, more agile, customer-focused business.

Underlying (Loss)/Profit Before Tax¹

(£79.3m)



[Read more on pages 43-44](#)

Other Businesses



The Group's Other Businesses include:

- Saga Personal Finance, offering equity release and savings products;
- Saga Magazine; and
- MetroMail, our in-house mailing and printing business.

Highlights for 2021/22

- Offered all shareholders a complimentary subscription to the digital magazine.
- Launch of Saga Lifetime Mortgage and Easy Access Cash ISA.

Underlying Profit Before Tax¹

£1.8m

2020/21 – £2.8m
2019/20 – £4.6m

[Read more on page 44](#)

¹ Refer to Alternative Performance Measures Glossary on page 201 for definition and explanation

Chairman's Statement

EMERGING STRONGER FROM THE PANDEMIC



We are emerging from the pandemic stronger than we were when it began and we are positioning Saga for sustainable growth. An exciting future lies ahead.

I am pleased with the progress we made last year despite the considerable challenges of the external environment.

Although it has clearly been a particularly difficult period for our Tour Operations business and our cruise ships were only able to start sailing with guests in late June and, even then, with significant restrictions on the number of berths we were able to fill, we made good progress throughout the year with our turnaround strategy. Saga's Retail Broking business achieved a second consecutive year of motor and home policy growth following several years of decline and our Cruise business secured a very encouraging level of bookings for 2022/23.

Reasons to invest in Saga

Our investment case is designed to create value for shareholders by returning the business to sustainable long-term growth and reducing debt.

How we are different

Saga focuses on people over 50, the fastest growing, most affluent and influential segment in the UK. Our deep customer insight gives us a unique view into our customers' lives. We exist to create exceptional experiences for these customers every day, while being a driver for positive change in our markets and communities.

The model works

We offer differentiated products and services, underpinned by a trusted brand. Our business model is capital-efficient and highly cash generative, providing flexibility to balance investment in our brand and businesses with debt reduction and delivery of long-term returns to shareholders.

Confidence in future delivery

We have a clear and compelling strategy, focused on building on the foundations laid over the past two years under our turnaround plan. We are now focused on returning the business to growth through maximising our existing businesses, reducing debt while step-changing our ability to scale and positioning Saga as 'The Superbrand' for older people. This will create a truly customer-orientated experience and continue to drive longer and deeper relationships with our customers.

 Read more on page 14

As a result of the turbulence being experienced by the travel industry, we are making significant changes to our Tour Operations business in order to create a lower-cost, more agile and digitally-led operation, focused on the evolving needs of our customers. These changes will place us in a better position as our customer demand rebuilds and will help us in facing any further external challenges, such as the current war in Ukraine.

During the year, we prepared ourselves for the new regulatory changes in the insurance industry that came into force in January 2022. We also strengthened our systems and senior management teams and we are now retaining more of our customers at the point of policy renewal. We are now placing far greater focus on cross-selling our policies to our customers.

As a result of raising new capital in 2020 and the successful issue of our new bond last July, the Company is in a much stronger financial position and we have ended the year with lower net debt and more cash on our balance sheet.

The culture across Saga has continued to develop with colleagues reporting that they were feeling more engaged and supported than before. We announced the introduction of Grandparents' Leave, the first initiative of its kind amongst major UK employers. This is part of our work to challenge perceptions of ageing which is a central part of our new Environmental, Social and Governance (ESG) strategy.

Saga has always had a strong sense of purpose and has embraced our ESG responsibilities with enthusiasm. We have a diverse range of ESG initiatives and are currently engaged in developing a new and more ambitious plan that will have even greater impact.

Shareholder returns

As a shareholder myself, I fully understand that some investors could be frustrated by the current share price. I would like to assure you that the Board is very focused on creating long-term sustainable growth in the value of Saga. I believe that, with our strengthened team and the growth strategy we now have in place, we will be successful.

In April 2020, to protect the Group's financial position in light of the pandemic, the Board announced that it had suspended dividend payments to shareholders and that it did not expect to renew them until 2024 at the earliest. With this in mind, no dividend is proposed for the 2021/22 financial year. We are very aware of the importance of an annual dividend to many of our shareholders and will look to reinstate payments when it is appropriate to do so.

The continued disruption caused by the pandemic has highlighted the financial and operational resilience of Saga and the value of a diversified business. I am very pleased with the performance of our leadership team and our achievements, despite the external challenges we have faced. I am confident that we are emerging from the pandemic stronger than we were when it began. We have made good progress with our strategy and I am confident that our new growth plan will, in the long term, benefit all our stakeholders.

Finally, I would like to extend my thanks to everyone at Saga for the resilience they have shown throughout what has been another extraordinary year. Our colleagues have worked hard with dedication and determination to provide our customers with the very best support and service.



Sir Roger De Haan
Non-Executive Chairman

22 March 2022

"I would like to extend my thanks to everyone at Saga for the resilience they have shown throughout what has been another extraordinary year."

Group Chief Executive Officer's Statement

POSITIONING SAGA FOR GROWTH

“Against a backdrop of external headwinds, we are proud of what we have achieved and acknowledge that none of this would have been possible without our colleagues’ hard work and dedication.”

Euan Sutherland
Group Chief Executive Officer



See our CEO discussing
our progress



We were determined to emerge stronger from the pandemic than we went in and, in spite of the challenges of 2021/22, I am pleased that we have done so, and are now positioning the business for growth.

A year of transformation

During 2021/22, we continued to make strong progress against our turnaround strategy, enhancing our capability in Insurance and delivering another year of positive momentum, successfully resuming Cruise operations and beginning the restructure of our Tour Operations business. All of this was achieved while delivering a new brand campaign aimed at changing the perceptions of Saga.

Our robust performance

Against the backdrop of the COVID-19 pandemic, the Group reported an Underlying Loss Before Tax¹ of £6.7m. While we reported a robust performance within Insurance, this reflects suspension of the Travel business for much of the first half of the year and the ongoing impact of the pandemic once operations were able to resume. After allowing for one-off extraneous items, the Group reported a loss before tax of £23.5m.

During 2021/22, we made strong progress in strengthening the Insurance business and ensuring that we continued to deliver exceptional experiences for our customers.

The Retail Broking business delivered a second year of positive momentum with 1.4% growth in motor and home policies after several years in decline, supported by increased customer retention.

Our in-house underwriter, Acromas Insurance Company Limited (AICL), reported positive momentum following action taken to strengthen our pricing capability and expand our footprint. AICL policies in force in relation to the Saga book, at 31 January 2022, were 3% ahead of the prior period, the first year of policy growth since 2012.

Throughout 2021/22, our Travel business continued to be impacted by the pandemic. Our Cruise business remained suspended until 27 June 2021, at which point, we were able to resume sailing within the UK with a limited number of guests on board. Once UK restrictions were lifted in the summer and we were able to commence international sailing, we continued to navigate local restrictions at our ports of call, amending itineraries and reducing capacity as necessary.

In spite of these headwinds, customer demand remained strong, and for the year ended 31 January 2022, we delivered positive EBITDA and cash generation in the second half with a load factor of 68% and per diem of £299.

Looking to our Tour Operations business, our customers have been cautious about returning to this form of travel, with the need to move through airports and mix with a greater range of people. As such, we have taken a number of steps to amend our product set and ensure that we are well-positioned to offer customers the holidays they want today. We are confident that this will help return the business to growth as customer demand rebuilds.

The Group's performance was underpinned by our strong financial position following actions taken in 2021, with Available Cash at 31 January 2022 of £186.6m, and an undrawn revolving credit facility of £100.0m.

While 2021/22 was a challenging year, we have taken a number of key steps that will return Saga to sustainable growth.

Strong strategic progress

I am pleased with the progress we have made against our turnaround strategy, Transforming Saga – Experience is Everything. Our brand relaunch means we have delivered on our promise to create a refreshed, contemporary and relevant brand which is at the heart of all our work to deliver the best possible experience for our customers. To do this, we were focused on delivery under each of the following five pillars.

People and culture step change

Our people and culture transformation continued to be key, acknowledging that our colleagues are pivotal to the success of our business.

To foster a culture where colleagues feel like they belong, we continued to focus on diversity, equity and inclusion through events such as our Women in Leadership conference and introducing guest speakers for Black History Month, Men's Health Month, LGBTQi+ and National Menopause Day.

Colleague wellbeing also continued to be a focus, with support provided through additional holiday entitlements, financial aid for those in need and increased emphasis on mental health. We also introduced a new colleague recognition scheme, the 'Saga Spotlight Awards', designed to celebrate the achievements of colleagues who showcase our values of precision pace, empathy, curiosity and collaboration.

In January 2022, we were proud to be the first business of our kind to introduce Grandparents' Leave, offering colleagues one week of paid leave per annum following the birth of a new grandchild. This new benefit reflects our belief in the value of experience in the workplace, alongside a recognition of the role of grandparents to their families and society.

Underlying (Loss)/
Profit Before Tax¹

(£6.7m)

2020/21 – £17.1m

2019/20 – £109.9m

Loss Before Tax

(£23.5m)

2020/21 – (£61.2m)

2019/20 – (£312.8m)

Available Cash¹

£186.6m

2020/21 – £75.4m

2019/20 – £40.9m



Our colleagues are the core of our business

This year, we remained committed to fostering a culture where colleagues feel like they belong, are heard and recognised for the value they bring to the business. Through the provision of additional holiday entitlements, increased diversity, equity and inclusion focus and new colleague reward and recognition schemes, we are creating a culture that we can all be proud of.

¹ Refer to Alternative Performance Measures Glossary on page 201 for definition and explanation

Group Chief Executive Officer's Statement continued

Overall colleague engagement

7.7 out of 10

2020/21 – 7.3

Customer net promoter score (NPS)

49

2020/21 – 44
2019/20 – 38

Following the further progress made over the past year, we continue to receive positive feedback from colleagues which is reflected through an increase in our overall colleague engagement. The score from our latest survey was 7.7 out of 10, an increase of 0.4 from the same point last year.

Data, digital and brand transformation

As part of our data, digital and brand transformation, in October 2021, we relaunched our brand, showcased through three new television adverts and the relaunch of our websites and social media accounts. The 'Experience is Everything' campaign is aimed at reflecting the attitude of our customers rather than their age and represents a multi-year initiative designed to transform the views of Saga over the longer term.

Our progress to date across the data, digital and brand space continues to be recognised by our customers through a number of means, including an increased net promoter score of 49 and more widely through an award nomination for magazine 'cover of the year' and wins in seven categories at the Consumer Intelligence Awards.

In February 2022, although after the end of the financial year, we were pleased to announce the acquisition of The Big Window Consulting Limited (**the Big Window**), a specialist research and insight business focused on understanding older consumers. Having the Big Window as part of the Saga Group allows us to strengthen our insight and understanding of our consumers and ensure we are delivering the products and services that they want.

Optimising our businesses

Insurance

Within Retail Broking, we increased motor and home policies in force by 1.4%, representing the second year of growth following several years in decline. Customer retention improved by 2.3ppts to 82.8%, supported by increased uptake of our three-year fixed-price products which now account for 47% of our motor and home book. Motor and home margins per policy remained stable at £74 and the proportion of customers who came to us directly, rather than through price-comparison websites also remained stable, at 59%.

Our Underwriting business, AICL, reported an Underlying Profit Before Tax² of £54.1m, supported by £42.1m of reserve releases and a current year combined operating ratio (excluding reserve releases) of 96.3%. Over the past two years, we have significantly enhanced our Underwriting capability, strengthening the team and implementing new pricing models which have allowed us to expand the range of business we underwrite, further supporting the Retail Broking business.

In January 2022, the new pricing rules arising from the Financial Conduct Authority market study came into effect. Experience to date for home insurance is broadly in line with expectations, while motor insurance pricing has remained highly competitive.

While we expect the new pricing rules to reduce motor and home profits, it is however too early to quantify the longer-term impact. We remain of the view that we are well-positioned to operate in a market that is focused more on propositions and service, alongside price.

In the second half of 2021/22, we launched Saga Plus, our enhanced three-year fixed-price cover with added extras including our claims promise, onward taxi travel, legal and key cover as standard.

More recently, we were rated as the number one insurance brand in the UK for customer satisfaction and the third highest sector-wide, by The Institute of Customer Service.

We were also pleased to welcome Steve Kingshott in November 2021 who was appointed as CEO of Insurance. Steve has a wealth of experience in the insurance industry, most recently from Tesco, and has hit the ground running in terms of optimising our Insurance businesses.

Travel

2021/22 was a pivotal year for the Travel business as our Cruise operation successfully restarted in the summer following 15 months of suspension and we began the restructure of our Tour Operations business.

Throughout this time, customer safety was our first priority, ensuring that we were able to operate in a way which not only kept customers safe, but also gave them peace of mind. I am incredibly proud of the environment we have created and the demand we have subsequently seen for our offering.

In July 2021, our newest ocean cruise ship, Spirit of Adventure, was officially named and sailed her inaugural cruise. With both ocean cruise ships now back in service and operating our established health and safety protocols, we are receiving exceptionally positive feedback from our customers. Our guest satisfaction score from resumption, up until 31 January 2022 was 9.1 out of 10.

Since we resumed Cruise operations on 26 June 2021 and up until 31 January 2022, we completed 31 successful sailings on board our two ships and we, and our guests, are learning to live with COVID-19 restrictions. While it was disappointing for those of our customers that were affected, we are pleased that only one sailing has been meaningfully impacted, with a cruise to the Caribbean (which took place after the financial year end) curtailed following a limited outbreak, due to the strict protocols at those ports.

We began the restructure of our Tour Operations business, adopting a new operating model. To maximise the efficiency within touring and create a lower-cost, more agile business, we have combined the operations of Saga Holidays and Titan Travel. In addition, the management of our river cruise operation has moved across to ocean cruise.

These actions place us in a strong position as travel restrictions ease and customer demand rebuilds.

Driving simplicity and efficiency

In order to deliver against our strategy, it is essential that we continually look for opportunities to simplify our business and maximise our efficiency.

We continued the rationalisation of our office space and reduced the number of offices in use from 11 to seven. We plan to reduce this even further with three more currently for sale.

For the period of Travel suspension in the early part of the year, we initially provided an indicative cost range of £7–9m per month across both the Cruise and Tour Operations businesses. As a result of tight cost control, we were pleased to report costs below this range, at £5.9m per month.

From a customer perspective, we introduced functionality to allow our Travel guests to provide their feedback digitally, enabling faster and deeper insight into customer satisfaction. We also launched a mid-term adjustment rebroking process in Insurance which provides customers with greater flexibility when making a policy change mid-way through their term.

Reducing our debt

Throughout 2021/22, despite the impact of the pandemic, our focus on debt reduction and strengthening our financial position remained at the forefront of our thinking.

In July 2021, we completed a series of financing transactions which provided us with greater flexibility through less-restrictive terms and ample liquidity to support the business through any ongoing period of uncertainty. These included the issue of a new five-year £250.0m bond and use of the proceeds to repay our £70.0m term loan and £100.0m of our existing bond, with the remainder held as Available Cash³.

At 31 January 2022, our net debt was £729.0m, £31.2m lower than at 31 January 2021, reflecting resilient cash generation within Retail Broking and the restart of the Cruise business which were only partially offset by support provided to Tour Operations and debt servicing costs.

Our growth plan

In 2020, we announced our strategy to transform Saga and since then, we have continued to deliver against each of those five strategic priorities.

In order to build on our progress to date and convert the foundations already laid into sustainable growth, we are further evolving our strategic approach. This will see us focus on three strategic priorities, all of which are co-dependent and aligned in approach to maximise shareholder value:

1. Maximise our existing businesses

Through specific growth plans for each, a franchise structure to enable focus, growth, accountability and efficiency, and the delivery of a common brand purpose.

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

Grow existing businesses while reducing debt and develop new businesses through innovation in a capital-light way.

3. Create 'The Superbrand' for older people

Deliver a step-change in brand perception and loyalty through focus on four areas:

- Commercialising and growing our database.
- Building exceptional insights, supported by the acquisition of data and insights business, the Big Window.
- Delivering a brand re-positioning where 'Experience is Everything'.
- Creating a content platform where we reach millions of customers every day.

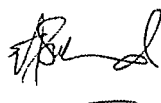
🔍 Read more on page 22

Well-positioned for the future

Following the disruption caused by the pandemic over the past two years, we are emerging stronger than we went in.

Whilst mindful of the headwinds as we enter 2022/23, I am confident that we have the right strategy, structure and team in place to unlock the potential that exists within Saga and create long-term sustainable growth for our shareholders.

Finally, I would like to thank all of our colleagues for their continued commitment throughout what has been another challenging year. Against a backdrop of external headwinds, we are proud of what we have achieved and acknowledge that none of this would have been possible without their hard work and dedication.



Euan Sutherland
Group Chief Executive Officer

22 March 2022

Net debt

£729.0m

2020/21 – £760.2m

2019/20 – £593.9m

Key performance indicators

During the financial year, the following key performance indicators (KPIs) were used to assess the financial and operational performance of the business against its strategy.

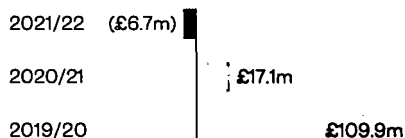
Financial KPIs

Underlying (Loss)/Profit Before Tax¹

Purpose and definition
Underlying (Loss)/Profit Before Tax¹ is the Group's primary KPI and a meaningful representation of the Group's underlying trading performance. It represents profit before tax excluding items which are not expected to recur. Refer to page 201 for full definition and explanation.

Performance
Reduction of £23.8m in comparison to 2020/21, largely as a result of higher marketing costs, the impact of increased motor claims frequency as miles driven returned closer to normal levels and lower renewal margins in private medical insurance.

(£6.7m)



② ③ ④

Insurance Underlying Profit Before Tax¹

Purpose and definition
Insurance Underlying Profit Before Tax¹ is the primary KPI of the Insurance business and a subset of Underlying (Loss)/Profit Before Tax¹, reflecting only the performance of that business.

Performance
10% reduction in comparison to 2020/21 due to lower renewal margins in private medical insurance, increased motor claims frequency, television advertising costs and the movement in the written-to-earned adjustment. Refer to pages 39-42 of the Group Chief Financial Officer's Review for full details.

£120.5m



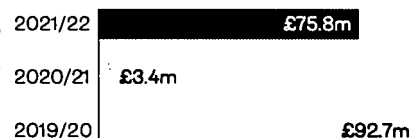
③

Available Operating Cash Flow¹

Purpose and definition
Available Operating Cash Flow¹ represents net cash flow from operating activities which is not subject to regulatory restriction, after capital expenditure but before tax, interest, restructuring costs, proceeds from the disposal of businesses and other non-trading items. Refer to page 201 for full definition and explanation.

Performance
Significant increase in Available Operating Cash Flow due to positive Cruise cash flow following the restart of operations, actions taken to reduce the support required by Tour Operations and a higher AICL dividend, only partially offset by increased capital expenditure and lower Trading EBITDA¹.

£75.8m



② ③ ⑤

Net debt

Purpose and definition
Net debt represents the sum of the carrying value of the Group's debt facilities, less the amount of Available Cash¹ it holds. Refer to page 49 of the Group Chief Financial Officer's Review for a full breakdown.

Performance
Net debt reduced by £31m compared with 31 January 2021 due to the underlying performance of the Insurance business and the restart of the Cruise business which are offset in part by capital expenditure, interest payments and support provided to Tour Operations. Refer to pages 48-49 of the Group Chief Financial Officer's Review for full details.

£729.0m



⑤

References to our turnaround strategy

- ① People and culture step change
- ② Data, digital and brand transformation
- ③ Optimising our businesses
- ④ Driving simplicity and efficiency
- ⑤ Reducing our debt

£ 2022 Bonus KPIs

Non-financial KPIs

Insurance



Motor and home retention

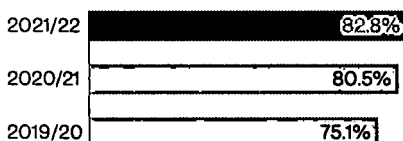
Purpose and definition

Motor and home retention is a key indicator of performance within the Insurance business and represents the proportion of motor and home customers that choose to remain with Saga when their policy is due for renewal.

Performance

Motor and home retention 2.3ppts ahead of 2020/21, supported by increased uptake of our three-year fixed-price product which now represents 47% of all motor and home policies in force.

82.8%



③

Customers



Customer net promoter score (NPS)

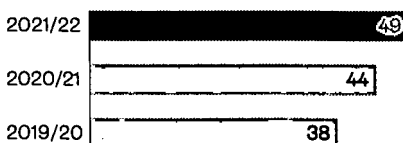
Purpose and definition

Customer NPS represents the willingness of customers to recommend Saga products and services to others. It is measured by customer survey responses, weighted by business unit.

Performance

Customer NPS increased 5pts to 49, reflecting improvements within our Insurance and Personal Finance businesses.

49



②

Cruise



Load factor

Purpose and definition

Load factor is the most sensitive driver of Cruise profit before tax and represents the booked proportion of the total capacity across our two cruise ships. It is calculated by dividing the number of berths booked by the total berths available.

Performance²

Load factor of 68% for 2021/22, reflecting imposed capacity restrictions. Strong booked load factor for 2022/23 of 73% as at 20 March 2022.

68%

2021/22

73%

2022/23

③

Colleague engagement^{3,4}

Overall

Purpose and definition

Our overall colleague engagement metric provides an indication of how committed and enthusiastic colleagues are towards both Saga and their work. It is measured through responses to regular colleague surveys hosted by an independent third party.

Performance

Overall colleague engagement increased to 7.7 from our initial score of 7.0 in September 2020, with improvements arising from enhancements to our performance reviews, increased standard leave entitlements, removal of eligibility criteria from our family policies and providing colleagues with regular strategy updates.

7.7 out of 10



①

Per diem

Purpose and definition

Per diem provides an indication of pricing within the Cruise business and reflects the average revenue charged per guest per night on board our ocean cruise ships.

Performance²

£299 per diem for 2021/22, and £319 for 2022/23 (at 20 March 2022) reflect enhancements made to the Cruise offering.

£299

2021/22

£319

2022/23

Values

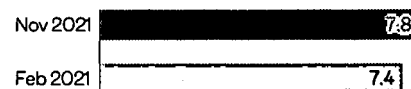
Purpose and definition

Our values-based colleague engagement metric provides an indication of how engaged colleagues are with our four values of precision pace, empathy, curiosity and collaboration. It is measured as part of the overall regular colleague engagement surveys hosted by an independent third party.

Performance

The overall values score increased to 7.8 from our initial score of 7.4 in February 2021, which is when we launched our values. In order to embed our values after the launch, we hosted a values experience workshop for all colleagues and launched the Saga Spotlight Awards, our values-led colleague recognition programme.

7.8 out of 10



2 No comparative data has been provided for Cruise load factor and per diems as operations were suspended for much of 2020/21, with the offering prior to that not comparable with our two current ships

3 Note that the last colleague engagement survey was conducted in November 2021, with the next survey due in April 2022

4 During 2020/21, Saga appointed a new third-party survey provider. As such, there is no comparable data available prior to February 2021

Market review

DELIVERING EXCEPTIONAL EXPERIENCES IN CHALLENGING MARKETS



The Saga customer

Our customers are the core of our business. It is this focus that drives us to constantly evolve our in-depth understanding of their behaviours and sentiments, allowing us to deliver products they desire with the unprecedented service that they deserve.

Saga predominantly operates in the insurance and travel markets which both face significant competition for customers, particularly in the context of highly commoditised products and an evolving digital landscape. We aim to deliver differentiating products specifically tailored to meet the needs of our customers which, within Insurance, includes our unique Saga Plus product, offering fixed-price¹ motor and home insurance for three years, and within Travel, includes cruises on board our luxury mid-sized ocean ships and purpose-built river ships.

Saga operates in a highly attractive market with significant opportunity for growth

There were...

25.9m

individuals in the UK aged over 50 during 2021²

...representing

38%

of the total UK population²

...which is only expected to grow

9%

increase expected in the UK over 50 population by 2031²

...but people over 55 represent

62%

of total wealth in the UK³



1.5m

Saga customers at 31 January 2021

60%

increase in internet usage among 65-74 year-olds (from 2011 to 2019)⁴

¹ Customer premiums are fixed over three years subject to no claims being made, no new convictions and no changes to insurance premium tax, address, vehicle or drivers. Policyholders may cancel the policy at any time without any obligation to renew

² Office for National Statistics – 2018-based principal projections

³ Office for National Statistics – Total individual wealth, including private pension wealth, by age band, April 2016-March 2018

⁴ Office for National Statistics – Recent internet users, UK, 2011 and 2019

Regulatory and legislative developments

Background

Our Retail Broking and Personal Finance businesses are regulated by the Financial Conduct Authority (FCA), with the Underwriting business regulated by the Gibraltar Financial Services Commission operating under the Solvency II Directive. The Tour Operations business is regulated by the Civil Aviation Authority and is a member of the Association of British Travel Agents (ABTA), the International Air Transport Association and the Federation of Tour Operators trade bodies. The Cruise business is regulated by the Maritime and Coastguard Agency (MCA) and is a member of the UK Chamber of Shipping and ABTA. Saga also operates processes and procedures to comply

with other regulations and legislation that apply to its businesses including, but not limited to, the Data Protection Act 2018, UK General Data Protection Regulation, the Bribery Act 2020, the Equality Act 2010 and health and safety legislation.

Developments during the year

During 2021, Saga completed the work required to meet the FCA requirements for general insurance pricing practices to address the difference between new business and renewal pricing for motor and home policies, which came into effect on 1 January 2022. We believe these changes are positive for consumers as a whole and will encourage more focus on service and claims handling as prices become more aligned across the industry.

In December 2021, the FCA published its second consultation paper 'A New Consumer Duty', which incorporates new consumer protection standards in retail financial services, designed to improve overall customer outcomes and to encourage firms to 'get it right first time'. It will be supported by a set of rules and required customer outcomes. These new rules are expected to be finalised in July 2022, with the implementation period running until April 2023. Saga is well-positioned to meet these new standards, building upon customer-orientated working practices already embedded and operating to good effect.

Macroeconomic conditions

COVID-19 pandemic

2021 began with significant COVID-19 restrictions in place across most of the UK. These restrictions began to be lifted in March, with most activities resuming by the summer. During this period, our colleagues continued to operate largely from home, and service delivery in the Insurance business continued as usual with minimal disruption under our remote working model rolled out in 2020.

Our Cruise business was not able to operate for the first half of 2021 due to the pandemic. Cruises returned to service with Spirit of Discovery's first cruise on 27 June 2021, followed a month later by Spirit of Adventure on 26 July 2021. Preparations for return to service began at full pace in April 2021 with the crew vaccination programme to ensure that 100% of crew were vaccinated before our guests were invited back on board.

Working closely with regulators, new COVID-19 protocols were designed, implemented and certified by Lloyds Register, with both ships gaining the Shield+ accreditation. All crew members were trained in these procedures as well as our standard safety and emergency response training. Following successful sea trials, the MCA certified the ships to operate with guests on board.

In November 2021, a further COVID-19 variant, Omicron, was discovered in the UK, leading to record levels of cases. While this didn't result in significant restrictions, it did have an impact on absenteeism in all industries. Our Insurance business suffered a short-term diminution in contact centre service levels, which was addressed through increased recruitment and productivity measures. The Cruise business was already testing all guests and crew prior to, and at key points during, each cruise. These measures will continue to remain in force for as long as necessary to protect our guests.

Political uncertainty

Although starting after the end of our financial year, the Russian invasion of Ukraine on 24 February 2022 has created heightened economic and political uncertainty throughout the world. Whilst the situation continues to unfold, a number of potential risks have been identified that could impact our ability to deliver on our strategy that will require close monitoring and an agile management response should the situation continue to escalate. The key risks at the time of writing include increasing inflationary pressures caused by rising commodity prices, such as oil, food and metals that all affect either our costs of supply,

household spending patterns or both. There is also the potential disruption of global stock markets, which combined with the inflationary impacts, may drive investors towards a more cautious outlook and reduced spending. We will respond to these changes as necessary, whilst maintaining our focus on the customer and delivering optimal performance under whatever circumstances prevail over the coming year.

Recruitment and retention

During the latter half of 2021, UK companies started to suffer high levels of resignations, commonly referred to as the 'Great Resignation'. These attrition rates, noted by external experts as being the highest since 2009, have affected all financial services firms, including Saga. In response, we have enhanced our recruitment, induction and onboarding processes, continuing to build on our strong colleague engagement, and reviewed and responded to key themes among our leavers, to identify opportunities for further improvement. This work will continue into 2022 and will be closely monitored to ensure our response remains effective.

Purpose and business model

CREATING VALUE USING OUR DISTINCT STRENGTHS

Our strengths



Our colleagues and culture

Our colleagues remain integral to our brand as they deliver exceptional experiences for our customers every day. Focus on our people, and the culture in which they work, is therefore a key priority. Through investing in, and constantly developing this culture, we encourage colleagues to do the best work of their lives which in turn, benefits our customers.

Our brand

The strength of the Saga brand is a key differentiator in the highly competitive markets that we operate in. The relaunch of the brand in 2021 was aimed at reflecting the attitudes and mindsets of our customers rather than just their age. This will allow Saga to appeal to a wider customer base than ever before, supporting our direct marketing model and driving customer loyalty.

Our customers and insight

Our customers are the core of our business. Everything we do is aimed at creating exceptional experiences for them every day. It is this focus that drives us to gather an in-depth understanding of their behaviours and sentiments to allow us to develop products tailored specifically for this unique group.

Supplier partnerships

Our supplier relationships are paramount to our business model, providing specialist expertise, knowledge and capital that support us in delivering the best possible outcome for our customers.

Proprietary data and technology

We are always looking to enhance our systems capabilities and strengthen our ability to capture insight at every opportunity with both our existing and potential customers. This approach allows us to create bespoke offerings to suit the specific needs of our customers.

Financial resilience

Insurance operations remain the largest part of the Group, converting much of its profit after tax into cash. Against the continued backdrop of the COVID-19 pandemic, the Group has demonstrated that it is able to maintain financial resilience through proactive actions taken, responding to the developing landscape in an agile manner.

Our diverse business



Our businesses are entrepreneurial and autonomous, whilst leveraging our core intellectual property to build deep and long-lasting relationships with our customers.

Travel

What we do

We provide our customers with luxury travel experiences through ocean and river cruises, escorted tours, special interest trips and hotel stays.

How we add value

- In ocean cruise, we offer an all-inclusive experience including our VIP chauffeur service, all drinks and meals, balcony cabins as standard and selected excursions.
- We maintain the highest level of health and safety standards on board our cruise ships, recognised through the award of the Lloyd's Shield+ accreditation.
- Customers benefit from peace of mind through the inclusion of travel insurance and our price promise guarantee.

Marketplace and position

We are one of the leading travel businesses serving people over 50 in the UK, founded on our exceptional insight into our customers' evolving needs.

Key competitors:

Royal Caribbean, Carnival, TUI and On the Beach

Guests travelled

31k

2020/21 – 15k

Insurance

What we do

We provide our customers with tailored insurance products, principally motor, home, private medical and travel insurance.

How we add value

- We develop differentiated products, such as our Saga Plus three-year fixed-price and COVID-19 inclusive travel products to offer customers additional peace of mind.
- To ensure that customers receive the best price, we use a combination of our own in-house underwriter and a third-party panel of underwriters.
- We focus on acquiring our customers directly, reducing the cost of acquisition.

Marketplace and position

We are the UK's specialist in insurance products for people over 50 in the UK.

Key competitors:

Admiral, Direct Line, Hastings, LV, RSA and Aviva

Motor and home policies in force

1.6m

2020/21 – 1.5m

Our purpose is to deliver exceptional experiences every day, whilst being a driver of positive change in our markets and communities.

At our heart and in our heritage, we are a capital-light, direct-to-customer marketing, content and distribution business with long-term customer relationships.



Other Businesses

What we do

The Group's Other Businesses provide customers with personal finance products, including equity release and savings accounts and media content through the Saga Magazine, offering entertainment and insight into a range of topics. We also operate an in-house mailing and printing business.

How we add value

- We complement our in-house expertise by partnering with third parties to deliver personal finance products that meet the needs of our customers.
- Saga Magazine delivers eclectic and interesting articles each month, keeping our subscribers up to date on the latest topics.

Personal finance customers

32k

2020/21 – 32k

Paid magazine subscribers

162k

2020/21 – 174k

Creating value



Customers

At Saga, delivering for our customers, is what motivates us. Our distinct customer group knows what good looks like and it's those expectations that we aim to surpass. Through our unique insight, we create differentiated products, coupled with exceptional service to create longer and deeper relationships with our customers.

Customer NPS

49

2020/21 – 44



Partners and suppliers

Our carefully selected partners and suppliers support our ability to deliver exceptional products and services for our customers. We aim to select partners and suppliers that complement our in-house ability through specialist skills, knowledge or capital, or whose interests align to those of our customers. In turn, our partners and suppliers benefit from access to the expertise of our colleagues, our brand and our deep customer insight.



Colleagues

We recognise that our colleagues are key to our success. It is important that colleagues feel committed to Saga and engaged in their work to deliver exceptional experiences for our customers. We continue to invest in creating a diverse and inclusive culture so colleagues feel supported, are recognised and rewarded appropriately and have an opportunity to learn and grow with Saga.

Colleague engagement

7.7 out of 10

February 2021 – 7.3



Shareholders

Saga aims to deliver long-term value for shareholders by optimising our core businesses, returning to sustainable growth and reducing our debt.

In order to protect the Group's financial position in light of the COVID-19 pandemic, the Board announced in April 2020 that it had suspended dividend payments to shareholders. The Board does not expect to pay dividends until 2024 at the earliest.



Community

Saga is committed to driving positive change within our communities through volunteer programmes, charitable giving, and minimising the environmental impact of our operations. We are proud to both represent and advocate for people over 50 in the UK.

Colleague volunteering

3,283 hours

2020/21 – 301 hours¹

Further information

- 🔍 Read more on Travel on pages 3 and 20
- 🔍 Read more on Insurance on pages 3 and 20

¹ Colleague volunteer hours during 2020/21 were significantly impacted by the effect of COVID-19 lockdowns in the UK

Engaging with stakeholders

UNDERSTANDING OUR STAKEHOLDERS



Customers

Our customers remain at the heart of our brand. Engaging new customers and building and maintaining the loyalty of our existing customers is key to our success.



What matters to them

- Products and services that are specifically tailored to their needs.
- Exceptional customer service and great value for money across all our products and services.
- Ease of interaction and clear communication through every step of the journey.

How we engage

We aim to maintain an honest dialogue with our customers through customer telephone support, social media, the Saga Magazine and our customer panel. We track customer satisfaction

within each business area via a number of metrics including net promoter score (NPS), which forms part of the balanced scorecard for our executive annual bonuses.

How the Board is kept informed

The Board receives regular reports from management based on customer insights and feedback, and reviews NPS scores. Customer-facing colleagues are also invited to Board meetings to present details of customer experiences.



Colleagues

Our colleagues remain integral to the brand and it is key that we create a welcoming and supportive culture, allowing our colleagues to do the best work of their lives.



What matters to them

- A culture where they feel they belong and are valued for the characteristics that make them individual.
- Communication that is regular, clear and open and allows colleagues to speak up and be heard.
- Receiving fair reward and recognition.

How we engage

We aim to create an exciting culture where colleagues feel able to do the best work of their lives. We have open and honest two-way

communication with our colleagues through a number of channels, further detail of which is provided on page 25.

How the Board is kept informed

Our nominated 'People Champion' is Eva Eisenschimmel, one of our Non-Executive Directors, who regularly attends our People Committee meetings. The Board is also kept informed through regular updates from our Chief People Officer (CPO) on colleague engagement, feedback from our Saga Spirit Survey and progress against our people strategy.



Communities

Part of Saga's purpose is to be a driver of positive change within our communities. We seek to understand and carefully consider the impact of every decision we make.



What matters to them

- Maintaining open communications with us, ensuring that members of the community are aware of our strategy, as well as any impact to them.
- Opportunity to share what matters to them and how we may be able to support.
- Ability to share knowledge and skills between our colleagues and the wider community.

How we engage

Quarterly meetings are hosted by our Group CEO and CPO with key members of the wider team.

A business update is provided at each meeting, giving our community stakeholders the opportunity to ask questions and engage with us on key topics. This has been particularly helpful during the major refurbishment of our Enbrook headquarters in Folkestone.

How the Board is kept informed

Our CEO and CPO attend each meeting, enabling them to directly provide feedback to the Board.



Partners and suppliers

Our partners and suppliers play a vital role in helping us to deliver exceptional experiences every day for our customers. We aim to build mutually beneficial, long-term relationships with all key suppliers.



What matters to them

- Stable relationships allowing them to achieve their own strategic goals.
- Frequent and transparent two-way communication.
- Promotion of innovation, including new technologies, to simplify, standardise and automate wherever possible.

How we engage

The Supplier Relationship Management and Supplier Risk Management Policies govern the relationships with our supply chain, providing a formal framework within which we operate.

This ensures regular, appropriate and mutually beneficial communication for both parties, continuously improving the way we work together. The business units and functional areas are responsible for the management and control of supplier relationships.

How the Board is kept informed

The Risk Committee is kept informed of any changes to supplier risk management through the Executive Leadership Risk Committee and by hearing from our Chief Risk and Compliance Officer.



Shareholders

Saga is committed to creating long-term sustainable value for our shareholders. We aim to treat all shareholders fairly, providing them with opportunities to express their views.



What matters to them

- Active engagement with the Group CEO, Group Chief Financial Officer (CFO) and Investor Relations (IR) Team.
- Regular communications providing updates on the Group's financial performance and progress against our strategy.

How we engage

We have frequent communication with shareholders through results announcements, press releases, updates to the corporate website, one-on-one meetings and group events.

How the Board is kept informed

An IR report is reviewed at each Board meeting, providing an update on shareholder engagement and feedback received. Our Non-Executive Chairman, Group CEO and Group CFO meet with our shareholders on a regular basis, assisted by our Head of IR. In addition, the Chair of the Remuneration Committee meets with shareholders throughout the year and provides the Board with any feedback. The Annual General Meeting also provides an opportunity for the Board to meet shareholders and answer any questions they may have.



Regulators

Maintaining strong relationships with our regulators is crucial as they set the framework within which we operate.



What matters to them

- Proactive and transparent communication.
- Protection of our customers and the markets we operate in.
- Increasing the trust of the public and encouraging market competition.

How we engage

Regulator relationships are maintained at subsidiary level and monitored by the respective audit, risk and compliance committees.

How the Board is kept informed

All material areas are overseen by the Risk Committee and escalated to the Board if necessary.

Our strategy

DELIVERY AGAINST OUR TURNAROUND STRATEGY

1 People and culture step change

Our people and culture transformation underpinned the success of our turnaround strategy. After laying the foundations in 2020, we took great strides in 2021 towards creating a culture where colleagues feel welcome and can always be themselves as part of a supportive and empathetic team.

Objective

Reset and launch Saga's new purpose, values and leadership behaviours to engage colleagues in the true Saga spirit and create a culture to deliver and maintain Saga's transformation.

KPI

7.7

Overall colleague engagement

Related risks

- Capability
- Regulatory landscape
- Environmental, Social and Governance (ESG)

Progress in 2021/22

Culture and engagement

- Record levels of colleague engagement, scoring 7.7 out of 10 with a participation rate of 93%.
- Increased awareness of diversity, equity and inclusion through our Women in Leadership event and guest speakers for Men's Health Month, Black History Month and Menopause Day, among others.
- Increased engagement with our values, demonstrated through our Saga Spirit Survey, scoring 7.8 out of 10.

Working@Saga

- Won 2021 Hybrid Working Award in the Workplace Customer Success Awards.
- Introduction of Grandparents' Leave, offering up to one week's leave per year for the birth of a new grandchild.

Perform Learn Grow

- Continued to support the development of female talent through partnership with the 30% Club.
- Continued focus on wellbeing through additional holiday entitlements and the provision of financial support for those in need.

Reward and recognition

- Launched new values-led recognition programme.
- Launched new reward framework for frontline colleagues, focused on providing exceptional experiences for customers.



Grandparents' Leave

"I was so happy to hear that Saga was giving grandparents paid leave. I think the bond you get early on with your grandchild is lovely and the extra time to spend with your daughter which you don't in real life often have. I remember how important it was to have my grandparents around so the fact that Saga has given me this time off means so much to me. It's nice to know that I have the full support of my employer in looking after my family. I really would encourage everyone who has the opportunity to take Grandparents' Leave. It's been the best experience."

Shelley Whittam
(Saga colleague)



See more of
Shelley's story

2 Data, digital and brand transformation

2021 was a transformational year for our brand, which we relaunched through our 'Experience is Everything' campaign, aimed at reflecting the attitude of our customers rather than their age.

Objective

Transform the digital experience for our customers, focusing on a faster, easier and simpler service. Develop data solutions to create a single customer view. Enhance brand awareness and optimise marketing through the relaunch of our new Saga brand.

KPI

49

Customer NPS

Related risks

- Cybercrime
- Saga brand and relevance
- Fraud and financial crime
- Breach of Data Protection Act 2018/ UK General Data Protection Regulation

Progress in 2021/22

- Relaunched the Saga brand with a new identity and national 'Experience is Everything' marketing campaign.
- Websites redesigned, incorporating the new brand identity, easier navigation for mobile devices and improved accessibility.
- Launched digital version of the Saga Magazine, including complimentary digital subscription for all shareholders.
- Developed the Saga app to include more products and added webchat functionality.
- NPS of 49, 5pts higher than 31 January 2021, reflecting improvements within our Insurance and Personal Finance businesses.
- Migrated marketing data from multiple legacy systems to new modern infrastructure, enabling faster analytics.
- Launched 'Experienced Voices', an online panel of 6,000 customers providing valuable insight into what they think of our products and services, alongside what matters most to them.



See our new
television advert

'Experience is Everything'

We are delighted with the positive feedback received in relation to our brand campaign aimed at reflecting the attitude of our customers rather than their age.

"Shows people over 50 are still active, participating in what life has to offer. Age is not a barrier to living a full life.

Shows that Saga respects this world view of older people."

Female, 68

"As a 70 year-old, I appreciate positive attitudes to being older. This advert does it very well."

Female, 70

"A new company logo which is more modern and the style of advertising is also certainly different to what I expected."

Male, 50

Our strategy continued

③ Optimising our businesses

We are focused on optimising our core businesses to ensure they are the best they can be for both our customers and our colleagues. We aim to maximise value creation and efficiency in order to return to long-term sustainable growth.

Objective

Re-establish Saga through exceptional service and by building differentiated propositions for our customers. Strengthen the foundations of our core businesses by simplifying processes and addressing customer concerns while keeping costs down.

Related risks

- COVID-19 pandemic
- Cybercrime
- Delivery and execution
- Regulatory landscape
- Operational resilience
- Environmental, Social and Governance (ESG)
- Third-party suppliers
- Fraud and financial crime
- Insurance risk

Optimising Insurance

Progress in 2021/22

- Delivered second year of positive momentum across motor and home:
 - Policies in force increased 1.4%.
 - 2.3ppt improvement in customer retention to 82.8%.
 - Gross margin per policy remained stable at £74.
 - Growth in three-year fixed-price products, representing 47% of the book (vs. 35% in 2020/21).
- Launch of Saga Plus, our enhanced three-year fixed-price cover with more features as standard.
- Successful implementation of, and adjustment to, changes arising from the FCA market study.
- AICL policies in force increased 3% year on year, growth for the first time since 2012.
- Ranked highest UK insurer by The Institute of Customer Service.

Optimising Travel

Progress in 2021/22

- Successful resumption of operations following easing of travel restrictions.
- Implemented robust COVID-19 protocols to ensure the safety of colleagues and guests.
- Cruise generated positive EBITDA and cash in the second half through load factor of 68% and per diem of £299.
- Secured Cruise bookings for 2022/23 of 73% load factor and £319 per diem at 20 March 2022.
- Achieved exceptional levels of customer satisfaction within Cruise of 9.1 out of 10.
- Extension of our river cruise proposition to include two new purpose-built river vessels, Spirit of the Rhine and Spirit of the Danube.



"Excellent cover for three years – I needed to change my building and contents insurance as my existing insurer was acting unreasonably, hiking the new premium to stupid levels and wasn't prepared to negotiate. I found that the Saga Plus cover offers everything I need and I like the idea of a fixed premium for three years, thus avoiding the annual hassle over premium increases."

Mr Wisbey
(home insurance customer)

"Returning to Saga car insurance after five-year break, competitive premium, three-year fixed-premium and good coverage makes a compelling package, plus online system easy to navigate."

Mr Packham
(motor insurance customer)

4 Driving simplicity and efficiency

We aim to transform Saga into a leaner, simpler and more efficient business, laying the foundations for future growth.

Objective

Maximise efficiency by continuing to reduce cost and complexity across the Group.

KPI

Number of offices reduced from

11 to 7

(with a further three currently for sale)

Related risks

- Delivery and execution
- Third-party suppliers
- Breach of Data Protection Act 2018/ UK General Data Protection Regulation

Progress in 2021/22

- Enhancements launched in Insurance including the mid-term adjustment rebroke process and launch of the new motor price-comparison website product.
- Number of offices reduced from 11 to seven, with a further three currently for sale.
- Completion of Enbrook refurbishment, creating a collaborative hub for colleagues.
- During the period of Travel suspension, kept burn costs to a minimum (£5.9m per month), and below the guided range of £7–9m.
- Launched consistent, automated measurement of customer satisfaction and NPS, providing up-to-date insight on our customers' experience.



5 Reducing our debt

The reduction of debt continues to be a key priority for Saga.

Objective

Continue to reduce debt, taking action to strengthen the balance sheet and maintain financial resilience.

KPI

£729m

Net debt at 31 January 2022

Related risks

- COVID-19 pandemic
- Insurance risk

Progress in 2021/22

- Net debt reduced by £31m to £729m, from £760m at 31 January 2021.
- Issuance of £250m fixed-rate unsecured bond allowed repayment of £70m covenanted term loan and tender of £100m of existing bond, while providing ample liquidity and greater flexibility.
- Completed disposal of property, generating £4.5m of net sales proceeds.
- Worked closely with lenders in order to manage the remaining ship and bank debt covenants, allowing flexibility through the ongoing disruption arising from COVID-19.
- Leverage ratio (excluding Cruise) of 3.0x, well within the covenant of 4.25x associated with the revolving credit facility.

Our strategy continued

OUR GROWTH PLAN

MOVING FORWARD

In order to build on our progress to date and convert the foundations already laid into sustainable growth, we are further evolving our strategic approach.

Our growth plan

1 Maximise our existing businesses

Specific growth plans for each business, enabling growth, accountability, efficiency and the delivery of a common brand purpose



Insurance

Move from reset to growth, focused on optimising our products and broadening the range, build customer relationship marketing capability, shift distribution from price-comparison websites to direct and refocus our product sourcing approach.



Cruise

Build ocean cruise into an exceptional experience every day, whilst maximising our returns.

Build a river cruise proposition that mirrors ocean.



Holidays

Create a market-leading, more digital holidays business from a low-cost operating platform to accelerate growth and modernise the business.



Personal Finance

Attract new customers, accelerate growth within existing equity release and savings products and add new products to deepen our customer relationships.

2

Step-change our ability to scale while reducing debt

- Grow existing businesses while reducing debt.
- Develop new businesses through innovation, in a capital-light way.

3

Create 'The Superbrand' for older people

- Address the current brand polarisation.
- Commercialise and grow our database.
- Build exceptional insights, driven by the acquisition of The Big Window Consulting Limited.
- Deliver a brand re-positioning where 'Experience is Everything'.
- Create a content platform where we reach millions of customers every day.

Environmental, Social and Governance (ESG)

DELIVERING AGAINST OUR ESG COMMITMENTS

Saga has always been a purpose-led business, so embracing ESG responsibilities lies within our DNA.

Overview

Saga exists to deliver exceptional experiences for our customers every day, while being a driver of positive change in our markets and communities. We have a diverse range of ESG initiatives and are proud of what we have achieved to date. At the same time, we recognise that we need to do more and are currently engaged in the detailed work necessary to achieve a reset that will deliver an approach to ESG with greater scale, ambition – and importantly, impact. This report shows the direction of travel for that approach, which will be unveiled within the next 12 months, alongside the work carried out this year.



At the heart of our new approach will be a focus on reducing our environmental impact, with a particular emphasis on our Cruise business where our two new ships are based on significantly more modern and efficient technology than our previous ships. Building on this successful fleet renewal, we have engaged V.Ships, a leading independent ship management company, to help us assess what more we can do in this area.

We are more advanced with regards to the S in ESG. Our Group business strategy has seen us working to reset Saga and its operations. At its heart, this strategy requires us to work harder, every day, to understand the lives and needs of people in our markets and then deliver for them. Central to our approach to transforming our business, is a focus on our people and the step-changes being made to strengthen our culture of customer delivery. Our enhanced ESG focus in this area will be clearly tied to this strategic approach, to our customers and to our colleagues.

Our distinct customer group is one of the most experienced in society; however, all our work has shown that they can face an uphill battle to get their voices heard, to be represented in society, and to overcome the prejudices people have about ageing. People aged over 50 are the fastest growing demographic in the UK: 28.2 million people¹ will be over the age of 50 by 2031 and 63p² of every £1 will be spent by people over 65 in 2040. But despite the significance of this group, age is often left out of the national conversation.

We are determined to play our part in tackling what we see as a hidden area in the discrimination debate at a time when so much good work is being done to address issues around race, gender and disability. Saga is now focused on challenging perceptions of ageing and, specifically, on becoming the Champions of Experience in the Workplace. This will be the focal point of our work within the Social element of ESG and lead our wider strategic reset. This will, of course, be underpinned by best-in-class governance and by the detailed work necessary to ensure we are meeting and, where we can, exceeding all our environmental responsibilities and ensuring our businesses help lead the debates in their sectors.

1 Office for National Statistics – 2018-based principal projections

2 Maximising the longevity dividend – ILC Partners Programme

ESG continued

While we work on the details of our ESG strategy, including targets against which we can be held to account, our direction of travel has been clearly set this year by two moments.

In October 2021, we relaunched our brand with a campaign focused on changing the way people think about age and showing the more positive side of getting older. Euan Sutherland, our Group Chief Executive Officer (CEO), encapsulated our approach at the launch with these words: "People are living longer than ever before; they are working longer; they are helping their families; they are contributing to society. We know our customers do not feel old – they feel as if they are experienced. They have lived full lives, have so much to give, and fully intend to make the most of each and every day. Our new brand strategy champions are what we are calling 'Generation Experience' – the discerning, sharp and savvy over-50s who represent over a third of the UK population."

The second moment was the launch of our new colleague benefit, a week of paid leave on the birth of a grandchild. This move, the first of its kind for a major UK business, has been welcomed by our colleagues and we were delighted when it sparked a national conversation. The new benefit reflects our belief in the value of experience in the workplace, alongside a recognition of the role of grandparents to their families and society. It was launched following extensive consultation with colleagues, as well as research involving 2,500 people over 50. That research showed that a quarter of working grandparents said they found it 'difficult' to balance work with childcare commitments, showing the value of policies that start to address this challenge.

We have been heartened by the responses to both of these moves from customers, colleagues, the media and wider society. As we said when we launched our brand, it's time for businesses and organisations of all sizes to have a conversation about age. As a purpose-led business with more than 70 years' experience, it's one that we think Saga is ideally placed to lead. We look forward to putting the necessary rigour and reporting approach behind this thinking, and our wider ESG strategy and updating in next year's Annual Report and Accounts.

2021/22 in review

The past 12 months have seen Saga deliver against its ESG commitments, in spite of the operational challenges posed by COVID-19. We are proud of the progress we are making and the way in which consideration of our ESG responsibilities is becoming more firmly embedded in how we work and the decisions we make. We set out the detail on the following pages.

"People are living longer than ever before; they are working longer; they are helping their families; they are contributing to society. We know our customers do not feel old – they feel as if they are experienced. They have lived full lives, have so much to give, and fully intend to make the most of each and every day. Our new brand strategy champions are what we are calling 'Generation Experience' – the discerning, sharp and savvy over-50s who represent over a third of the UK population."



Social

In the past 12 months, we have implemented a number of fundamental changes to the way we operate, including embedding flexible and remote ways of working for all our colleagues and have widened our engagement with our communities.

Hybrid working

As a result of the COVID-19 pandemic, like many other businesses, Saga has moved towards a hybrid way of working. Our new model is a blend of home-based working, with the flexibility to work from our London office or from Enbrook, our main hub in Kent, which has undergone a radical transformation over the past 18 months. The hub is used to meet, collaborate, socialise and celebrate – moving away from desk-based working, marking a big transformation to the way we all work.

Following building renovations, we started welcoming colleagues back to the Enbrook hub in summer 2021, slowly and carefully, as part of a pilot programme, and in line with government guidance.

Colleague engagement

Saga Spirit Survey

In 2021, we carried out regular pulse surveys, intended to provide us with more frequent feedback from colleagues, allowing managers to take action quicker. In 2021, we received our highest response rate of 93%, and have seen a significant improvement in our overall colleague engagement and health and wellbeing scores, with them both increasing from 7.3 in February 2021 to 7.7 in November 2021. The key actions taken in 2021 centred around the following:

Growth – career path: Resetting performance reviews, enabling a better conversation between colleagues and managers; speaking to managers to help them develop their teams; creating personal development plans.

Reward: Launching our new values-led recognition programme; increasing the standard annual leave allowance to 25 days for all colleagues; removing eligibility criteria from our family policies; reviewing base salaries in our Insurance Operations area.



Strategy, purpose and values: Launching an Exceptional Welcome experience for all new colleagues; taking every colleague through a Values Experience Workshop; actively engaging in community events; using colleague forums, Tell Euan About sessions and interviews to communicate our plans with colleagues.

Health and wellbeing: Training 350 managers on our colleague support framework; running a 30-Day Challenge to encourage colleagues to form healthy new habits; celebrating diversity, equity and inclusion (DE&I) through speaker events and DE&I training for leaders; implementing policy changes that better support colleagues.

Workplace

Our internal communications platform, Workplace, keeps colleagues informed and connected via a single, mobile-first channel. Workplace has transformed our colleague communications, enabling every colleague to be part of the conversation, to share their feedback and ideas, and for their voices to be heard, building an open culture.

Overall colleague engagement

7.7 out of 10

February 2021 – 7.3

Participation in colleague engagement surveys

93%

February 2021 – 92%

ESG continued

Accelerating change for colleagues and customers

Our Claims Customer Operations saw significant improvement in their overall engagement score, increasing from 7.2 in February to 8.1 in November 2021.

In this short time, management introduced actions including a new reward scheme, an improved induction programme and piloted our Working@Saga programme. Alongside these, two customer focused initiatives were launched, 'Time to be Exceptional' and 'Say Yes to Exceptional', giving colleagues the time to deliver our purpose and live our values, empowering them to take ownership of saying 'yes' to our customers to deliver better outcomes.



People Committee and Colleague Forums

We remain committed to creating ongoing conversations with our colleagues, allowing them to have their say through multiple channels including the People Committee and our Colleague Forums.

The People Committee

- Chaired by our Chief People Officer.
- Attended by 10 Lead Colleague Ambassadors from across the Group.
- Typically meets during the first week of every month (quarterly as a minimum).

The Colleague Forums

- Chaired by the Executive Leadership Team (ELT) member of the business unit/function.
- Lead Colleague Ambassador(s) for the unit/function also attends.
- Meets during the third week of every month.
- The Lead Colleague Ambassador(s) for the business unit/function are responsible for feeding back to the People Committee.

The People Committee



10 Lead Colleague Ambassadors from across the business

Colleague Forums



Insurance



People and
Property



Technology



Travel



Finance and
Professional
Services



Strategy, Brand
and Customer



Risk

Diversity, equity and inclusion (DE&I)

We are committed to a culture which gives everyone the opportunity to be their exceptional self, by building a diverse and inclusive environment where all our colleagues feel like they belong.

In 2020, we appointed our first Diversity, Inclusion and Belonging Manager to help establish a clear strategic and tactical approach. We have since brought in a Head of DE&I to further lead in this space. The change of title, to include the term 'equity', is itself an evolution of the inclusion agenda and a better alignment to the latest external thinking.

In 2021, the focus has been on taking the DE&I agenda forwards, step-changing the conversation we have with colleagues and bringing changes to the business which support greater inclusion.

We are also a committed member of the UK Government's Disability Confident scheme and remain supportive of the employment and advancement of disabled persons in the UK.

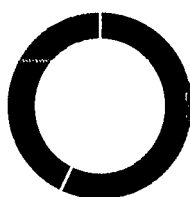
Gender pay gap

At Saga, we've made it our mission to create a working environment that's inclusive and equal for all and has our values at the heart of everything that we do. We welcome the opportunity to explore our gender pay gap each year, and we have firm commitments in place to drive improvements.

These include our commitment to equal pay for equal work, gender balanced shortlists for all roles, and continued upskilling of leaders in DE&I. A full update on our gender pay gap and our commitments can be found in our annual gender pay review published on our website (www.saga.co.uk/gender-pay-review).

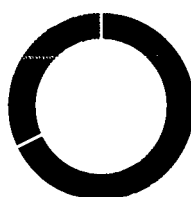
Our gender diversity³

Board⁴



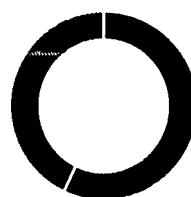
● Male **57%**
● Female **43%**

Senior management⁵



● Male **68%**
● Female **32%**

Other colleagues⁶



● Male **57%**
● Female **43%**

	Male		Female		Total
	Actual	%	Actual	%	
Board ⁴	4	57%	3	43%	7
Senior management ⁵	34	68%	16	32%	50
Other colleagues ⁶	2,189	57%	1,653	43%	3,842
All	2,227	57%	1,672	43%	3,899

³ Headcount numbers reflect our colleagues in our UK offices and crew on board our ships as at 31 January 2022

⁴ Directors of the Company, including Executive and Non-Executive

⁵ All business unit directors and colleagues with strategic input and influence

⁶ All Saga colleagues (excluding Board and senior management)

ESG continued

5

key focus areas

We have five key focus areas for our DE&I work and here are the highlights of what we delivered under each during 2021:

**Saga culture**

Levelling the playing field through an inclusive culture
We held DE&I upskilling sessions for all senior colleagues, covering unconscious bias, the role of leaders in driving change, recruitment and more.

**Saga talent**

Diversity of thought helps us stay relevant, expand our reach and create a sustainable talent pool
In 2021, we actively championed the development of female colleagues with more than ever taking part in the 30% Club.

**#BeYou at Saga**

Building a reputation as an employer of choice for diverse talent via engagement and communications
We delivered an annual cycle of broadcasts, celebrating key dates and events with colleagues and continued to hold our Inclusion Forums.

**Force for change**

Ensuring our brand is inclusive and can be a positive advocate for a diverse society
We became the first major UK employer to offer paid Grandparents' Leave.

We enhanced our family friendly policies and associated paid leave, introduced a Menopause Policy, Pregnancy Loss Policy and additional paid leave to support the premature birth of a baby.

**Data and insights**

Bringing transparency and accountability through regular reviews and measuring of data and impact
We collate our colleague data to ensure that we can measure the success of our DE&I agenda.

How the Board monitors culture and how this links to strategy

The Board regularly reviews a range of information to actively monitor culture. The table below shows the key sources of data the Board tracks, with a view to take action, where adjustments or remedial action are needed.

Cultural identifier	Cultural priorities				
	Promoting integrity and openness	Valuing DE&I	Being responsive to the views of stakeholders	Culture aligned to purpose and values	Culture aligned to strategy
Colleague Saga Spirit Survey data	✓	✓	✓	✓	✓
People Committee and Colleague Forums feedback	✓	✓	✓	✓	✓
Colleague listening groups	✓	✓	✓	✓	✓
Speak Up reports	✓	✓	✓	✓	✓
Progress on DE&I	✓	✓	✓	✓	✓
Gender pay gap progress	✓	✓	✓	✓	✓
Health and safety performance	✓		✓	✓	✓
Internal Audit reports and findings	✓		✓	✓	✓
Environmental targets	✓		✓	✓	✓

Communities

During 2021, we worked closely with the communities where our colleagues live and work, with a summary of that activity provided below.



£184k

of value donated to the community through our office furniture giveaway

3

community meetings held during the year

These meetings were hosted by our Group CEO, Euan Sutherland. The meetings enable us to have an open forum where we can give a business update and understand the current needs of the community and where we may be able to support. By collaborating, we can help address some of the issues affecting our local community.

£38k

raised by colleagues and customers for good causes

12

volunteer days per year now offered to uniformed volunteers

Increased the number of volunteer days for colleagues performing public service roles, recognising the importance of these roles within our community.



Delivering vaccinations

Saga's Thanet office was used by the NHS as a COVID-19 vaccination centre, delivering thousands of vaccinations each day.



123

families of our Filipino crew supported with educational bursaries

We extended our long-running scheme, helping the children and siblings of our crew members in the Philippines. We also provided financial support to crew whose properties were damaged or destroyed by Typhoon Rai.

£206k

charitable donations made by Saga

3,283

volunteer hours given by colleagues

ESG continued

Environment

In the past 12 months, as well as strengthening our reporting, we have increased our understanding of our environmental and social impact and introduced hybrid and electric vehicles in the fleet used to transfer guests to and from their holiday.

Energy and Carbon Statement

This statement has been prepared in accordance with our regulatory obligation to report Greenhouse Gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the Government's policy on Streamlined Energy and Carbon Reporting.

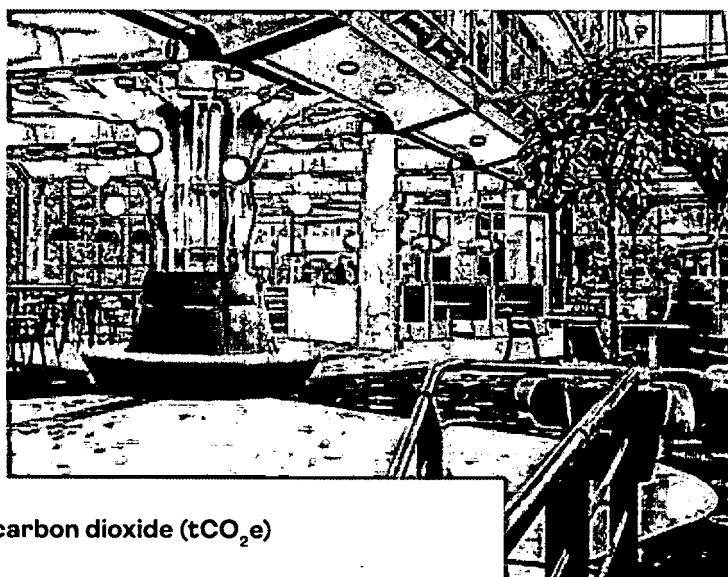
Emissions summary

During the reporting period 1 February 2021 to 31 January 2022, our measured Scope 1 and 2 emissions (location-based) totalled 82,374 tCO₂e and reported Scope 3 emissions totalled 2,385 tCO₂e.

Overall, our Scope 1 and 2 emissions have increased by 118% compared to 2020/21. This can largely be attributed to an increase in marine fuel consumption by our cruise ships as COVID-19 travel restrictions were lifted. We have been continuing to optimise our office buildings for the past three years, looking to maximise their energy efficiency. The past year has seen a large increase in energy savings, amounting to an approximate 942 tCO₂e reduction in emissions. These savings have been achieved through increasing the number of building management system control interventions, related to plant schedules and optimising heating and cooling plant on our key assets. We also have a colleague engagement

programme which delivers communications and training to colleagues in order to encourage them to reduce energy, water use and waste, and to minimise travel.

We used external campaigns such as Plastic Free July, World Environment Day and Recycling Week to maximise these communications and provide tips and share best practice around our buildings and at home. Saga purchases 97% of its electricity from a 100% renewable supply from Haven Power, demonstrating that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources. Scope 3 categories include business travel, fuel-and-energy related activities and working from home emissions.



Greenhouse gas emissions in tonnes of carbon dioxide (tCO₂e)

Emissions scope	2021/22 emissions	2020/21 emissions
Scope 1	80,993	36,187
Scope 2 (location-based)	1,381	1,654
Scope 2 (market-based) ⁷	3	8
Total Scope 1 and 2 (location-based)	82,374	37,841
Scope 1 and 2 tCO ₂ e per £m trading EBITDA ⁸	1,263	481
Scope 3	2,385	1,333
Total Scope 1, 2 and 3 (location-based)	84,759	39,173

⁷ Emissions from the consumption of electricity outside the UK and emissions from the purchased electricity are calculated using the market-based approach, using supplier-specific emission factors and are reported in tCO₂e

⁸ 2020/21 emissions have been verified to ISO 14604-3 standard by our sustainability partner, Carbon Intelligence. Our 2021/22 emissions will be verified in the coming quarter

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes emissions from Saga plc. We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year are:

- **Scope 1:** Natural gas combustion within boilers, marine fuel combustion within ships, road fuel combustion within vehicles, fuel combustion within non-road mobile machinery, and fugitive refrigerants from air-conditioning equipment.
- **Scope 2:** Purchased electricity consumption for our own use.
- **Scope 3:** Business travel from grey fleet, taxis, rail and hotel stays; transmission and distribution losses associated with electricity consumption; and working from home emissions.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions in accordance with two different methodologies (dual reporting):

- The location-based method, using average emissions factors for the country in which the reported operations take place.
- The market-based method, which uses the actual emissions factors of the energy procured.

As in previous years, Scope 3 business travel emissions from air have been identified, but not included in our disclosure due to a lack of accurate data. For the first time, rail and hotel stays were included in Scope 3 business travel emissions as accurate data could be obtained. Emissions from energy paid for in service charges have been excluded due to lack of data and immateriality.

Other GHG emissions

During the reporting period, our Scope 1 and 2 methane emissions totalled 35.2 tCH₄ and Scope 3 totalled 0.1 tCH₄. Of this, 82% originates from marine fuel (Scope 1), 15% is from electricity (Scope 2) and 3% is from natural gas (Scope 1). Our nitrous oxide Scope 1 and 2 emissions totalled 1,074.0 tN₂O and Scope 3 totalled 0.1 tN₂O. Of this, 99% is from marine fuel (Scope 1).

Emissions scope	2021/22 emissions ⁹	
	tCH ₄	tN ₂ O
Scope 1	30.0	1,065.1
Scope 2	5.2	8.9
Scope 3	0.1	0.1
Total Scope 1, 2 and 3	35.3	1,074.1

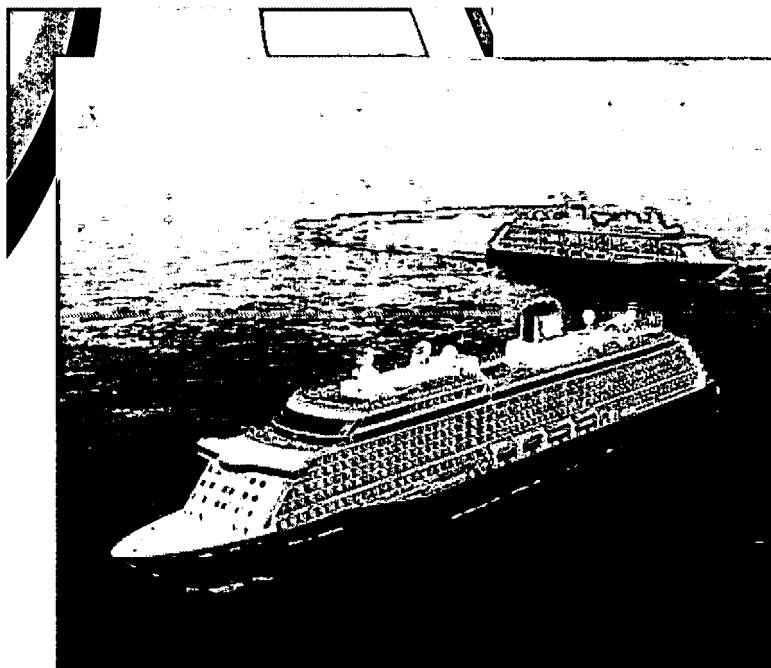
Energy summary

During the year, our total fuel and electricity consumption was 343,035,924 kWh, compared with 152,664,244 in 2020/21. The split between fuel and electricity consumption is displayed below.

Energy usage	2021/22 kWh	2020/21 kWh
Electricity	6,508,366	7,092,329
Fuels ¹⁰	336,527,558	145,571,915
Total energy	343,035,924	152,664,244

Assumptions and estimations

In some instances, where data is missing, values have been estimated using either an extrapolation of available data from the reporting period or data from 2020/21 as a proxy.



⁹ Reporting on our wider GHG emissions was introduced for 2021/22 and therefore no comparable data is available for 2020/21

¹⁰ Fuels comprise natural gas, diesel, petrol, marine fuel oil, marine gas oil and refrigerants

ESG continued

Waste diverted
from landfill

52 tonnes

(through donation
of office furniture)

Carbon Disclosure Project (CDP)

Saga made the decision in 2015 to respond to the CDP Climate Change Questionnaire to better understand and manage our climate-related impacts, risks and opportunities. In 2021, Saga scored a 'B' which is categorised as the management category. This is a reduction from an 'A-' in 2020 and reflects a change in the CDP rating system to consider the maturity of businesses making voluntary CDP disclosures. For example, the number of businesses achieving an 'A' rating decreased from 280 in 2020 to 200 in 2021.

Cruise

During 2021, our ocean ships only operated from the end of June and July, for Spirit of Discovery and Spirit of Adventure respectively. This contributed to the reduction in our Scope 1 emissions. Marine fuel represented 92% of our Scope 1 carbon emissions with the ships also generating an additional 2% Scope 1 fugitive carbon emissions. In terms of other Scope 1 GHG emissions, our ships represent 99% of Saga's CH₄ and N₂O emissions.

Following their return to service, we commenced a study to assess our operational practices on board with the aim of further reducing our carbon footprint and identifying opportunities to deliver efficiency-enhancing modifications to our vessels. We are planning to install shore power connections on board both ocean cruise ships in the next three years, which will reduce the vessels' emissions while docked

in ports which are able to provide shore power. Further to this, we plan to build on the reductions already made by removing all non-essential single-use plastics on board by the end of 2023 and will establish targets for garbage volume reduction and recycling.

The emissions per guest have increased from 2.91 tCO₂e in 2019/20 to 3.53 tCO₂e in 2021/22. This increase is a result of UK Government COVID-19 restrictions which limited our ships to operating initially at no more than 50% capacity on their return to service during summer 2021. Whilst our guest numbers were limited, fuel consumption was largely unchanged, resulting in a higher consumption being recorded on a per guest basis.

Supply chain

We surveyed our top suppliers to determine both their current and planned approach to ESG and developed a focused questionnaire to support the formal procurement process for large contracts. Supplier contractual obligations to deliver on ESG commitments made in the tender process will be introduced as appropriate.

For 2022, we will expand the baselining of ESG within our supply chain and develop required standards aligned to our new supplier relationship management banding.

Head office refurbishment

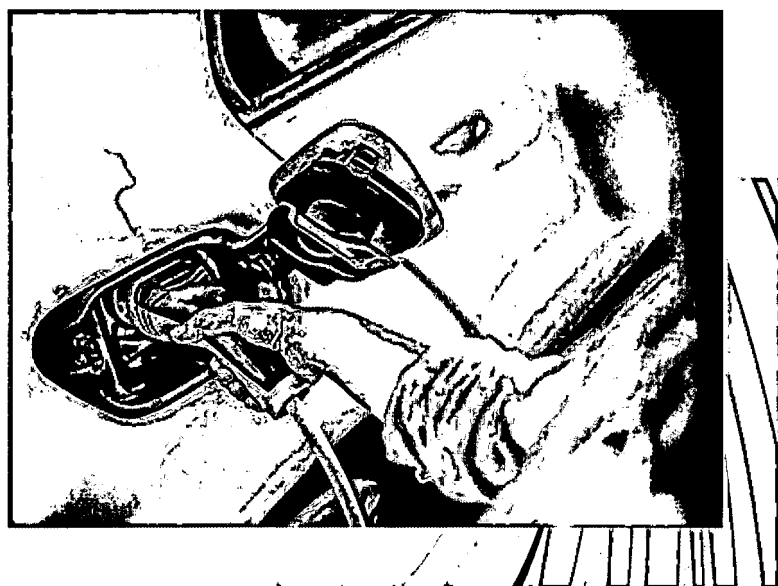
We completed the second phase of our Enbrook hub refurbishment, which included better air quality intake at lower power consumption and the replacement of all lights with LEDs, improving the building's environmental performance. We donated redundant office furniture to charities and community projects, diverting 52 tonnes of waste from landfill and avoiding 44 tonnes of CO₂e.

With a focus on recycling and a zero to landfill policy, we have collected 100 tonnes of waste from our sites, of which 79 tonnes were recycled and the residual diverted to an energy-from-waste facility.

Period	General waste	Recycling	Total waste generated
2020	34.1	78.3	112.4
2021	21.2	79.3	100.5
Total	55.3	157.6	212.9

Green Fleet

We introduced a Green Fleet Car Scheme meaning that, from October 2021, our company car scheme only offers three types of vehicle – full battery electrical vehicles, plug-in hybrid vehicles or non-plug-in hybrid vehicles. By 2024, once all existing company car drivers have renewed their vehicle, all will have moved to the scheme.



Task Force on Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) has become part of the regulatory framework in many jurisdictions. The TCFD's 11 disclosure recommendations span four different areas: governance, strategy, risk management, and metrics and targets.

In accordance with Listing Rule 9.8.6 (8), we are disclosing our alignment with the TCFD recommendations. We are continuously improving and aligning our internal processes and public disclosures with the TCFD and this following section sets out our progress against the four pillars of the TCFD framework.

This is Saga's first annual TCFD report. In the past 12 months, we have established an appropriate governance approach for overseeing climate-related risks and opportunities and have identified the risks facing Saga as articulated below.

We will focus in the next reporting cycle on reviewing our metrics and targets, further assessing the impact of these on our strategy and assessing the effectiveness of the key management actions to mitigate risks. We will explain how we have complied with the recommendations in our 2023 Annual Report and Accounts.

Governance

Our Board of Directors has responsibility over our risk management framework, including climate-related risk, monitoring the effectiveness of the Group's risk management and control systems. The Board established the Risk and Audit Committees, each composed of three independent Non-Executive Directors, to oversee the principal risks, tolerance thresholds and control framework.

The Risk Committee meets to discuss the Group's overall risk tolerance, strategy and ability to detect new risks, including those related to climate change, which is reflected as one of Saga's principal risks. The Committee Chair reports recommendations to the Board, together with an annual report outlining principal risks and uncertainties, how they are identified, and mitigating actions. Also reporting to the Board, the Audit Committee monitors the integrity of the Group's financial statements as well as working with the Risk Committee to oversee the efficacy of internal control systems. The Board commits to including climate-related risk formally on the Board agenda including an oversight of emissions performance, embedding climate resilience and risk management, as well as oversight of the wider ESG strategy as it develops. We recognise that the responsibility for ESG, including financial risks associated with climate change, is the responsibility of all Board members.

Strategy

We engaged our Travel and Insurance businesses separately to provide a comprehensive and robust analysis to identify and assess climate-related risks and the resilience of our businesses to manage the links between our climate-related risks and opportunities and our business strategy. We will be setting targets for our overall emissions reduction during 2022, with a commitment to reduce our contribution to climate change. This is a key management control for some of our climate-related risks, such as our reputational, energy and market risks.

Initial assessment of the climate-related risks and opportunities for both our Insurance and Travel businesses were determined over three different time horizons: short, medium and long-term. Short-term risks and opportunities are articulated below, with the full TCFD report articulating medium and longer-term risks and opportunities available on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance).

Short-term risks and opportunities

At the Group level, our business faces several short-term transition risks:

1. Our Travel business will face short-term risks including increased fuel costs and financial strain on Saga's key third-party partners (such as airlines) as carbon taxation is used to drive climate transition, particularly on fossil-based fuels.
2. Direct and indirect carbon pricing and cost pass-on within the supply chain could reduce Saga's financial returns as upstream supply materials costs increase, specifically on energy and fuel-intensive materials.
3. Saga's market valuation may be impacted by investors challenging Saga's commitment to, or progress on, climate-change commitments.

In the short-term, as a Group, we have the following climate-related opportunities:

1. The Travel business can achieve a high ESG profile by responding to customers' interest in climate-related issues and by demonstrating a responsible and sustainable approach to ESG. This has the potential to enable increased investment capacity through new green financing opportunities.

ESG continued

2. For our ships, and our operations specifically, we can achieve increased climate leadership as well as a reduction in our carbon footprint by collaborating with new low carbon partners and exploring and taking advantage of fuel-efficient technologies.
3. We can reduce our exposure to the rising price of carbon by reducing our carbon footprint and our contribution to climate change through, for example, utilising technology to optimise fuel consumption on our ships; implementing energy efficient air handling in our Enbrook office hub; and changing our colleague car scheme to hybrid or electric cars only.

Risk management

We carried out engagement workshops to hear from internal stakeholders across the business units and functions to identify and review potential climate impacts on the Group. We also consulted with external climate risk experts, Carbon Intelligence, to better understand sector-wide climate-related risks and opportunities. To progress our alignment to the TCFD framework, we will be developing our climate risk appetite during 2022 to determine the level to which we will accept, mitigate, transfer or control our climate-related risks.

Metrics and targets

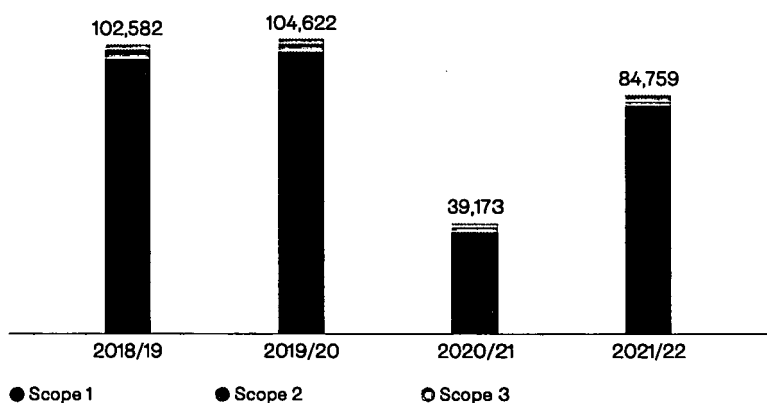
We understand the critical importance of delivering sustainable growth and we have taken steps to measure our current impact on the environment and set targets to mitigate this. Our Energy and Carbon Statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions which can be found on page 30. To ensure transparency and accuracy, we also commit to having our carbon footprint verified by a third party and our 2021 CDP report can be found on our corporate website (www.corporate.saga.co.uk/media/1498/saga-cdp-submission-2021.pdf).

During the reporting period 1 February 2021 to 31 January 2022, our measured Scope 1 and 2 emissions (location-based) totalled 82,374 tCO₂e and reported Scope 3 emissions totalled 2,385 tCO₂e.

Saga acknowledges that climate risk and climate strategy are interrelated and should be managed in unison to control our emissions.

We will be setting clear targets for our carbon and GHG emissions, aligned to our business strategy. While year on year our Scope 1 and 2 emissions have increased by 118%, this can largely be attributed to an increase in marine fuel consumption by Saga's cruise ships as travel restrictions due to COVID-19 have been lifted, causing travel to significantly increase.

2021/22 GHG emissions progress (Scope 1, 2 and 3 tCO₂e)



Governance

Saga has always taken governance seriously and continued to do so over the past 12 months. As we develop our ESG strategy in detail, we will consider all governance implications.

ESG Task Force

Governance is at the heart of our sustainability ambitions and, while recognising that there was more that needed to be done to speed up our approach on ESG, we moved to adapt our internal governance and oversight of this area and to increase the number of people involved. Our Environmental Committee, which met frequently, was replaced with an ESG Task Force, led by the strategy function.

The Task Force reports into the Executive Leadership Risk Committee and has responsibility for setting the priorities on which Saga should focus to deliver an approach to ESG with great scale, ambition and impact. Pulling in expertise and representation from across the Group, the Task Force will be overseen by Paula Kerrigan, Saga's new Chief Strategy and Innovation Officer and Helen Webb, Saga's Chief Risk and Compliance Officer. Euan Sutherland, Saga's Group CEO is the ESG representative on the Board.

Risk management

Our risk management framework has been designed in conjunction with external risk expertise to bring together best practice risk management standards and draw upon risk standards and professional body guidance. These standards, frameworks and guidelines support specific design considerations of our risk framework, which can be found on page 75.

The Risk Committee considers the Group's overall risk tolerance, including climate-related risks, ensuring that Saga's exposure to environmental and climate-related risks is clearly articulated, monitored and mitigated as part of the Group's overall risk management approach.

Anti-bribery and corruption

The Group values its reputation for financial probity and integrity and recognises that it has a primary duty to protect its customers from all financial crime, including bribery and corruption. The Group takes a zero-tolerance approach to incidents involving bribery and corruption and has a policy which lays out clear guidance for the appropriate assessment of any risk of bribery and corruption across all businesses.

All colleagues are trained annually to ensure their understanding of the risks and the appropriate action to be taken if they encounter any activity of concern.

Modern slavery, human rights and labour standards

Saga conducts business in an ethical and transparent way. Policies to support recognised human rights principles include those on non-discrimination, health, safety and wellbeing and environmental issues. Our Modern Slavery Statement can be found on our corporate website (www.corporate.saga.co.uk/media/1418/modern-slavery-and-human-trafficking-statement-2021.pdf) alongside our Labour Standards Policy (www.corporate.saga.co.uk/media/1507/labour-standards-policy-final.pdf).

Responsible investments

Our approach to investments continues to ensure robust ESG factors are considered when making investments. Saga's subsidiary boards consider investment decisions, including requiring external investment managers to consider ESG risk factors and report on ESG metrics where appropriate, and the plc Board considers and approves all material investments.



Group Chief Financial Officer's Review

A RESILIENT BUSINESS, ON COURSE FOR GROWTH



James Quin
Group Chief Financial
Officer

"The past 12 months have been a time of considerable progress, and I would like to thank everyone in the Finance Team and all our other stakeholders."

Underlying (Loss)/
Profit Before Tax¹

(£6.7m)

2021 – £17.1m

While Saga is in much better shape than it was 12 months ago, results for 2021/22 reflect the ongoing impact of the COVID-19 pandemic on our Travel operations, with an Underlying Loss Before Tax¹ in the Travel business of £79.3m, in line with the previous year. As a result, we reported an Underlying Loss Before Tax¹ of £6.7m and an overall loss before tax of £23.5m.

The Underlying Loss Before Tax¹ of £6.7m compares to a profit of £17.1m in the previous year, with the change mainly relating to higher marketing costs, as well as the impact of increased motor insurance claims frequency as miles driven returned closer to normal levels and other smaller factors such as lower private medical insurance profitability.

Loss before tax

(£23.5m)

2021 – (£61.2m)

The Travel result sits between the base case and downside scenarios we modelled, consistent with an environment that remained constantly challenging but, where for the Cruise business, we were able to restart trading in mid-year. Cruise was EBITDA positive for the second half, and cash positive for the full year, which we believe puts us in a much better position than many of our, often much larger, competitors. The higher loss of the Cruise business compared with the prior year was mainly due to increased financing costs following delivery of our second ship in October 2020 and return to service costs in the first part of 2021, partially offset by much improved results following the resumption of trading from the end of June.

Insurance results were in line with expectations, and while profit was lower than in the prior year, this was in part due to increased marketing investment as we returned to television advertising in the later part of the year. Given the timing of the spend, as well as the lead time in translating improved brand awareness and consideration into hard sales, the benefits of almost all of this spend will be in future years.

More generally however, the business is in a much stronger position than it was three years ago, with a second year of policy growth in the core motor and home products, and at stable margins.

The reported loss before tax for 2021/22 of £23.5m was materially better than the £61.2m loss in the prior year, mainly due to significantly lower restructuring costs, as well as the £59.8m goodwill impairment included in the 2020/21 results.

Looking to the future, 2022/23 should see improved performance, but we are still navigating external challenges. This is especially the case for Travel, where customer confidence is improving but is still impacted by COVID-19 uncertainty. For Tour Operations, we are aiming to achieve break even after two years of heavy losses, and clearly our ambition is to achieve a much better performance in the future. Similarly for Cruise, the current year will see some impact from COVID-19 in terms of itinerary disruption, the cost of the measures we are taking to protect customers and the earn through of customer discounts offered in 2020.

¹ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

However, Cruise demand continues to be strong and price increases should largely offset the impact of inflation on our costs. In Retail Broking, a very competitive motor market and regulatory changes equalising new business and renewals pricing will adversely impact profitability but this should reduce over time as customers see less need to shop around on renewal, and with more focus on product and service quality.

Overall, these factors make providing specific earning guidance very challenging for this year, but at a minimum we expect a return to positive profit contribution, with growth in sales and profits in future years from 2022/23 levels.

In terms of our financial position, this was a year of real progress. Despite the Underlying and reported loss before tax, we generated positive Available Operating Cash Flow² of £75.8m, compared with £3.4m in the prior year, and net debt reduced from £760.2m to £729.0m. The 2021/22 year benefited from positive working capital movements in Cruise, as the business recommenced trading, compared with significant cash injections into the Travel businesses in the prior year.

Available Operating Cash Flow², excluding Travel, was £89.4m compared with £92.3m in the prior year, which again demonstrates how important it has been for the Group to have a fully operational Insurance business throughout the pandemic.

In July 2021, we concluded the issuance of a new five-year £250m fixed-rate unsecured bond, with the proceeds used to repay £100m of existing bonds and to repay in full the £70m term loan. After costs, these transactions increased Available Cash² by £76m. As a result, we have more than enough liquidity to cope with potential short-term risks as we emerge from the pandemic; we have no corporate debt maturities until 2024 and the bonds offer us much better flexibility than bank debt. Reducing debt remains a priority and we will restart repayments of ship debt from June 2022.

The past 12 months have been a time of considerable progress, and I would like to thank everyone in the Finance Team and all our other stakeholders, who have worked long hours in helping us navigate some choppy waters. Our goal now is to capitalise on Saga's opportunities, while keeping a tight focus on downside risks.

Operating performance

Group income statement

£m	12m to Jan 2022	Change	12m to Jan 2021
Revenue³	377.2	11.7%	337.6
Underlying (Loss)/Profit Before Tax²			
Total Retail Broking (earned)	66.4	(12.5%)	75.9
Underwriting	54.1	(7.8%)	58.7
Total Insurance	120.5	(10.5%)	134.6
Travel	(79.3)	(1.0%)	(78.5)
Other Businesses and Central Costs	(29.3)	(30.8%)	(22.4)
Net finance costs ⁴	(18.6)	(12.0%)	(16.6)
Total Underlying (Loss)/Profit Before Tax²	(6.7)	(139.2%)	17.1
Net fair value (losses)/gains on derivatives	(2.7)		1.7
(Impairment)/profit on disposal of assets	(4.3)		2.0
Restructuring costs	(6.3)		(30.8)
Charge on closure of defined benefit pension scheme	(2.0)		-
Foreign exchange gains on river cruise ship leases	0.9		-
Costs incurred for ship debt holiday	(2.4)		-
Net profit on disposal of businesses	-		8.6
Impairment of Travel goodwill	-		(59.8)
Loss before tax	(23.5)	61.6%	(61.2)
Tax expense	(4.5)	31.8%	(6.6)
Loss after tax	(28.0)	58.7%	(67.8)
Basic earnings per share:			
Underlying (Loss)/Earnings Per Share ²	(11.1p)	(184.1%)	13.2p
Loss per share	(20.1p)	70.0%	(67.0p)

2 Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

3 Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £123.7m (2021: £142.8m)

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

Group Chief Financial Officer's Review continued

Underlying Basic (Loss)/
Profit Per Share⁵

(11.1p)

2021 – 13.2p

Basic loss per share

(20.1p)

2021 – (67.0p)

The Group's business model is based on providing high-quality and differentiated products to its target demographic, predominantly focused on insurance and travel. The Insurance business operates mainly as a broker, sourcing underwriting capacity from selected third-party insurance companies, and, for motor and home, also from the Group's in-house underwriter. Travel is composed of Tour Operations and Cruise. Other Businesses comprises Saga Personal Finance, Saga Publishing and MetroMail, a mailing and printing business.

Revenue

Revenue increased by 11.7% to £377.2m (2021: £337.6m) due to the restart of the Travel business in the second half of the year, partially offset by lower Retail Broking revenues, largely as a result of the sale of the Bennetts business in August 2020.

Underlying (Loss)/Profit Before Tax⁵

Underlying Profit Before Tax⁵ decreased from £17.1m to an Underlying Loss Before Tax⁵ of £6.7m. This was partly due to a reduction in Retail Broking profitability, mainly as a result of lower renewal margins in private medical insurance (PMI) and increased television advertising spend to support the relaunch of the brand in the Other Businesses and Central Costs segment.

Net finance costs in the year were £18.6m (2021: £16.6m), which excludes finance costs that are included within the Travel division of £19.5m (2021: £13.6m). The increase of 12.0% was largely 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 bank debt interest costs due to a lower level of bank debt in the current year compared with the prior year.

Loss before tax

Loss before tax for the year of £23.5m includes a £2.7m fair value loss on derivatives de-designated in the year due to the suspension of Travel operations, £6.3m of restructuring costs, mainly relating to the Tour Operations business, a £2.0m charge due to the closure of the defined benefit pension scheme and £2.4m of costs incurred on the ship debt holiday, partially offset by £0.9m foreign exchange gains on river cruise ship leases.

The loss before tax for 2021/22 also includes a net impairment of assets of £4.3m that represents £10.2m and £0.5m of impairments and loss on disposals of software and property, plant and equipment respectively, mainly relating to the Tour Operations business, £1.0m of impairments on assets held for sale, a £7.1m profit on disposal of assets, after costs of £0.1m, in relation to a sale of property and a £0.3m gain on a lease modification within right-of-use assets.

The prior year includes a £59.8m impairment to Travel goodwill and £30.8m of restructuring costs, offset by an £8.6m profit on the disposal of non-core businesses, £2.0m net gains on the disposal of assets and a £1.7m fair value gain on derivatives de-designated in the prior year.

Tax expense

The Group's tax charge for the year was £4.5m (2021: £6.6m), representing a tax effective rate of negative 19.1% (2021: negative 471.4%), excluding the 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 Cruise business entering the tonnage tax regime on 1 February 2020.

There was an adjustment in the current year for the under provision of prior-year tax of £1.0m (2021: £1.6m under provision) and the impact of the change in the tax rate on opening deferred tax balances of £2.6m credit (2021: £1.7m credit).

Earnings per share

The Group's Underlying Basic Loss Per Share⁵ was 11.1p (2021: Profit 13.2p). The Group's reported basic loss per share was 20.1p (2021: loss of 67.0p).

Insurance

Insurance, which comprises Retail Broking and Insurance Underwriting, performed well in the year, generating strong cash flow.

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.

Gross written premiums

£563.6m

2021 – £581.5m

Retail Broking written revenue

£183.7m

2021 – £192.3m

£m	12m to Jan 2022				Change	12m to Jan 2021			
	Motor Broking	Home Broking	Other Broking	Total		Motor Broking	Home Broking	Other Broking	Total
Gross written premiums (GWP):									
Brokered	105.0	153.2	96.5	354.7	(5.0%)	131.3	151.9	90.2	373.4
Underwritten	205.5	-	3.4	208.9	0.4%	204.6	-	3.5	208.1
GWP	310.5	153.2	99.9	563.6	(3.1%)	335.9	151.9	93.7	581.5
Broker revenue	43.2	29.0	33.2	105.4	2.8%	37.6	28.7	36.2	102.5
Instalment revenue	6.6	3.2	-	9.8	(11.7%)	8.1	3.0	-	11.1
Add-on revenue	11.0	10.9	-	21.9	(13.1%)	14.5	10.7	-	25.2
Other revenue	27.4	17.1	2.1	46.6	(12.9%)	31.3	17.8	4.4	53.5
Written revenue	88.2	60.2	35.3	183.7	(4.5%)	91.5	60.2	40.6	192.3
Written gross profit	85.6	60.2	35.6	181.4	(2.2%)	88.8	60.2	36.5	185.5
Marketing expenses	(17.5)	(7.1)	(3.6)	(28.2)	(8.5%)	(17.3)	(6.0)	(2.7)	(26.0)
Written gross profit after marketing expenses	68.1	53.1	32.0	153.2	(3.9%)	71.5	54.2	33.8	159.5
Other operating expenses	(38.0)	(27.9)	(20.7)	(86.6)	(1.1%)	(40.1)	(26.3)	(19.3)	(85.7)
Written Underlying PBT ⁶	30.1	25.2	11.3	66.6	(9.8%)	31.4	27.9	14.5	73.8
Written to earned adjustment	(0.2)	-	-	(0.2)	(109.5%)	2.1	-	-	2.1
Earned Underlying PBT	29.9	25.2	11.3	66.4	(12.5%)	33.5	27.9	14.5	75.9
Saga-branded policies in force	884k	682k	129k	1,695k	2.6%	867k	677k	108k	1,652k
Third-party panel share ⁷	30.1%				(0.3ppt)	30.4%			

⁶ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

⁷ Third-party underwriter's share of the motor panel for Saga-branded policies

Group Chief Financial Officer's Review continued

Retail Broking written
Underlying Profit
Before Tax^a

£66.6m

2021 – £73.8m

Retail Broking Underlying Profit Before Tax^a on a written basis (which excludes the impact of the written to earned adjustment) reduced to £66.6m from £73.8m, and on an earned basis (which includes the impact of the written to earned adjustment), reduced to £66.4m from £75.9m.

The written to earned adjustment of negative £0.2m in the current year compares with a £2.1m positive adjustment in the prior year. The prior year broking result benefited from price reductions implemented by AICL in 2019 that improved broking margins, but with these improvements partially deferred during 2019/20 and earned during the 2020/21 financial year.

A key metric for the Retail Broking business is written gross profit, after deducting marketing expenses, but before overheads. This reduced from £159.5m in the prior year to £153.2m in the current financial year due to the sale of Bennetts in August 2020. Excluding Bennetts, written gross profit after marketing expenses increased by £0.3m, due to a £3.2m improvement in motor, offset by a £1.1m reduction in home and a £1.8m reduction in other broking.

For Saga-branded motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits reduced by £6.2m, while there was a £8.3m improvement in renewal profits.

The reduction in new business profits is due to investment in television advertising and lower motor new business margins due to competitive market conditions. The increase in renewal profits is principally due to a 5% increase in motor renewal policies, coupled with higher renewal margins driven by the continued growth of our three-year fixed-price products. The higher renewal margins were, in part, due to low net rate inflation during the year compared with the inflation assumptions built into three-year fixed-price pricing.

The average gross margin per policy for Saga-branded motor and home combined, calculated as written gross profit less marketing expenses divided by the number of policies sold, was £74.2 in the year, compared with £73.8 in the prior year.

While Retail Broking earnings have reduced year on year, the Insurance business has shown good progress in the past 12 months:

- Saga-branded motor and home policies in force increased by 1.4% in the year.
- Sustained improvement in customer retention to 82.8% across motor and home, which was 2.3ppts higher than the prior year and 7.7ppts higher than 2019/20.

- 755k three-year fixed-price policies were sold in the year; 47% of total motor and home policies in force, with 57% of direct new business taking the product.
- Direct new business sales for motor and home were 59% of the total, stable on the prior year but around 9ppts higher than in the 2018/19 year.

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 January 2022, £8.7m (2021: £9.9m) of income had been deferred in relation to three-year fixed-price policies, £7.3m (2021: £5.0m) of which related to income written in the year to 31 January 2022. The reduction in the amount deferred is due to new three-year fixed-price sales during the 2021/22 year being lower than in 2019/20, the year the product was launched, with the latter group of policies having all now passed the second renewal. The reduction in the number of three-year fixed-price policies within the first and second renewal was partially offset by higher assumed inflation assumptions.

Motor Broking

Gross written premiums decreased by 7.6% due to the sale of the Bennetts business on 7 August 2020, therefore the current year results include no trading results for Bennetts compared with six months' worth included in the prior year.

Excluding Bennetts, gross written premiums decreased by 0.3%. This reduction is due to lower average premiums per policy, partially offset by a 1.3% increase in the number of core Saga-branded policies. Gross written premiums from business underwritten by AICL increased 0.4% to £205.5m (2021: £204.6m), partly due to a 0.3ppt decrease in third-party panel share to 30.1% (2021: 30.4%). Other revenue declined by £3.9m, due primarily to the sale of Bennetts.

Written gross profit minus marketing expenses was £68.1m (2021: £71.5m), contributing £72.8/policy (2021: £66.9/policy). Excluding Bennetts results from the prior year, motor written gross profit minus marketing expenses for 2021 was £65.0m, contributing £70.3/policy.

The increase in written gross profits excluding Bennetts is mainly due to a 5% increase in motor renewal policies and higher renewal margins on the three-year fixed-price product, partially offset by investment in television advertising of £3.0m and competitive new business market conditions.

Retail Broking earned
Underlying Profit
Before Tax^a

£66.4m

2021 – £75.9m

Retail Broking written
gross profit (after
marketing expenses)

£153.2m

2021 – £159.5m

Home Broking

Gross written premiums increased by 0.9% due to a 0.3% increase in average premiums and a 0.6% increase in core policies.

Written gross profit minus marketing expenses was £53.1m (2021: £54.2m), and on a per policy basis this was £76.2/policy (2021: £78.2/policy). The decrease is due to £1.6m of television advertising spend compared with zero in the prior year.

Other Broking

The Other Insurance Broking business primarily comprises PMI and travel insurance.

Gross written premiums increased 6.6% as a result of higher sales of travel insurance, with policies in force increasing from 50k in the prior year to 77k as a result of increased customer confidence in the travel outlook and fewer restrictions on travel than in the prior year.

Gross profits after marketing costs relating to travel insurance products increased by £1.0m.

Sales for the PMI product were stable; however, gross profit after marketing costs was £6.0m 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.

Profitability of the Group's claims management and credit hire businesses were adversely impacted during the prior year due to lower claims volumes as a result of reduced repair activity during the COVID-19 lockdown, as well as the exit from a claims handling contract for a third party. This has again continued into this year due to a further COVID-19 lockdown, but was more than offset by better-than-expected recovery against previously written down credit hire debt.

Underwriting

£m		12m to Jan 2022			Change	12m to Jan 2021		
		Reported	Quota share	Underlying ⁹		Reported	Quota share	Underlying ⁹
Net earned premium		51.5	(110.0)	161.5	(11.9%)	54.7	(128.7)	183.4
Other revenue		33.2	28.8	4.4	540.0%	19.7	20.7	(1.0)
Revenue	a	84.7	(81.2)	165.9	(9.0%)	74.4	(108.0)	182.4
Claims costs	b	(44.3)	87.7	(132.0)	4.6%	(42.2)	96.1	(138.3)
Reserve releases	c	18.3	(23.8)	42.1	12.0%	30.6	(7.0)	37.6
Other cost of sales	d	(3.9)	12.7	(16.6)	6.7%	(4.9)	12.9	(17.8)
	e	(29.9)	76.6	(106.5)	10.1%	(16.5)	102.0	(118.5)
Gross profit		54.8	(4.6)	59.4	(7.0%)	57.9	(6.0)	63.9
Operating expenses	f	(4.2)	6.9	(11.1)	(4.7%)	(2.9)	7.7	(10.6)
Investment return		3.5	(4.3)	7.8	(6.0%)	3.7	(4.6)	8.3
Quota share net cost		-	2.0	(2.0)	31.0%	-	2.9	(2.9)
Underlying Profit Before Tax¹⁰		54.1	-	54.1	(7.8%)	58.7	-	58.7
Reported loss ratio	(b+c)/a	30.7%		54.2%	(1.0ppt)	15.6%		55.2%
Expense ratio	(d+f)/a	9.6%		16.7%	1.1ppt	10.5%		15.6%
Reported COR	(e+f)/a	40.3%		70.9%	0.1ppt	26.1%		70.8%
Current year COR	(e+f-c)/a	61.9%		96.3%	4.9ppt	67.2%		91.4%
Number of earned policies				711k	(6.9%)			764k
Policies in force – Saga motor				629k	3.5%			608k

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

¹⁰ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

Group Chief Financial Officer's Review continued

Underwriting
Underlying Profit
Before Tax¹²

£54.1m

2021 – £58.7m

Current year COR

96.3%

2021 – 91.4%

Prior year reserve
releases

£42.1m

2021 – £37.6m

The Group's in-house underwriter, AICL, continues to play an important role on the motor panel, providing a significant source of competitively priced underwriting. AICL also underwrites a portion of the home panel, although all home underwriting risk is passed to third-party insurance and reinsurance providers. 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 arrangements¹¹, net earned premiums decreased by 11.9% to £161.5m (2021: £183.4m) reflecting a 6.9% reduction in the number of earned policies underwritten by AICL coupled with a 5.4% decrease in average earned premiums. The reduction in the number of earned policies was mainly due to lower volumes on non-Saga panels.

Also excluding the impact of the quota share arrangement¹¹, AICL saw an increase in the current year underlying combined operating ratio (COR) to 96.3% (2021: 91.4%). The prior year benefited from significantly reduced motor claims frequencies due to customers driving fewer miles during COVID-19 lockdowns. While this was also a factor in the first three months of 2021/22, motor claims experience for the latter nine months of the 2021/22 year was broadly in line with pricing assumptions.

Prior year reserve releases of £42.1m (2021: £37.6m) have resulted in an underlying reported COR of 70.9% (2021: 70.8%). 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 years can be analysed as follows:

£m	12m to Jan 2022			Change	12m to Jan 2021		
	Reported	Quota share	Underlying ¹¹		Reported	Quota share	Underlying ¹¹
Motor insurance	16.0	(26.5)	42.5		28.1	(8.6)	36.7
Home insurance	–	0.1	(0.1)		(0.4)	–	(0.4)
Other insurance	2.3	2.6	(0.3)		2.9	1.6	1.3
	18.3	(23.8)	42.1	12.0%	30.6	(7.0)	37.6

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

While the Group remains prudently reserved and expects to see ongoing reserve releases in 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 arrangements¹¹, of around 97%, in line with previous expectations.

Excluding the impact of the quota share arrangement¹¹, the investment return decreased by £0.5m to £7.8m (2021: £8.3m) due to a reduced investment portfolio and lower reinvestment yields.

¹¹ Underlying within Insurance Underwriting shows the true commercial position of the business by removing the impact of the proportional line-item accounting of the quota share reinsurance arrangements

¹² Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

Travel

£m	12m to Jan 2022			Change	12m to Jan 2021		
	Tour Operations	Cruise	Total Travel		Tour Operations	Cruise	Total Travel
Revenue	12.2	82.5	94.7	83.5%	32.7	18.9	51.6
Gross loss	(0.5)	(7.7)	(8.2)	50.3%	(2.6)	(13.9)	(16.5)
Marketing expenses	(8.7)	(12.1)	(20.8)	(39.6%)	(7.8)	(7.1)	(14.9)
Other operating expenses	(21.7)	(9.2)	(30.9)	8.3%	(26.4)	(7.3)	(33.7)
Investment return	–	0.1	0.1	(50.0%)	–	0.2	0.2
Finance costs	(0.7)	(18.8)	(19.5)	(43.4%)	(0.1)	(13.5)	(13.6)
Underlying Loss Before Tax¹³	(31.6)	(47.7)	(79.3)	(1.0%)	(36.9)	(41.6)	(78.5)
Average revenue per passenger (£)	1,356	3,750	3,055	12.5%	2,515	3,150	2,716
Tour Operations passengers ('000)	9 ¹		9	(30.8%)	13		13
Cruise passengers ('000)		22	22	266.7%		6	6
Cruise passenger days ('000)		274	274	349.2%		61	61
Load factor		68%	68%	(15.0ppt)		83%	83%
Per diem (£)		299	299	24.1%		241	241

The Group's Travel businesses were suspended in mid-March 2020 following government restrictions introduced as a result of the COVID-19 pandemic. The Cruise business resumed on 27 June 2021 with the first sailing of Spirit of Discovery, and Spirit of Adventure's inaugural cruise on 26 July 2021. The Cruise business operated Spirit of Discovery in UK waters through July with a government-enforced load factor restriction of 50%. This was removed from the end of July. In the second half, the Cruise business operated without interruption but in a continually changing environment that resulted in late itinerary changes for our customers and load factor restrictions at various ports in Europe. The Tour Operations business commenced a small number of UK-based holidays in June 2021 and international holidays, tours and river cruises, focused within Europe, commenced in September 2021, albeit with very low volumes due to ongoing COVID-19 travel restrictions.

Marketing expenses have increased by £5.9m to £20.8m (2021: £14.9m) to support the restart of operations and a return to a normalised trading in 2022/23, especially in Cruise. Other operating expenses have decreased by £2.8m as a result of actions taken after the decision to suspend operations in the prior year to downsize the overhead cost base whilst operations were paused. The overheads cost base has begun to scale up to support the return to service, but not to the same levels as before.

A significant number of changes have been made to how the Travel businesses operate to provide peace of mind and ensure the safety of customers and colleagues, including the requirement that all guests must be fully vaccinated against COVID-19, which means two doses plus a booster from 1 February 2022, at least 14 days before departure.

The Tour Operations business (comprising Saga Holidays and Titan Travel) continues to be significantly impacted by COVID-19, with passenger volumes well below pre-2019 levels. We are responding to these challenges by combining the operations of Saga Holidays and Titan to position ourselves for growth and create a lower-cost, more agile and dynamic operation which is focused on the changing needs of our customers.

This will maximise efficiency in touring, where the product offerings are highly complementary, and we will create a new hotel stay proposition to be launched later in 2022. Management of our river cruise operation is being transferred to our Cruise team, who have a demonstrable track record of operating cruise ships successfully, both in terms of customer service and commercial outcomes.

These actions place us in a strong position as travel restrictions ease and customer demand builds during 2022.

Travel Underlying Loss Before Tax¹³

(£79.3m)

2021 – (£78.5m)

Average revenue per passenger

£3,055

2021 – £2,716

13 Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

Group Chief Financial Officer's Review continued

Forward Travel sales

Cruise bookings for 2022/23 are higher than the same point two years ago by 46% and 9ppt for revenue and load factor respectively due to high levels of pent-up demand for cruises and completion of the cruise transformation programme, with per diems also 15% higher than at the same point two years ago.

Tour Operations bookings for 2022/23 are below the same point two years ago by 30% and 35% for revenue and passengers respectively. This is due to continued customer caution in relation to overseas travel.

£m	Current-year departures		
	20 March 2022	Change	22 March 2020
Cruise revenue (£m)	160.5	45.6%	110.2
Load factor	73%	9ppts	64%
Per diems (£)	319	14.7%	278
Saga Holidays and Titan combined revenue (£m)	131.9	(29.9%)	188.1
Saga Holidays and Titan combined passengers ('000)	53.8	(35.3%)	83.1

Other Businesses and Central Costs

£m	12m to Jan 2022			Change	12m to Jan 2021		
	Other Businesses	Central Costs	Total		Other Businesses	Central Costs	Total
Revenue:							
Personal Finance	5.9	—	5.9	(1.7%)	6.0	—	6.0
Healthcare	—	—	—	(100.0%)	0.9	—	0.9
Media and printing	9.9	—	9.9	8.8%	9.1	—	9.1
Other	—	1.5	1.5	(25.0%)	—	2.0	2.0
Total revenue	15.8	1.5	17.3	(3.9%)	16.0	2.0	18.0
Gross profit	5.7	3.4	9.1	(2.2%)	5.6	3.7	9.3
Operating expenses	(3.9)	(32.9)	(36.8)	(26.5%)	(2.8)	(26.3)	(29.1)
IAS 19R pension charge	—	(1.6)	(1.6)	38.5%	—	(2.6)	(2.6)
Net finance costs	—	(18.6)	(18.6)	(12.0%)	—	(16.6)	(16.6)
Underlying Profit/(Loss) Before Tax¹⁴	1.8	(49.7)	(47.9)	(22.8%)	2.8	(41.8)	(39.0)

Other Business and Central Costs Underlying Loss Before Tax¹⁴

(£47.9m)

2021 – (£39.0m)

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

Underlying Profit Before Tax¹⁴ for Other Businesses combined is broadly in line with the prior year, with the prior year benefiting from one month's worth of trading from the Healthcare business that was divested in March 2020.

Central operating expenses increased to £32.9m (2021: £26.3m). Administration costs, adjusted for transfers to local business units, were flat on the prior year, but net costs increased by £6.6m due to lower Group recharges to the Travel division and a £3.2m increase in central marketing costs.

This latter increase was due to the Group's rebranding exercise as well as production and other setup costs relating to the television advertising campaign launched in October 2021.

Net finance costs in the year were £18.6m (2021: £16.6m), which excludes finance costs that are included within the Travel division of £19.5m (2021: £13.6m). The increase was largely due to higher bond interest costs following the completion of the new bond issue in July 2021. This was partially offset by a reduction in bank debt interest costs following the repayment of all drawn bank facilities in July 2021.

Cash flow and liquidity

Available Operating Cash Flow¹⁵

Available Operating Cash Flow¹⁵ 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 Cruise business. Restricted businesses include AICL and Tour Operations.

Excluding cash transfers to and from the Travel business, Group cash flows demonstrated considerable resilience in the year, with an Available Operating Cash Flow¹⁵ of £89.4m compared with £92.3m in the prior year. Trading EBITDA¹⁵ for unrestricted businesses reduced by £19.9m, partly due to reduced renewal margins in PMI within the Retail Broking segment and increased television advertising spend to support the brand. This was largely offset by an increase in working capital inflows from £7.0m to £15.2m, mainly due to the Retail Broking segment and a £10.5m increase in dividends paid by AICL.

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

For Tour Operations, which now operates as a ring-fenced fund, the Group provided £36.4m of cash to the business to cover trading cash flows in the current year.

This is a reduction of £27.7m when compared with the £64.1m funded in 2020/21, which is mainly due to the establishment of the stand-alone ring fence in 2020 as well as high level of supplier payments in the prior year. At 31 January 2022, the Tour Operations ring-fenced business held cash of £32.4m, of which £23.4m is held in trust. In the second half of the year, the Group agreed with the Civil Aviation Authority to hold a minimum of £5.6m of cash outside of trust within the ring-fenced businesses.

During the year, the Cruise business reported an operating cash inflow of £22.8m (2021: cash outflow £24.8m), with an increase in advance customer receipts of £28.5m (2021: reduction of £8.1m), offset by net trading costs of £2.7m (2021: £25.7m) and capital expenditure of £3.0m (2021: net inflow of £9.0m). Net of interest costs of £15.2m (2021: £8.6m), the Cruise business reported net cash inflow of £7.6m for 2021/22 compared to a net outflow of £33.4m in the prior year.

The improvement compared with the prior year is a result of the Cruise business resuming operations in the latter part of the first half, enabling the business to start collecting payments on the cruises that sailed in the second half of the year and the beginning of 2022.

As a result of the reduction in cash injections to the Travel business in the year when compared with the prior year, Available Operating Cash Flow¹⁵ increased from an inflow of £3.4m in the prior year to £75.8m in the current year.

Available Operating Cash Flow¹⁵
(excluding Travel)

£89.4m

2021 – £92.3m

Available Operating Cash Flow¹⁵

£75.8m

2021 – £3.4m

Group Chief Financial Officer's Review continued

£m	12m to Jan 2022	Change	12m to Jan 2021
Retail Broking Trading EBITDA	73.2	(10%)	81.6
Other Businesses and Central Costs Trading EBITDA	(21.5)	(115%)	(10.0)
Trading EBITDA from unrestricted businesses^{16,17}	51.7	(28%)	71.6
Dividends paid by Underwriting business	35.0	43%	24.5
Working capital and non-cash items ¹⁸	15.2	117%	7.0
Capital expenditure funded with Available Cash ¹⁸	(12.5)	(16%)	(10.8)
Available Operating Cash Flow before cash injections to Travel operations¹⁸	89.4	(3%)	92.3
Cash injection into Tour Operations business	(36.4)	43%	(64.1)
Cruise Available Operating Cash Flow	22.8	192%	(24.8)
Available Operating Cash Flow¹⁸	75.8	2,129%	3.4
Restructuring costs paid	(1.7)	93%	(23.0)
Interest and financing costs	(42.4)	(55%)	(27.3)
Business and property disposals	4.5	(85%)	30.1
Tax receipts	5.7	104%	2.8
Other payments	(10.7)	(5%)	(10.2)
Change in cash flow from operations	31.2	229%	(24.2)
Net proceeds from capital raise	=	(100%)	138.7
Change in bond debt	150.0	100%	-
Change in bank debt	(70.0)	13%	(80.0)
Cash at 1 February	75.4	84%	40.9
Available Cash at 31 January¹⁸	186.6	147%	75.4

Available Cash
at 31 January¹⁸

£186.6m

2021 – £75.4m

Other cash flow movements

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

Interest and financing costs increased due to the financing costs relating to the Spirit of Adventure debt facility which was drawn down at the end of September 2020, combined with an increase in debt issue costs relating to the fees associated with the new bond issue, the tender of the existing bond and the amendments to the existing revolving credit facility (RCF), along with the second ship debt holiday being more expensive than the first one in the prior year.

Business and property disposals relate to the cash received from the sale of property in the current year and from the sale of the Healthcare, Bennetts and Destinology businesses in the prior year, 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 £4.2m (2021: £4.8m), with the prior year including a portion of the sales proceeds relating to the Healthcare and Bennetts businesses paid into the fund. These are included within other payments.

During the year, the Group agreed with the FCA to hold an additional restricted cash balance of £5.0m on a temporary basis. This was funded from Available Cash¹⁸ and is included within other payments. The Group expects to be able to release this amount from restricted cash in the first half of 2022.

In June 2021, the Group issued a five-year £250m fixed-rate unsecured bond. The proceeds of the bond were used to fund the settlement of £100m of the existing bond and to repay in full the £70m term loan. The balance of the proceeds, together with the Available Cash¹⁸ brought forward from the prior year, and the undrawn RCF provides the Group with significant free liquidity to support operations in the event of a re-emergence of COVID-19 in 2022 or 2023.

¹⁶ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

¹⁷ 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

¹⁸ Adjusted to exclude IAS 19R pension current service costs

Reconciliation between operating and reported metricsAvailable Operating Cash Flow¹⁹ reconciles to net cash flows from operating activities as follows:

£m	12m to Jan 2022	12m to Jan 2021
Net cash flow from operating activities (reported)	46.5	(78.4)
Exclude cash impact of:		
Trading of restricted divisions	0.8	73.8
Non-trading costs	3.6	21.6
Interest paid	34.2	24.1
Tax paid	4.6	10.7
	43.2	130.2
Cash released paid to restricted divisions	(1.4)	(26.8)
Include capital expenditure funded from Available Cash ¹⁹	(12.5)	(10.8)
Include capital expenditure disposal proceeds	-	6.9
Include net impact of Spirit of Adventure purchase cash flows	-	(5.2)
Less non-cash net liabilities disposed as part of business disposals	-	(12.5)
Available Operating Cash Flow¹⁹	75.8	3.4

Trading EBITDA¹⁹ reconciles to Underlying (Loss)/Profit Before Tax¹⁹ as follows:

£m	12m to Jan 2022	Change	12m to Jan 2021
Retail Broking Trading EBITDA	73.2		81.6
Underwriting Trading EBITDA	54.3		59.2
Tour Operations Trading EBITDA	(28.1)		(32.6)
Cruise Trading EBITDA	(12.7)		(19.5)
Other Businesses and Central Costs Trading EBITDA	(21.5)		(10.0)
Trading EBITDA¹⁹	65.2	(17.2%)	78.7
Depreciation and amortisation (excluding acquired intangibles)	(32.2)		(28.8)
Pension charge IAS 19R	(1.6)		(2.6)
Net finance costs (including Cruise)	(38.1)		(30.2)
Underlying (Loss)/Profit Before Tax¹⁹	(6.7)	(139.2%)	17.1

Adjusted Trading EBITDA¹⁹ is used in the Group's leverage calculation and is calculated as follows:

£m	12m to Jan 2022	Change	12m to Jan 2021
Trading EBITDA¹⁹	65.2	(17.2%)	78.7
Less Trading EBITDA of disposed companies not disclosed below Underlying Profit Before Tax ¹⁹	-		(1.6)
Impact of IFRS 16 'Leases'	(3.1)		(3.0)
Spirit of Discovery and Spirit of Adventure Trading EBITDA ²⁰	11.5		18.7
Adjusted Trading EBITDA¹⁹	73.6	(20.7%)	92.8

19 Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

20 EBITDA includes central Cruise overheads

Group Chief Financial Officer's Review continued

Balance sheet

Goodwill

At 31 January 2022, the carrying value of the Group's goodwill asset totalled £718.6m (31 January 2021: £718.6m) and is wholly attributable to the Insurance business. The Group performed its annual impairment review of the goodwill asset and the results demonstrated sufficient headroom against the carrying value of the asset in both management's base case and reasonable worst-case (RWC) scenarios, and so has concluded that no impairment is required. During the prior year, the Group wrote down the £59.8m goodwill asset attributable to its Travel businesses, the impairment review for which was affected adversely by the uncertain outlook for the Travel business at that point in time due to impact of COVID-19.

Carrying value of ocean cruise ships

At 31 January 2022, the carrying value of the Group's ocean cruise ships totalled £621.3m (31 January 2021: £635.0m). Due to the continued impact of the COVID-19 pandemic on the Travel business and the continued

uncertainty in the outlook for the Travel industry, the Group carried out an impairment review of both of its vessels. The results of the review showed that there was headroom in both the central and stress test scenarios for both Spirit of Discovery and Spirit of Adventure, with no impairment required. Please refer to Note 2.6 on page 142 for further details of the review that was undertaken.

Investment portfolio

The majority of the Group's financial assets are held by its underwriting entity and represent premium income received and invested to settle claims and to meet regulatory capital requirements.

The amount held in invested funds decreased by £28.9m to £330.2m (31 January 2021: £359.1m) due to payment of £35.0m of dividends from AICL in the year. At 31 January 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 year and reflects the relatively stable credit risk rating of the Group's investment holdings.

£m	Credit risk rating					
At 31 January 2022	AAA	AA	A	BBB	Unrated	Total
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
Hedging derivative assets	—	—	1.8	0.1	—	1.9
Total financial assets	49.4	94.4	83.8	98.3	6.2	332.1

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

Insurance reserves

Analysis of insurance contract liabilities at 31 January 2022 and 31 January 2021 is as follows:

£m	At 31 January 2022			At 31 January 2021		
	Gross	Reinsurance assets ²¹	Net	Gross	Reinsurance assets ²¹	Net
Reported claims	211.3	(55.8)	155.5	228.6	(57.8)	170.8
Incurred but not reported ²²	73.6	(3.3)	70.3	92.6	(7.4)	85.2
Claims handling provision	7.9	–	7.9	8.3	–	8.3
Total claims outstanding	292.8	(59.1)	233.7	329.5	(65.2)	264.3
Unearned premiums	93.9	(6.3)	87.6	96.8	(6.4)	90.4
Total	386.7	(65.4)	321.3	426.3	(71.6)	354.7

The Group's total insurance contract liabilities, net of reinsurance assets, have decreased by £33.4m in the year to 31 January 2022 from the previous year end, primarily due to a £15.3m reduction in reported net claims reserves, coupled with a £14.9m decrease in net incurred but not reported claims reserves. The reduction in net incurred but not reported claims reserves is due to reserve releases that reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, part of the additional component of reserve margin held in respect of the 2020/21 accident year has been released in the current year.

Financing

At 31 January 2022, the Group's net debt was £729.0m, which is £31.2m lower than at the beginning of the financial year.

The Group issued a new five-year £250m 5.5% fixed-rate unsecured bond in July 2021. The proceeds of the bond were used to fund the settlement of £100m of the existing outstanding unsecured 3.375% bond and to repay in full the £70m term loan. After transaction costs, these

actions increased the Group's Available Cash²³ by £76m. As at 31 January 2022, the £100m RCF remained undrawn and available to the Group, and the maturity of the facility has been extended to May 2025. The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of the 3.375% bond notes have not been redeemed prior to this date.

Excluding the impact of debt and earnings relating to the ocean cruise ships, the Group's leverage ratio was 3.0x as at 31 January 2022 (31 January 2021: 2.7x), well within the 4.25x covenant applicable to the Group's RCF.

No repayments were made on the ship loans during the year, with the Group agreeing a second debt holiday with its lenders in March 2021, as part of a package of proposals to support the wider cruise industry. The second debt holiday allowed for payments due in the year to 31 March 2022 to be deferred for a period of up to five years from the original repayment date. The Group intends to resume ship loan debt repayments after March 2022, with the first payment due in June 2022.

Net debt

£729.0m

2021 – £760.2m

Leverage ratio

3.0x

2021 – 2.7x

£m	Maturity date ²⁴	31 January 2022	31 January 2021
5.5% Corporate bond	July 2026	250.0	–
3.375% Corporate bond	May 2024	150.0	250.0
Term loan	n/a	–	70.0
Revolving credit facility	May 2025 ²⁵	–	–
Spirit of Discovery ship loan	June 2031	234.8	234.8
Spirit of Adventure ship loan	September 2032	280.8	280.8
Less Available Cash ^{23,26}		(186.6)	(75.4)
Net debt		729.0	760.2

Adjusted Net Debt²³ is used in the Group's leverage calculation and reconciles to net debt as follows:

£m	31 January 2022	31 January 2021
Net debt	729.0	760.2
Exclude ship loans	(515.6)	(515.6)
Exclude Cruise Available Cash	4.7	2.3
Adjusted Net Debt²³	218.1	246.9

21 Excludes funds-withheld quota share arrangement (please refer to Note 28 for further detail)

22 Includes amounts for reported claims that are expected to become periodical payment orders

23 Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

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

25 The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of the 3.375% bond notes have not been redeemed prior to this date

26 Refer to Note 25 of the financial statements for information as to how this reconciles to a statutory measure of cash

Group Chief Financial Officer's Review continued

Pensions

The Group's defined benefit pension scheme deficit, as measured on an IAS 19R basis improved by £5.4m to a £1.1m surplus at 31 January 2022 (£4.3m deficit as at 31 January 2021).

£m	31 January 2022	31 January 2021
Fair value of scheme assets	412.0	411.2
Present value of defined benefit obligation	(410.9)	(415.5)
Defined benefit scheme surplus/(deficit)	1.1	(4.3)

The present value of defined benefit obligations decreased by £4.6m to £410.9m, primarily due to a 70bps increase in the discount rate based on high-quality bond yields, that was partially offset by a 100bps increase in RPI inflation, the fair value of scheme assets increased by £0.8m to £412.0m. The increase in asset values has been largely driven by employer contributions of £8.2m into the scheme including a £4.2m deficit funding contribution in February 2021, partially offset by a decrease in asset values, largely driven by the increase in interest rates in the year.

During the year, the pension Trustees and the Group concluded the triennial valuation of the scheme at 31 January 2020. The Company and Trustees agreed to a new deficit recovery plan totalling £39.0m over the next seven years, with the first payment of £4.2m paid in February 2021 and subsequent payments of £5.8m due each February thereafter until February 2027.

In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. With effect from 31 October 2021, the Group 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 introduced a new defined contribution pension scheme arrangement that is operated as a Master Trust. This move will reduce the risk of further deficits developing in the future on the defined benefit scheme, while moving to a new scheme for all colleagues. Upon closure of the scheme in October 2021, a one-off charge of £2.5m was made to the income statement that crystallised from the rebasing of liability valuation assumptions from active to deferred members.

Net assets

Since 31 January 2021, total assets have increased by £89.7m, which was offset by an increase in total liabilities of £117.5m, resulting in an overall decrease in net assets of £27.8m.

The increase in total assets is primarily due to an increase in cash and short-term deposits as the financing transaction completed in the first half of the year resulted in an increase in Available Cash²⁷ of £76m and an increase of

right-of-use assets of £33.2m following delivery of the Spirit of the Rhine river cruise ship.

The increase in total liabilities reflects a £109.6m increase in financial liabilities, which was due to an increase in gross debt from the receipt of the £250m new bond proceeds offset by repayment of £100m of the existing bond and the full £70m of the outstanding term loan, along with a £30.9m increase in lease liabilities following the delivery of the Spirit of the Rhine river cruise ship. There was also an increase in contract liabilities of £32.4m and trade and other payables of £24.6m following the restart of Travel operations in the year, offset by a £39.6m reduction in insurance contract liabilities driven by favourable claims frequency.

Impact of COVID-19 and going concern

The impact of COVID-19 over the past two years has increased the level of uncertainty and earnings volatility for the Group, as it has done for many businesses, and particularly for the Group's Travel business. Since the start of the pandemic in the first half of 2020, the Group has increased the frequency and depth of its long-term financial forecasting and scenario modelling to allow the Directors to take appropriate action to ensure the ongoing liquidity and solvency of the business.

Over this period, the Group has undertaken a series of transactions to restructure its operations and capital structure. The Group's balance sheet has been strengthened to allow it to withstand a further period of uncertainty that may be faced in 2022 and beyond. The most notable of these transactions was the raising of £139m of net proceeds from the issuance of new equity shares in September 2020, followed by the issuance of a new £250m unsecured fixed-rate five-year bond in July 2021. These actions allowed the Group to fully repay its senior secured bank debt facilities, bolster Available Cash²⁷ reserves, which were £187m at 31 January 2022, increase financial flexibility and extend the maturity profile of Group debt. On its ship debt facilities, the Group deferred a number of capital repayments and there is a covenant testing holiday on these facilities until 31 July 2022.

The Group successfully recommenced operations in its Travel business during 2021, with UK-only cruises and holidays operating from July 2021, and a return to international cruises from the end of August 2021 and international tours from September 2021. The Travel business has continued to operate since, despite the increased disruption from the emergence of the Omicron variant in November 2021.

The Group announced at the end of January 2022 its plans to restructure the operations of its Travel business. The Saga Holidays and Titan Travel operations are being combined to maximise efficiency in touring, where the product offerings are highly complementary, and to create a new hotel stay proposition to be launched later in 2022. The river cruise product is now being managed by the Cruise management team, who have a demonstrable track record of operating the ocean cruise product successfully in a COVID-safe environment. These actions place the Travel business in a strong position as travel restrictions ease and customer demand continues to recover.

As in the prior year, the Insurance business' ability to trade continues to be largely unaffected by COVID-19, with resilient earnings in the Retail Broking business and some positive impacts on motor claims frequency during the first half of 2021 when the UK population was in lockdown. The Insurance business has also successfully implemented changes to pricing in line with the requirement of the regulations imposed by the FCA following its market study into insurance pricing, which came into force on 1 January 2022.

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

- In the base case, which represents the Group's central plan and best estimate outlook, Cruise continues to see some impact of COVID-19 in the first half of 2022/23,

with reduced load factors and higher return to service costs, but then largely returns to normal operation thereafter. The Tour Operations business is targeting to break even in 2022/23 and then return to pre-pandemic contribution levels from 2023/24, with a lower overhead cost base following completion of the recently announced restructuring plans. Insurance plans include an estimate of the impact of the FCA market study on customer pricing, which is expected to have an adverse impact on profit before tax for 2022/23 and 2023/24.

- In the RWC, which represents the Group's severe, but plausible, downside scenario, Cruise assumes a layup of both ships for a further two-month period during 2022/23 due to further potential travel restrictions, and with suppressed load factors for the remainder of 2022/23 and 2023/24, capped at 75% and 80% for each year respectively. Tour Operations also sees a much 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 impact of the FCA market study compared to base case assumptions.

The Group has made an initial assessment of the potential impact that the Russia-Ukraine conflict could have on its outlook, and potential downsides are considered to be limited to short-term reductions to Travel bookings and inflationary pressures that are sufficiently covered by the assumptions within the base case and RWC.

The Group has concluded discussions with its Cruise lenders to amend the covenants on the two ship debt facilities as set out in the table below. This is to ensure we have significant headroom against all scenarios modelled. As part of the modelling, the Group considered its compliance with the maintenance covenants attached to its banking facilities, which are summarised in the following table at each of the required testing dates:

	Ship debt facilities			RCF	
	EBITDA to debt repayment (minimum)	EBITDA to cash interest (minimum)	Net debt to EBITDA (leverage) (maximum)	EBITDA to cash interest (interest cover) (minimum)	Cruise intercompany debt cap (maximum)
31 July 2022	1.0x	1.7x	3.75x	2.0x	£115m
31 January 2023	1.0x	2.0x	3.75x	2.5x	£115m
31 July 2023	1.0x	2.0x	3.00x	3.5x	£115m
31 January 2024	1.0x	2.0x	3.00x	3.5x	£115m
31 July 2024 onwards	1.2x	2.0x	3.00x	3.5x	£115m

Group Chief Financial Officer's Review continued

Dividends and financial priorities for 2022/23

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.

Under the terms of the RCF, dividends also remain restricted if leverage (excluding the Cruise debt) is above 3.0x and the Group remains subject to a minimum liquidity requirement of £40m, which can be met either through cash or undrawn and committed facilities (such as the RCF itself). The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150m of bond notes that are due to mature in May 2024 have not been redeemed prior to this date. The RCF is expected to remain undrawn in both scenarios for the foreseeable future, and it can be cancelled with immediate effect at any point, which would remove all covenants attached to it.

The new unsecured bond that is due to mature in July 2026 includes an event-based fixed charge covenant ratio, of 2.0x EBITDA, which must be satisfied if, and when, the Group intends to issue new debt. The Group has no plans to issue any new debt. The definition of this covenant is comparable to the interest cover covenant within the RCF.

In both the scenarios modelled, the Group expects to be able to operate within its debt covenants and to maintain ample Available Cash²⁸ reserves until at least September 2023, being 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 will continue to trade through the continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months, and accordingly have prepared the financial statements on a going concern basis.

Dividends

Given the Group's priority of reducing net debt, the Board of Directors does not recommend payment of a final dividend for the 2021/22 financial year, nor would this currently be permissible during the period of the ship debt repayment holiday.

Financial priorities for 2022/23

The Group's financial priorities for the current financial year are to reduce net debt, build on the already positive load factor and per diems in Cruise, complete the restructure of the Tour Operations business, and to continue progress in execution of its Insurance strategy. Given the continued uncertainty arising from COVID-19, the Group is not providing any earnings guidance for the 2022/23 financial year but would expect a return to profit in both the base case and RWC scenarios.



James Quin
Group Chief Financial Officer

22 March 2022

Principal risks and uncertainties (PRUs)

The PRUs shown below are the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The table also includes the mitigating actions being taken to manage these risks. The risk exposure outlook denotes the anticipated future direction of each risk after mitigation, which is influenced by known key external or internal factors. Saga takes a 'bottom-up' and 'top-down' approach to developing and reviewing its PRUs, which occurs at least twice a year with oversight from the Executive Leadership Team (ELT) and the Board. Each PRU has been aligned to the most relevant strategic priorities.

Key for link to strategy

① Maximise our existing businesses

③ Create 'The Superbrand' for older people

② Step-change our ability to scale while reducing debt

Ⓑ Threat to business model

Risk	Mitigation	Risk exposure outlook	Link to growth plan
Macroeconomic uncertainty			
Heightened economic uncertainty arising from the Russian invasion of Ukraine leading to higher-than-expected inflation, delays in the supply chain, increased risk or decrease in demand for Saga's travel products.	Ongoing monitoring of the risks with agility to adapt quickly to changes in market conditions; strong cash position.	Worsening (externally driven)	① ② ③ Group-wide
COVID-19 pandemic			
Continuation of COVID-19, or emergence of variants thereof, threatens the financial resilience of the Group or viability of the Travel business.	Completion of capital restructuring and continuation of remote working capability that is now integrated into our hybrid working model.	Improving	① ② ③ Ⓑ Group-wide
Cybercrime			
Cyber security breach resulting in system lockdown, ransom demands and/or compromise of confidential and/or personal data.	Continued investment in industry-leading tools and technologies to mitigate cyber attacks, industry benchmarking and external penetration tests. Continued programme of colleague awareness to identify and prevent cyber threats and decommissioning of legacy systems, reducing our footprint of potential system targets.	Worsening (externally driven)	① Ⓑ Group-wide
Delivery and execution			
Key business change initiatives fail to be delivered effectively, or at all, due to one, or a combination of, the following: • Resource capability or capacity. • Unexpected business as usual risk issues. • New regulation. • Material defects in the delivery.	Robust project governance covering how significant changes are prioritised and delivered, with close oversight from the ELT and Board with 2 nd and 3 rd line assurance conducted for the change initiatives carrying the greatest risk.	Improving	① ③ Group-wide
Capability			
Our strategy and purpose have created a new demand for capability to deliver the five-year plan, which requires new investment, leadership commitment and learning culture. There is a risk that this step-change is not achieved.	Increased focus on talent management, recruitment and succession planning. Reset learning programme and embedding a new reward framework that drives colleague performance and aligns to delivering fair customer outcomes.	Worsening (externally driven)	① ② ③ Ⓑ Group-wide
Saga brand and relevance			
The Saga brand and its products do not appeal sufficiently to our target customer group resulting in loss of appeal and market share.	Following the brand relaunch in 2021, we acquired The Big Window Consulting Limited, an agency that specialises in understanding our target consumer demographic. This allows us to prioritise products and services that most appeal to our customers, with specific focus on identification and resolution of pain points throughout the customer journey.	Improving	③ Ⓑ Group-wide

Principal risks and uncertainties (PRUs) continued

Risk	Mitigation	Risk exposure outlook	Link to growth plan
Regulatory landscape			
Risk of customer harm because of our actions/in-action or failure to implement regulatory change correctly.	Successful delivery of Financial Conduct Authority (FCA) changes. Continued focus on effective risk management aligned to our values and strategy alongside 1 st line control testing within trading entities. Horizon scanning reports produced to identify upcoming regulatory changes and necessary action.	Stable	① ② B Group-wide
Operational resilience			
Failure in critical services or operations and inability to recover within defined parameters, made more complex by remote working arrangements.	Enhancements to technology and infrastructure, including replacement of legacy platform through which colleagues access our systems. Delivery of an Operational Resilience programme to meet FCA requirements. Change governance ensures system changes are delivered within risk appetite.	Stable	① ② ③ B Group-wide
Environmental, Social and Governance (ESG)			
Failure to keep pace with increasing regulation around carbon emissions, coupled with industry and societal pressure causes reputational or financial damage.	New cruise ships built in line with latest regulations and can operate to near-zero sulphur oxide and nitrogen oxide exhaust emissions. Our ESG strategy will be fully developed and integrated into our risk framework during 2022.	Stable	① ② ③ Group-wide
Third-party suppliers			
Reputational impact, business interruption and financial losses arising from the failure of key third parties to deliver to required standards.	Third-party risk management ensures an appropriate risk-based approach for selecting third-party partners, for overseeing their performance and for their operational and financial resilience.	Stable	① ③ Group-wide
Fraud and financial crime			
Increased risk of internal or external fraud and financial crime driven by remote working and macroeconomic conditions.	2 nd and 3 rd line assurance reviews conducted with no significant issues identified. Ongoing monitoring of claims fraud in place, reinforced by colleague awareness communications. Operation of effective internal controls subject to regular testing and oversight. Saga's Speak Up process enhanced, with regular data monitoring in place.	Stable	① Insurance and Personal Finance
Insurance risk			
Exposure to reserving, premium and large or catastrophic claims risk through our underwriter, Acromas Insurance Company Limited. This may lead to insufficient claims reserves, higher losses than anticipated due to large or catastrophic loss events or premiums being insufficient to cover claims and other costs arising.	The use of coinsurance and reinsurance across underwritten business. Ensuring claims reserves are set with sufficient margin to cover uncertainty. Investment in advanced analytics across pricing and claims.	Improving	① Insurance
Breach of Data Protection Act 2018/UK General Data Protection Regulation			
Failure to understand data privacy regulation and take reasonable steps to ensure personal data can be managed in line with customer expectations.	Prioritisation of projects to improve effective data management, coupled with simplification of our technology estate and strengthening of our Data Privacy Team and capabilities.	Stable	① ② ③ B Group-wide

Viability Statement

The Directors have considered the viability of the Group over the five-year period to January 2027. The COVID-19 pandemic and the war between Russia and Ukraine continues to create uncertainty in the outlook for many businesses, and in particular, within the travel sector. The Directors and Executive Leadership Team remain focused on protecting the Group and have taken actions to strengthen the Group's financial position to help it mitigate the continued uncertainty. The going concern disclosure on pages 50-52 provides detail on the actions that the Directors have taken over the past year and the key assumptions that underpin the Group's scenario modelling.

On the assumption that the travel industry continues to recover during 2022, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. The Directors recognise that uncertainty increases over time and therefore future outcomes cannot be guaranteed. The Directors have determined the five-year period to January 2027 to be an appropriate period over which to assess the Group's viability, as this period:

- a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business;
- b) includes the maturity of both unsecured bonds in 2024 and 2026; and
- c) includes fuller consideration of a range of potential risks, including the potential ongoing impact of the COVID-19 pandemic.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe, but plausible, scenarios and the effect of any mitigating actions. The Directors have considered each of the Group's principal risks and uncertainties (PRUs) detailed on pages 53-54 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have also taken into account the availability of the Group's debt facilities, which are considered to be sufficient to meet the Group's needs.

The list of PRUs, derived from a robust review of risks, was reviewed by risk owners, Finance and the Risk function, to consider which risks might threaten the Group's ongoing viability. The PRUs have been considered, and severe, but plausible, outcomes for each have been identified, with an estimate of the potential financial impact of each quantified. Assessments of the potential financial impact were derived from both internal calculations and examples of similar incidents in the public domain. In assessing the viability of the Group, the Directors have considered appropriate management actions that may be taken in order to manage the solvency of the Group in the event of severe, but plausible, downside scenarios. The assessment assumes that the Group is able to repay the £150m bond that matures in May 2024, but that it would need to partially refinance the £250m bond when it matures in July 2026.

The three largest sensitivities in terms of financial impact were identified as the following:

1. The continued impact of COVID-19 on the Travel business.
2. The impact of further regulation across the business, incorporating climate change considerations.
3. A failure to deliver on the Insurance strategy – Insurance has continued to perform in line with expectations and continues to demonstrate good progress. Nonetheless, the business continues to navigate a period of significant change.

In scenarios beyond those considered in relation to going concern, such as a need to layup both ocean cruise ships for a period longer than four months during 2022/23, with more severe load factor suppression, and with longer delays to countries reopening their borders to foreign travel, the Group would likely need to take further mitigating actions to ensure its continued compliance with debt facility agreements. While such scenarios are considered remote, such mitigating actions would likely include further renegotiation with the Group's lenders to relax debt covenants or consideration of alternative funding options.

As set out in the Audit Committee Report on pages 77-81, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Key disclosure statements

Non-financial information statement

An overview of our approach to environmental, colleague, social, human rights, anti-corruption and anti-bribery matters can be found in the table below. Details of our business model can be found on pages 14-15, and our principal risks and uncertainties are on pages 53-54.

Our approach and key policies	Outcomes of policies and impacts of activities	More information
Environmental matters		
Our Environmental Social and Governance (ESG) Policy sets out our intention to minimise the impact of our operations on the environment, comply with relevant environmental legislation and monitor and, where applicable, report our usage of all types of energy. To ensure that environmental matters are given sufficient focus, and to allow us to set an ESG strategy with great scale, ambition and impact, we set up an ESG Task Force, which reports into the Executive Leadership Risk Committee.	Total Scope 1 and 2 (location-based) 2021/22 emissions at 82,374 tCO₂e compared with 37,841 tCO₂e in 2021/22.	See pages 30-34 for more information on environmental matters. Read more about environmental matters on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Colleagues		
Our colleagues are core to our business and their wellbeing is of utmost importance to us. We have a Health, Safety and Wellbeing Policy which sets out a clear set of principles and commitments which apply to all colleagues, contractors and members of the public. We aim to be an inclusive employer with increased awareness of diversity, equity and inclusion (DE&I) which is set out in our Equal Opportunities Policy.	- We aim to be 'Champions of Experience in the Workplace'. 43% of our colleagues are female.	Colleagues are one of our key stakeholders, as set out on pages 16-17. Our culture is described on page 14. Read more about our colleagues and associated policies within the ESG section of our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Social matters		
Part of Saga's purpose is to be a driver of positive change within our communities. We seek to understand and carefully consider the impact of every decision we make. We ensure we have an open dialogue with the community and they are aware of our strategy, as well as any impact to them.	£206k charitable donations made by Saga. 3,283 hours volunteered by colleagues. - Our Thanet office was used by the NHS as a COVID-19 vaccination centre.	Read more about our engagement with the communities on page 16 of this report and on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Respect for human rights		
Saga supports the rights of all people as set out in the Universal Declaration of Human Rights. Our Labour Standards Policy sets out our human rights principles which are adopted across the Group alongside our commitments to working responsibly and with integrity. Our Modern Slavery Statement also provides further detail on risk, due diligence, policies, training and audit in that area.	No incidents of human rights violations or modern slavery were identified in 2021/22.	Our Labour Standards Policy can be found on our corporate website (www.corporate.saga.co.uk/media/1507/labour-standards-policy-final.pdf) alongside our Modern Slavery Statement (www.corporate.saga.co.uk/modern-slavery-statement/).
Anti-bribery and anti-corruption		
Saga takes a zero-tolerance approach to bribery and corruption. There is an Anti-Bribery and Corruption Policy in place which lays out clear guidance for the appropriate assessment of any risk of bribery and corruption across all businesses. This is enforced by mandatory training for all colleagues.	- There were no fines, penalties or settlements for corruption reported in 2021/22. 94% completion of mandatory training.	Read more about anti-bribery and corruption on page 35. Further information, including our Anti-bribery and Corruption Policy can be found on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).

Section 172(1) statement

Duty to promote the success of the Company

The Directors have had regard for the matters set out in Section 172(1)(a)–(f) of the Companies Act 2006 (S172(1)) when performing their duty under Section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also having regard to the S172(1) matters referred to below.

A description of how the Board engages with its key stakeholders can be found on pages 16–17 and the principal decisions made by the Board during 2021, how stakeholders were considered and the likely consequences of these decisions over the longer-term are set out on pages 63–64. Further information on how S172(1) has been applied by the Board can be found in the table below.

S172(1) matter	Further information incorporated into this statement by reference	
Likely consequences of any decision in the long term	Our strategy Q, Pages 18–21	Nomination Committee Report Q, Pages 72–73
	Environmental, Social and Governance (ESG) Q, Pages 33–34	Audit Committee Report Q, Pages 77–81
	Group Chief Financial Officer's Review Q, Pages 36–52	Risk Committee Report Q, Pages 82–84
	Principal risks and uncertainties (PRUs) Q, Pages 53–54	Annual Statement Q, Pages 85–87
	Chairman's introduction to governance Q, Page 59	
The interests of the Company's employees	Chairman's Statement Q, Pages 4–5	Environmental, Social and Governance Q, Pages 25–28
	Group Chief Executive Officer's Statement Q, Pages 6–9	Chairman's introduction to governance Q, Page 59
	Purpose and business model Q, Pages 14–15	Governance in action Q, Page 61
	Our strategy Q, Pages 18–21	
The need to foster the Company's business relationships with suppliers, customers and others	Purpose and business model Q, Pages 14–15	Governance in action Q, Page 61
	Environmental, Social and Governance Q, Pages 23–35	Risk Committee Report Q, Pages 82–84
Impact of the Company's operations on the community and environment	Purpose and business model Q, Page 15	Board leadership and Company purpose Q, Page 66
	Environmental, Social and Governance (ESG) Q, Pages 29–34	Division of responsibilities Q, Pages 67–68
The Company's reputation for high standards of business conduct	Group Chief Executive Officer's Statement Q, Pages 6–9	Environmental, Social and Governance Q, Pages 23–35
	Our strategy Q, Pages 18–21	Governance statements Q, Page 65
The need to act fairly as between members of the Company	Chairman's Statement Q, Page 5	Board leadership and Company purpose Q, Page 66
	Chairman's introduction to governance Q, Page 59	

This Strategic Report is presented to inform members of the Company and help them assess how the Directors have performed their duty under Section 172. It has been approved by the Board and signed on its behalf by



Euan Sutherland
Group Chief Executive Officer

22 March 2022

Corporate Governance Statement

Chairman's introduction to governance

“The prolonged uncertainty around the COVID-19 pandemic affected all of our stakeholders as well as our business. The Board called additional meetings to review the strategy required to be successful in this challenging period.”

OUR GOVERNANCE STRUCTURE

IS WELL PLACED TO
RETURN THE BUSINESS
TO GROWTH

Dear shareholder,

It was important that, in another challenging year, our governance structure supported the Company with its turnaround strategy. It did and we are now well-placed to return the business to growth.

Changes to Board and Committee composition

There were no changes to our Board or Committee membership during the year and I am pleased to confirm that Eva Eisenschimmel, Julie Hopes and Gareth Hoskin were reappointed for a further three-year term. In addition to the value they bring to the plc Board, they play an important role in acting as our People Champion, chairing Saga Services Limited (SSL), our Retail Broking business, and Acromas Insurance Company Limited (AICL), Saga's Underwriting business, respectively.

The Company complies with the UK Corporate Governance Code 2018 (the **Code**) requirement that at least half of its Board members, excluding the Chairman, are Independent Non-Executive Directors.

The Nomination Committee continued to assess the skills we needed. As the Company has a strategy for growth and business diversification, it is considering the skills that will be required. It is recognised that this will require an entrepreneurial mindset and marketing, data and digital experience.

Board focus and decisions

The prolonged uncertainty around the COVID-19 pandemic affected all of our stakeholders as well as our business. The Board called additional meetings to review the strategy required to be successful in this challenging period.

The Board considered how and when Cruise operations could resume safely in line with changing government advice in the UK and local requirements in the countries which would be visited. It was important that the Group maintained flexibility around its financing arrangements. The Board considered and approved the extension of the deferral of payments of its ship debt and approved the steps which resulted in issuing a new five-year £250m fixed-rate unsecured bond. The Board considered and approved the triennial valuation of the Group's pension scheme and, following a consultation with colleagues, took the decision to replace the existing schemes with a new defined contribution pension scheme that is operated as a Master Trust. It considered this to be a fair and equitable result for colleagues.

Considerable time was spent discussing a strategy that would allow us to optimise our businesses as we emerge from the COVID-19 pandemic.

Risk management

The Audit and Risk Committees continued to play an important role in overseeing our financial reporting processes and internal controls and in monitoring the Group's overall risk strategy.

People and remuneration

Eva Eisenschimmel, our Remuneration Committee Chair, attended our People Committee meetings twice during the year in order to explain the Board's approach to reward and to hear what our colleagues thought of Saga's culture,

working environment, communication, learning and development initiatives, rewards and benefits. This allowed Eva to relate these views to the Board. Our Audit Committee Chair, Gareth Hoskin, also acted as our Speak Up Champion and ensured that colleagues felt that they could speak freely and see that, where needed, action was taken as a result.

Our Remuneration Policy was last approved at our Annual General Meeting (AGM) in June 2020. At the 2021 AGM, we received a vote of 77.72% in favour of our Annual Report on Remuneration. However, we were keen to understand the reasons for those who had voted against it and Eva contacted those shareholders and listened to their reasons for doing so. Following this valuable exchange, the Remuneration Committee concluded that the main points raised had been considered when the relevant bonus decisions were approved and, whenever possible, had been taken into account in setting targets.

Environmental, Social and Governance (ESG)

Our ESG Task Force continued to develop our ESG strategy. Representatives of the Task Force attended Board meetings on three occasions to discuss it. Many of their initiatives have started, as described on pages 23-35, and I am pleased with the progress we are making. The Board recognises that we need to do even more and we are currently engaged in developing a new plan that will be more ambitious and have greater impact.

Board and Committee evaluation

During the year, we completed an evaluation of the Board and its Committees. It concluded that the Board had effectively tracked progress against the turnaround strategy and that there was an improved focus on understanding our customers. Looking forward, the Board's focus will be on monitoring delivery of the growth strategy in all businesses.

Shareholder engagement and our 2022 AGM

The Board was keen to take steps to engage further with our retail shareholders. During the year and for the first time, we arranged a live presentation, via the Investor Meet Company platform, which allowed all shareholders to question our Group Chief Executive Officer and Group Chief Financial Officer. This provided valuable insights which were reported to the Board. Our plan is to do the same this year.

Our AGM will be held on 5 July 2022 at our offices at Enbrook Park, Folkestone. Full details will be set out in the Notice of AGM in due course. I am looking forward to inviting shareholders to attend in person for the first time since 2019 and, as ever, welcome comments from our shareholders at any time.



Sir Roger De Haan
Non-Executive Chairman

22 March 2022

Corporate Governance Statement

Application of UK Corporate Governance Code

Saga seeks to comply with the principles set out in the UK Corporate Governance Code (the **Code**) to promote good corporate governance which supports the long-term sustainable success of the Group.

The five themes covered by the Code, their supporting provisions, and how Saga has applied the Principles and Provisions of the Code throughout the year, are set out on the following pages in the Corporate Governance Statement, with additional information contained in the Strategic Report.

The Board believes that, during 2021/22, the Company was in full compliance with all applicable Principles and Provisions of the Code, save that:

- Provision 3: While the Non-Executive Chairman did meet with some shareholders during the year, as he is a significant shareholder in the business, it was determined that it would be more appropriate for the Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) to engage with major shareholders.
- Provision 9 (taking the circumstances set out in Provision 10 into account): Due to his shareholding in the Company, the Non-Executive Chairman was not considered independent on appointment. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, the terms of the Relationship Agreement between him and the Company, and his letter of appointment, the appointment was deemed to be in the best interests of the Company. Shareholders supported this when they voted in favour of his appointment at the 2021 Annual General Meeting (AGM).

The Code can be found on the Financial Reporting Council's website (www.frc.org.uk).

For full details of how Saga has complied with the Code, please view our compliance schedule on our corporate website (www.corporate.saga.co.uk/about-us/governance/).

Full details of the governance framework supporting delivery of our strategy can also be found on our corporate website together with the documents listed below (www.corporate.saga.co.uk/about-us/governance/).

- Articles of Association of the Company
- Matters reserved for the Board
- Committee Terms of Reference
- Division of duties of the Chairman, Group CEO and responsibilities of the Senior Independent Director
- Remuneration Policy
- Votes cast at our AGM

Read more:

- 🔍 Environmental, Social and Governance (ESG), pages 23-35
- 🔍 Principal risks and uncertainties (PRUs), pages 53-54
- 🔍 Key disclosure statements, pages 56-57
- 🔍 Board leadership and Company purpose, page 66
- 🔍 Division of responsibilities, pages 67-68
- 🔍 Composition, succession and evaluation, page 69
- 🔍 Nomination Committee Report, pages 72-73
- 🔍 Audit, risk and internal control, pages 74-76
- 🔍 Audit Committee Report, pages 77-81
- 🔍 Risk Committee Report, pages 82-84
- 🔍 Directors' Remuneration Report, pages 85-106

Governance in action

MAKING PROGRESS AGAINST OUR STRATEGY

The Board considered progress against our strategy at each Board meeting. These meetings play an important role in allowing for robust debate and challenge on elements of performance and specific projects. The Chairman, Group CEO and Group Company Secretary agree standing agenda items throughout the year, such as the Group CEO Report, Group CFO Report and management accounts, trading updates for business units, health and safety matters and financial performance. Specific agenda items are then added to facilitate discussion around strategic priorities.

Key stakeholder groups



Customers



Partners and suppliers



Colleagues



Shareholders



Communities



Regulators

How governance links to our strategic priorities

People and culture step change

1

The Board heard directly from the Chief People Officer and discussed how:

- the Company's purpose and values (precision pace, empathy, curiosity and collaboration) could be embedded and how culture should be measured;
- results of colleague surveys should be interpreted; for example, how the positive colleague feedback reconciled with the high colleague turnover of contact centre roles. The Board concluded that scores would be even higher if all issues were resolved;
- colleague insight was helpful in identifying focus areas such as the need to focus on diversity, equity and inclusion and positively encourage retention and recruitment of older colleagues; and
- the People Committee and Colleague Forums played an important role in providing valuable insight into the views of the wider workforce.

The Board also approved an award of Free Shares to eligible colleagues under the Share Incentive Plan (SIP). This was approved for the seventh year running.

Impact on stakeholders:
Ensuring we deliver the best experiences for our colleagues and customers and creating an inclusive culture.

Delivery of long-term shareholder value.



Data, digital and brand transformation

2

Our Chief Customer Officer, Brand and Insight Director, Insight Consultant and Data and Analytics Director discussed the following with the Board:

- How the revitalised brand had transitioned to seeing the world from our customers' perspective.
- The findings of a customer research panel, called 'Experienced Voices' and how customer focus groups provided insight into customer preferences and ensured that the new brand image and tone of voice was right.
- The plan to reinforce the brand through brand immersion sessions for colleagues.

The Board asked whether the profile of the research panel statistically matched the profile of our customers and noted that there were sufficient participants to match various cohorts of customers.

Impact on stakeholders:
Better understanding of our customers and improved customer experience.

Improving our shareholders' digital journey.



Corporate Governance Statement

Governance in action continued**Optimising our businesses**

3

Our business CEOs, Operations Directors, Customer Proposition and Distribution Director of Insurance, Strategy Director and CEO of The Big Window Consulting Limited (**the Big Window**) attended meetings to provide strategic business updates, present growth plans and discuss:

- the Executive Leadership Team's consideration of 'customer moments' e.g. how a solo traveller's journey at Saga compared to competitors', to identify how we could improve;
- opportunities to strengthen the relationship with our customers;
- the impact of the Financial Conduct Authority (FCA) general insurance pricing practices market study and what action would be necessary;
- how to reinvigorate the Tour Operations business and offer a high-quality, differentiated product portfolio with aspirational holidays tailored specifically for our customers; and
- how the data insight work of the Big Window allowed us to really understand what our customers want, so that this could be linked to product and service offerings.

Impact on stakeholders:
Creating exceptional experiences for our customers.

Compliance with regulatory requirements.

Delivering shareholder value.

Providing exceptional service levels and development of new products and services.

**Driving simplicity and efficiency**

4

The Board:

- considered the most effective operating model for the Group to drive accountability and an entrepreneurial mindset in the businesses;
- discussed the proposal to restructure our Tour Operations business to deliver growth and create a lower-cost, more agile, customer-focused business;
- continued to adopt a cost-conscious approach, ensuring that costs were reduced where possible;
- further simplified the Group's structure, processes and policies; and
- revisited the template used for Board reporting to ensure key messages, decisions required, and recommended actions were clear.

Impact on stakeholders:
Providing clarity.

Making Saga easier to do business with.

Creating long-term value.

Compliance with law and regulation which protects customers.

**Reducing our debt**

5

The Board approved steps to ensure maximum financial flexibility, including:

- agreement of a further payment deferral and covenant waiver until 31 March 2022 in respect of the two ship debt facilities;
- the issuance of a new five-year £250m fixed-rate unsecured bond in July 2021, with the proceeds used to repay £100m of existing bonds and the £70m term loan in full; and
- disposals of property, generating £4.5m of net sales proceeds.

Impact on stakeholders:
Strengthening and protecting Saga's ability to adapt in a challenging environment.



Key Board decisions and Section 172(1) considerations during the year

The following examples show how Board decisions were made after considering the matters set out in Section 172(1) of the Companies Act 2006.

Impact of the COVID-19 pandemic 	The ongoing uncertainty around the COVID-19 pandemic affected not just our business but all of our stakeholders. The Board played a vital role in managing the situation and called additional meetings to consider action that was necessary to navigate through this difficult time. Stakeholder considerations: - The uncertainty customers faced and resulting anxiety caused by confusion around travel rules. The Board thought carefully about how to protect our customers and communicate changes. The Board heard how customer support initiatives were provided in Insurance, for example, by offering flexible cover during changes of circumstance or financial support in cases of hardship and access to additional services including mental wellbeing support. In addition, the Acromas Insurance Company Limited (AICL) board authorised support for customers through providing access to the fraud helpline and maintaining price cuts for longer. Saga also provided complimentary copies of the Saga Magazine and gave access to a GP helpline for our vulnerable customers. - There was recognition that colleagues needed to be supported in ways of working and with their mental wellbeing. - Impact on suppliers was considered as part of the Risk Committee's review of supplier risk management. - It was important to keep regulators informed and work with them to demonstrate how customers would be protected. Shareholders' needs were considered when we planned our AGM. The safety of this stakeholder group was paramount, so the Board decided to hold our 2021 AGM virtually. The Board also recognised that the world will be a different place as we emerge from the COVID-19 pandemic, and a proposal to change our Articles of Association to allow for hybrid meetings in the future was presented and approved at our 2021 AGM as a result.
Resumption of cruising 	The Board carefully considered how Cruise operations could resume safely, in line with changing government advice in the UK and according to local requirements in the countries which would be visited. Initially, cruising commenced around the UK with international travel following in August 2021. Careful monitoring of the impact of the changing situation on bookings, per diems and load factors took place so that the long-term impact on revenue could be considered. Stakeholder considerations: - The Board considered the options around vaccination requirements for our guests and crew members. This was a difficult decision which involved considering differing views and the resulting reputational impact, but ultimately the Board determined that the safety of guests was paramount and that both guests and crew should be fully vaccinated. - Care was taken to ensure that the steps taken to vaccinate the crew did not impact on local communities' vaccination programmes. - The Board heard how contact centre colleagues were under pressure to move guests to new itineraries and discussed the steps needed to support colleague wellbeing.
Environmental, Social and Governance (ESG) 	Our ESG Task Force continued to provide the momentum needed to develop an ESG strategy which supported delivery of the Group's overall strategic direction. Stakeholder considerations: - The Board noted and considered how: customers were increasingly concerned with ESG matters such as climate change; - significant work was undertaken with local communities; colleagues were keen for Saga to do the right thing; shareholders expect that ESG will be at the forefront of our minds as we work to deliver our strategy; and - the Financial Stability Board had created a Task Force on Climate-Related Financial Disclosures to improve and increase reporting of climate-related financial information. It was agreed that the ESG strategy would need to include factors such as how to make use of emerging technologies, particularly on the ocean ships and river vessels, and the impact of colleagues working from home.

Corporate Governance Statement

Governance in action continued

Pension consultation 	During the year, the triennial valuation exercise with the pension scheme Trustees took place and the Board considered and approved this. In addition, the decision was made to review the Group pension schemes which, following consultation with colleagues, resulted in the closure of the existing schemes and the introduction of a new defined contribution pension scheme that is operated as a Master Trust. Stakeholder considerations: • The valuation exercise is carried out every three years to comply with the scheme rules and regulatory requirements with active involvement from the pensions regulator. The Board concluded that the overall valuation outcome was in line with expectations, particularly given the impact of COVID-19. • Engagement with the pension scheme Trustees was followed by a colleague consultation. Feedback from both of these stakeholder groups was then carefully considered and a recommendation was made to the Board to move the future pension provision for all colleagues to an Aviva Master Trust. • The Board heard how the review had considered the impact on vulnerable colleagues and asked the Chief People Officer to summarise how colleagues had viewed the proposed changes. They heard how the level of engagement throughout the consultation had been monitored and was good. Some disappointment had been voiced at the start of the consultation but most colleagues understood how the world had changed and understood the need for the move. • The Board decided that the decision to close the existing scheme was necessary in the interests of equity for all colleagues, while noting that it may have a detrimental effect for a minority of colleagues.
Bank covenants, ship debt holiday and bond refinancing 	It was important that the Group maintained flexibility around its financing arrangements. The Board considered and approved the extension of the deferral of payments in relation to the ship debt facilities so that no capital repayments would be made from April 2021 to the end of March 2022. In June 2021, the Board approved the steps which resulted in an issuance of a new five-year £250m fixed-rate unsecured bond in July 2021, with the proceeds used to repay £100m of the existing bond and repay the £70m term loan in full. Board members recognised that this was a challenging decision as it required judgement around the possible restart date for Travel operations. Given the uncertainties caused by the COVID-19 pandemic, this was difficult to predict. The Board concluded that it was important to have sufficient headroom should the period of Travel suspension continue. Stakeholder considerations: • It was noted that the proposed bond arrangements would provide flexibility and would mean that refinancing would not be necessary until 2024; however, the impact to the Group, over the term of the bond facility, needed careful consideration. • In conclusion, it was agreed that the proposed covenant package was reasonable, did not add onerous conditions, would not affect delivery of the Company's strategy and, taking all stakeholders' views into account, would materially benefit Saga. • The positive impact of the transaction was noted as follows: – The move away from covenants that had to be tested every six months would be a significant improvement. – The terms allowed for refinancing of ship debt if cruising was delayed, protecting Saga's financial position and therefore minimising the impact on customers and suppliers. • The downside of the arrangement was noted as being bound by fixed terms for five years and the cost to put the arrangement in place but the Board concluded that the transaction provided more benefit than not. • Throughout the negotiations, the Board recognised that any new debt position would need to include consideration of regulatory requirements and communication.

Governance statements

Key statements

Compliance Statement	The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the UK Corporate Governance Code 2018 (the Code). A full version of the Code can be found on the Financial Reporting Council's (FRC) website (www.frc.org.uk). The Company applied the Principles and complied with the relevant Provisions of the Code throughout the year (with two exceptions) as set out and explained on page 60.
Viability Statement	The Viability Statement can be found in the Strategic Report on page 55.
Going concern	The going concern basis of preparation can be found in Note 2.1 of the financial statements on pages 126-127.
Fair, balanced and understandable	In accordance with the Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report and Accounts is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Assessment of risk	Through the risk management process detailed on pages 74-75, the Board can confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity and reputation.
Statement of review	The risk management process detailed on pages 74-75 was in place for the year under review and up to the date of approval of this report. The Board recognises the importance of appropriate systems of internal control and risk management. The Group operates a three lines of defence risk management framework overseen and monitored by the Risk Committee (see pages 82-84) and Audit Committee (see pages 77-81). Work conducted by 2nd and 3rd lines, whilst identifying some areas for improvement, provided reasonable assurance that the systems of risk management and internal control were broadly effective.
Section 172(1)	The Section 172(1) statement can be found in the Strategic Report on page 57.

Corporate Governance Statement

Board leadership and Company purpose

The Board is responsible for setting Saga's strategy, providing overall direction for management, and setting Saga's purpose, values and standards. Board members play a key role in promoting our culture and ensuring that actions taken are for the benefit of all stakeholders.

Our Board

The Board reviewed the document which sets out matters which are reserved for the Board on 20 September 2021 and took the opportunity to strengthen the messaging around the need to ensure strategy is aligned with the Group's culture and the references to our Speak Up process where colleagues can raise any matters of concern. The governance structure also sets our delegated authority limits clearly.

Reserved matters include:

- the strategic direction of the Group, including objectives, budgets and forecasts;
- any decision which may have a material impact on the Group including, but not limited to, financial, operational, strategic or reputational;
- any change to, commencement or cessation of, any of Saga's activities;
- approval of Saga's material regulatory, financial and operational policies;
- changes relating to Saga's capital, corporate, management or control structures;
- material capital or operating expenditure outside pre-determined tolerances or beyond the delegated authorities;
- major capital projects (including post-investment reviews which were not considered in detail by the Audit or Risk Committees or where the Board decides a full review is required);
- projects or investments that have a financial cost greater than the amount set out in the relevant delegated authority limits;
- any contract which is material strategically, or by reason of size, not in the ordinary course of business, or outside agreed budgetary limits; and
- joint ventures and material arrangements with customers or suppliers.

The Board considers the balance of interests between stakeholders including shareholders, customers, colleagues and the communities in which Saga operates. See pages 16-17 for details of the Board's role in stakeholder engagement, which supports Directors' duties under Section 172(1) of the Companies Act 2006.

All Directors, members of the Executive Leadership Team (ELT) and persons discharging managerial responsibilities receive training on an ongoing basis.

Shareholder engagement

The Board actively monitors the views of our shareholders and seeks their feedback on the Company's performance against strategy. Full details of how we engage with our shareholders can be found in the Strategic Report on pages 16-17. In addition, the Board hears from our corporate brokers, who attend meetings to provide feedback directly and an Investor Relations report is tabled at each Board meeting.

We are mindful that we have a significant number of retail shareholders, a number of which are also customers and we take steps to engage with this group by sending them a summary of our results. A live presentation was held in September 2021 via the Investor Meet Company platform which allowed all shareholders to ask our Group CEO and Group CFO any questions they had.

During the year, a review of our share registration services took place and the decision was made to move to Equiniti Group who became our registrar with effect from 31 January 2022. We took the opportunity to ask those shareholders who currently receive paper copies of shareholder communication if they would like to receive such communication electronically. This has a number of advantages, including increasing the speed of communication, minimising our impact on the environment and reducing print and distribution costs.

AGM

The AGM will be held on 5 July 2022 at 11.00am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. Full details and an explanation of business to be considered at the meeting will be provided in the Notice of AGM. A copy will be available on Saga's website in due course (www.corporate.saga.co.uk).

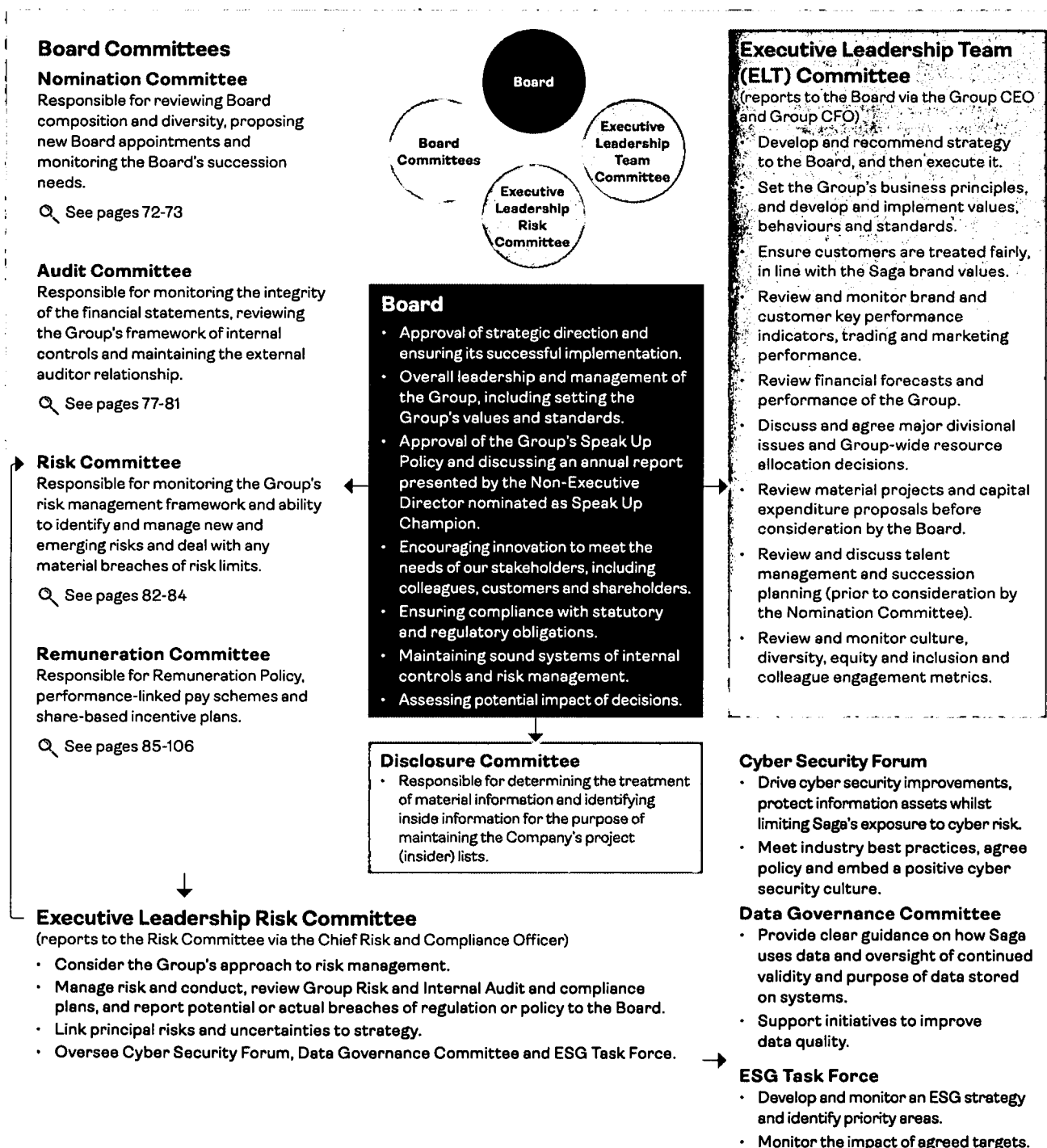
Division of responsibilities

Our governance framework

During the year, it was important that our governance framework continued to support the ongoing challenges caused by the uncertainty of the COVID-19 pandemic and the increased regulation in the businesses in which we operate.

In order to ensure that we remained responsive to the changing situation and to cope with the increase in the frequency of Board meetings, we assessed how we could ensure our governance was straightforward and supported our purpose.

As a result, we introduced sub-committees to our Executive Leadership Risk Committee – a Data Governance Committee and Cyber Security Forum. Our Environmental Committee was also rebranded as an Environmental, Social and Governance (ESG) Task Force. Our Group CEO is the ESG representative on the Board and ESG strategy is also discussed at Board meetings.



Corporate Governance Statement

Division of responsibilities continued**Independent Non-Executive Directors and Board composition**

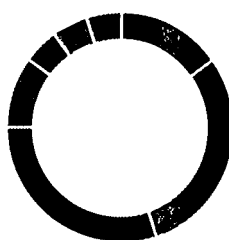
We continue to comply with the Code recommendation that at least half of our Board, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. The Board considers Eva Eisenschimmel, Julie Hopes, Gareth Hoskin and Orna NiChionna to be independent Non-Executive Directors, free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management.

We recognised that our Non-Executive Chairman was not considered independent on appointment and this was carefully considered at that time. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, and the terms of the Relationship Agreement and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. This was supported by shareholders, who voted to appoint Roger at our 2021 AGM.

🔍 Composition, succession and evaluation, page 69

🔍 Board of Directors, pages 70-71

During the year, the Board held six scheduled meetings and seven ad hoc meetings, for which individual attendance is set out below. The additional meetings were necessary due to the challenging external conditions and it was not always possible to have all Directors in attendance. All Directors also attended three strategy sessions. Sufficient time is provided, periodically, for the Non-Executive Chairman to meet privately with the Senior Independent Director and the Independent Non-Executive Directors to discuss any matters arising. For information on what the Board did during the year, see pages 61-64.

Board responsibilities – allocation of time

● People and culture	c.15%
● Strategy, including data, digital and brand transformation	c.30%
● Optimising our businesses	c.30%
● Driving simplicity and efficiency	c.10%
● Reducing our debt	c.5%
● Oversight of risk management	c.5%
● Environmental, Social and Governance	c.5%

Member	Role	Maximum possible meetings	Attendance
Roger De Haan	Non-Executive Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)	13	13
Euan Sutherland	Group Chief Executive Officer (Group performance and develops strategy for Board approval)	13	13
James Quin	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	13	12

Independent Non-Executive Directors	Role	Maximum possible meetings	Attendance
Orna NiChionna (Senior Independent Director)	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of the Non-Executive Chairman, Executive Directors and senior management.	13	13
Eva Eisenschimmel (People Champion)		13	12
Julie Hopes		13	13
Gareth Hoskin (Speak Up Champion)		13	13

Members of the ELT, senior colleagues and external advisers are also invited to attend Board meetings, to present items of business and provide insight into key strategic issues.

The Group Company Secretary attends each meeting, assists the Chairman of the Board and Committee Chairs in planning for each meeting and ensures that Board and Committee members receive information and papers in a timely manner.

Composition, succession and evaluation

The members of the Board

The Board has considered the independence of character, integrity, differences of approach and experience of all the Directors and considers its overall size and composition to be appropriate.

The skills and experience of our individual members, particularly in the areas of insurance, financial services, customer service, brand management, strategy and risk management, are fundamental to the pursuit of our objectives. In addition, the external experience of members of the Board in a variety of sectors and markets is invaluable to Saga.

Our Non-Executive Directors provide objective, rigorous and constructive challenge to management and met regularly without the Executive Directors. The Senior Independent Director acts as a sounding board for the Non-Executive Chairman and led an appraisal of his performance.

Annual re-election

All Directors are required to stand for annual re-election at the Company's AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 70-71. The details of the specific reasons why each Director's contribution continues to be

important to the Company's long-term sustainable success will be included in our Notice of AGM.

Diversity, equity and inclusion (DE&I)

The Group has a DE&I Policy, and, during the year, forums were held on topics relating to DE&I which provided valuable insight around how colleagues felt relating to matters such as age, ethnicity and gender. The Board recognises that it is important to consider, not just the skills required for the Board, but also the need to have an inclusive approach for all colleagues.

🔍 Environmental, Social and Governance (ESG), pages 23-35

🔍 Nomination Committee Report, pages 72-73

Gender on the Board and in senior management

The Board recognises the need to develop a diverse pipeline in succession planning. The Company currently has three women on its Board (43%) and seven in total across the combined Board and Senior Management (44%). We met the target set out in the Hampton-Alexander review as more than 33% of Board members identified as female. We are also committed to appointing at least one Board member from an ethnic minority background.

	(n)	Male %	(n)	Female %	Total
Board	4	57%	3	43%	7
Senior management ¹	5	56%	4	44%	9

Evaluation of the Board, Committees and Directors

The Board effectiveness and developmental review was conducted internally this year. This focused on matters of strategic importance and areas highlighted for development in the 2020/21 evaluation. We also used the evaluation to seek views on the effectiveness of the Board Committees and the performance of the Non-Executive Chairman.

The Senior Independent Director and the other Non-Executive Directors also appraised the Non-Executive Chairman's performance and the Non-Executive Directors had regular meetings with the Non-Executive Chairman at which their performance was discussed.

Action taken as a result of the 2020/21 evaluation

The findings from last year's evaluation were helpful in identifying areas for development. As a result, we:

- dedicated time to ensuring we provide exceptional experiences for our customers;

- focused on ensuring that foundations were in place for the Group to begin to deliver sustainable growth; and
- reviewed our risk management procedures to check these were effective and embedded sufficiently.

Process for the 2021/22 Board and Committee evaluation

- Nomination Committee members discussed how best to conduct the evaluation of the Board in terms of composition.
- A set of questions was drafted by the Group Company Secretary and agreed with the Chairman with input from the Senior Independent Director.

- Directors and Board/Committee members and attendees completed the questionnaire on an anonymous basis.
- Report produced and discussed with the Chairman and Committee Chairs.
- Findings discussed at Board meeting.
- Action plan prepared.

Areas of focus for 2021/22

Questions for this year's review were focused on the following:

- How effective we are at focusing on strategy and monitoring the key aspects of Company operations.
- How well we monitor performance against our strategic goals.
- How well we understand what our customers need and their perception of Saga.

- Whether we discuss the right things, at the right time, and in sufficient detail.
- How well the Board collaborates, works with precision pace, is curious and shows empathy, in line with Saga's values.
- How well the Board monitors risk and ensures the Company is not too risk averse.

Conclusions and development plan for 2022/23

The review concluded that the Board had effectively tracked progress against the turnaround strategy and that there was an improved focus on understanding our customers.

The development plan for 2022/23 includes how:

- we will monitor delivery of the growth strategy in all businesses;

- the Board will continue to actively adopt and demonstrate the Company's values; and
- data will be used to provide valuable insight into our customers and develop new products and services that truly differentiate Saga.

¹ Senior management, for this purpose, is the Executive Leadership Team or the first layer of management below Board level, including the Group Company Secretary

Corporate Governance Statement

Board of Directors



(N)

Roger De Haan

Non-Executive Chairman
Appointed 5 October 2020

Key strengths and experience

- Experienced business leader and board director with extensive experience in travel and financial services industries.
- Significant history with Saga having worked here for 39 years, including over 20 years as Chairman and Chief Executive.
- Instrumental in transforming Saga from a specialist tour operator to one that offered its own cruises and expanded the business to cover publishing, insurance and financial services, creating the Saga brand.
- Knighted in the 2014 New Year Honours List for services to education and to charity in Kent and overseas.

Other roles

Director of Folkestone Harbour companies, Creative Folkestone and Friends of Folkestone Academy; Trustee of Roger De Haan Charitable Trust; and Trustee and governor of The King's School, Canterbury.



(E)

Euan Sutherland

Group Chief Executive Officer
Appointed 6 January 2020

Key strengths and experience

- Significant experience in leading major consumer-facing businesses through periods of change to deliver a more efficient organisation.
- Leadership, senior operational experience and marketing specialist.
- Corporate strategy creation, branding, large workforce direction and motivation.
- Implementing strategy focused on customer insight, digital innovation and wholesale expansion.
- Previous senior roles include: CEO of Superdry plc, the global digital brand, and The Co-op Group; Group COO & CEO UK at Kingfisher plc; and background in global fast-moving consumer goods (FMCG) brands including Mars and Coca-Cola.

Other roles

Non-Executive Director and member of the Audit and Nomination Committees of Britvic plc (appointed February 2016).



(E)

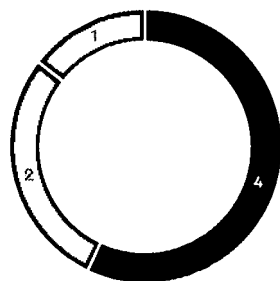
James Quin

Group Chief Financial Officer
Appointed 1 January 2019

Key strengths and experience

- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 29 years of senior leadership experience.
- Experience in delivering corporate strategy, investor communications and internal/external analysis and reporting.
- Extensive strategic, investor and operational finance experience within the insurance industry.
- Previous senior roles include: UK CFO, Global Life CFO and Head of Investor Relations at Zurich Insurance Group; Partner at PwC and Managing Director at Citigroup Global Markets.

Composition of the Board



- Non-Executive Directors
- Executive Directors
- Non-Executive Chairman

Key

- (A) Audit Committee
- (E) Executive Leadership Team Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- (R) Risk Committee
- Committee Chair



N A R R

Orna NiChionna

Senior Independent Non-Executive Director

Appointed 31 March 2017 (Senior Independent Director) and 29 May 2014 (Non-Executive Director)

Key strengths and experience

- Substantial experience as advisor to retailers on strategy and operations.
- Significant experience in plc governance and leadership.
- Previous roles include: Senior Independent Director of Royal Mail plc, HMV plc, Northern Foods plc and Bupa; Non-Executive Director of Bank of Ireland UK Holdings plc and Bristol & West plc; Chair of Founders Intelligence Limited; Deputy Chair of the National Trust; Trustee of Sir John Soane's Museum; and former Partner at McKinsey & Company.

Other roles

Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc (appointed January 2018); and Trustee of the Institute of Fiscal Studies (appointed July 2020).



N R

Eva Eisenschimmel

Independent Non-Executive Director and People Champion

Appointed 1 January 2019

Key strengths and experience

- Over 30 years of experience as a brand and marketing professional.
- Extensive experience in customer relations and all aspects of human resources and people strategy.
- Previous roles include: Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc; Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc; Chief Customer Officer at Regus plc; Chief People and Brand Officer at EDF Energy; and senior positions at Allied Domecq and British Airways.

Other roles

Group Chief Risk Officer (appointed May 2021) at Lowell (previously Chief of Staff appointed February 2016).



A N R R

Julie Hopes

Independent Non-Executive Director, Chair of Saga Services Limited and Saga Personal Finance Limited

Appointed 1 October 2018

Key strengths and experience

- Associate with the Chartered Institute of Bankers.
- Wealth of insurance experience coupled with over 20 years in a variety of roles, specialising in general insurance and predominantly in personal lines.
- Highly customer-focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.
- Previous roles include: Chair of Police Mutual and its Remuneration Committee; Non-Executive Director and Chair of the Risk Committee of Co-operative Insurance; a variety of roles at RSA and Tesco Bank; and CEO of The Conservation Volunteers, a UK community volunteering charity.

Other roles

Deputy Chair, Senior Independent Non-Executive Director and Remuneration Committee Chair of West Bromwich Building Society (appointed April 2016); and Non-Executive Director (appointed August 2021) and Chair of the Risk Committee (appointed December 2021) of MS Amlin Underwriting Limited.



A N R I

Gareth Hoskin

Independent Non-Executive Director, Chair of Acromas Insurance Company Limited and Speak Up Champion

Appointed 11 March 2019

Key strengths and experience

- Over 20 years' experience in insurance, in a variety of roles.
- Chartered Accountant with recent and relevant financial experience and competence in accounting (Institute of Chartered Accountants in England and Wales).
- Previous roles include: main Board Director and CEO International, and finance, retail marketing and HR roles in Legal & General; accountant at PwC; and Trustee, Non-Executive Director and Chair of the Audit and Risk Committee at Diabetes UK.

Other roles

Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015).

Corporate Governance Statement

Nomination Committee Report



Orna NiChionna
Chair, Nomination Committee

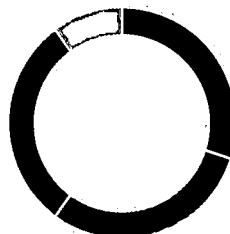
The Committee's responsibilities

- Review the structure, size and composition (including the need for a progressive review of membership) of the Board.
- Consider how to develop a diverse pipeline in succession planning and talent development of Executive Directors and senior executives.
- Evaluate the independence, experience, diversity and knowledge of the Board.
- Identify and nominate candidates to fill Board and Committee vacancies.
- Review Board performance evaluation results in relation to Board composition.

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 20 September 2021) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters



● Board composition	c.30%
● Succession planning and talent management	c.30%
● Diversity, equity and inclusion	c.30%
○ Board evaluation	c.10%

Committee composition and attendance

Members (majority are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Orna NiChionna (Chair)	29 May 14	4	4
Roger De Haan	5 Oct 20	4	4
Eva Eisenschimmel	4 Apr 19	4	3
Julie Hopés	10 Sep 20	4	4
Gareth Hoskin	10 Sep 20	4	4

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 69).

The review indicated that the Committee had rightly focused on matters concerning diversity, equity and inclusion during the year and had made significant progress in these areas. Going forward, it was agreed that the Committee should encourage greater ethnic diversity at both Committee and Board level.

Dear shareholder,

This year continued to be challenging in light of the ongoing impact of the COVID-19 pandemic. The Committee's primary focus was to ensure that the Board and its Committees have the right balance of skills, experience and diversity needed to deliver the strategy during this time.

The Committee continued to focus on the succession planning and talent development of our executive and senior leadership teams which has involved working closely with the Remuneration Committee.

As we look forward to the skills needed on our future Board, our priority over the next three years will be to address the current lack of ethnic diversity on our Board while maintaining our depth and breadth of experience in the functional and sectoral areas of most importance to the Group.

Board composition

There were no changes to Board composition during the year. Nevertheless, the Committee continued to assess the skills, diversity and capacity required at both the Board and individual Committee levels. As reported in last year's Committee report, the appointment of Roger De Haan brought significant experience of the travel industry and addressed the gap in this area on our Board.

The Committee worked to identify current or future skills gaps and to confirm Committee membership based on the experience and skills of each Director against each Committee's remit. We also considered the UK Corporate Governance Code 2018 (the **Code**), guidance from the Financial Reporting Council (FRC) and best practice.

Towards the year end, the Committee started to discuss what skills will be required to support the successful execution of the Group's evolving strategy. In this phase, the Board would benefit from members who bring deep entrepreneurial expertise and experience of digital content management and distribution in consumer-facing businesses.

The Committee's succession planning over the coming year will take this thinking into account.

In last year's report, we confirmed that Euan Sutherland had assumed the responsibilities of Interim CEO of Insurance until a suitable replacement was appointed.

The search for a successor (led by the Saga Services Limited (SSL) and Acromas Insurance Company Limited (AICL) nomination committees) resulted in the appointment of Steve Kingshott who joined Saga on 8 November 2021. As this was a key role within the Group, the Committee was consulted throughout the process and kept fully updated on the progress of the search and subsequent appointment.

Independence and election of Directors

After the year end, but prior to publication of this Annual Report and Accounts, the Committee considered the profiles of the Directors, each Director's independence, contribution and time commitment necessary to perform their duties and recommended to the Board that all should be put forward for election at the 2022 Annual General Meeting (AGM). In addition, the Committee undertook a detailed review of the proposal to re-appoint Julie Hopes, Eva Eisenschimmel and Gareth Hoskin as Non-Executive Directors when they were proposed for re-appointment after serving their initial three-year terms. Individuals did not participate in the discussion when their own re-appointment was being considered.

The Code requires that at least half of the Board, excluding the Chairman, are considered to be independent Non-Executive Directors. As of 31 January 2022, four out of seven (57%) Board members were independent Non-Executive Directors, with other members being the Non-Executive Chairman and two Executive Directors.

Succession planning and talent development

During the year, the Committee received an update from the Group Chief Executive Officer (CEO) and the Chief People Officer on how talent management was approached, including new processes and frameworks that had been put in place to ensure successful delivery of the strategy. This required intense focus on skills and cultural change in an organisation that is considerably more streamlined than previously.

In addition, the Committee considered an updated approach to evaluate performance, talent and succession and how a diverse and high-quality pipeline would be created. The Committee is committed to oversee and seek assurance on how management is developing its future leaders and their commitments to driving greater female representation at more senior levels.

I attended (with Julie Hopes and Eva Eisenschimmel as the other female Board members) a Women in Leadership event, the main purpose of which was to bring together colleagues working in partnership (as mentors and mentees) with the 30% Club (for more details of this initiative see page 28), and female senior executives to provide a forum for networking, mentoring and support.

Diversity, equity and inclusion (DE&I)

Both the Board and Committee continued to focus on DE&I across the Group. Saga believes diversity is wider than gender and ethnicity and strongly supports full cognitive diversity, which encompasses all elements of cultural differences. Committee members considered a detailed report which informed the strategy to achieve a diverse and equitable environment and create a culture which was more inclusive.

We heard how colleagues had been upskilled with training on unconscious bias, with a focus on practical steps within the recruitment process to create a more inclusive environment and how key event speakers being invited to present to colleagues had led to more meaningful discussions around how colleagues could feel a greater sense of belonging.

The Committee was pleased to receive an update regarding the focus on 'Age Allyship' and how Saga had become the first major UK firm to offer a week's paid leave for new grandparents.

The Financial Conduct Authority (FCA) consultation on a change to the Listing Rules which would require data to be published on Board and Executive Committee diversity was also considered. Simultaneously, the SSL remuneration and nomination committees reviewed the FCA, Prudential Regulation Authority and the Bank of England joint discussion paper on accelerating DE&I in the regulated sector.

The Company has an Equal Opportunities Policy in place, which includes practical steps to promote a working environment in which all colleagues are treated equally. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy and communicated to all colleagues. All colleagues must report any breaches, whether actual or perceived, to their line manager or to the People Team.

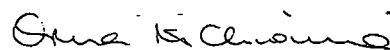
While the policy does not currently set specific targets, the Committee concluded that the steps being taken to obtain and measure data and the resulting insight will assist in developing meaningful targets. Diversity is considered as part of the appointment process, with reference to diversity of perspective, including gender, social and ethnic backgrounds; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning.

The Board currently has a 43% gender balance of women and 44% in the first layer of management below Board level. Details of gender balance of those in the senior management and their direct reports can be found on pages 27 and 69.

Board evaluation

Committee members discussed the proposal for the Board evaluation and identified areas of focus. These included whether there were sufficient levels of reporting to fully understand the customer experience and monitor customer satisfaction; Board dynamics as the Group emerged from the COVID-19 pandemic; and risk management. Committee members also concluded that it was important to ascertain whether the Board was setting the right cultural tone, in line with the Group's values.

All Directors and the Group Company Secretary were asked to complete a questionnaire about the dynamics of the Board and how well Board meetings supported discussion of the strategy and its delivery. The evaluation report prepared by the Group Company Secretary was discussed and this confirmed that the Board dynamics were strong and had led to high-quality discussion and appropriate levels of challenge. It was recognised that it was important that the Board continue to actively adopt and demonstrate the Company's values.



Orna NiChionna
Chair, Nomination Committee

Corporate Governance Statement

Audit, risk and internal control

Board assessment of risk management and internal control

Our Board has ultimate responsibility for the Group's risk management and internal control, and for the Company's risk culture. Our Board is also responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

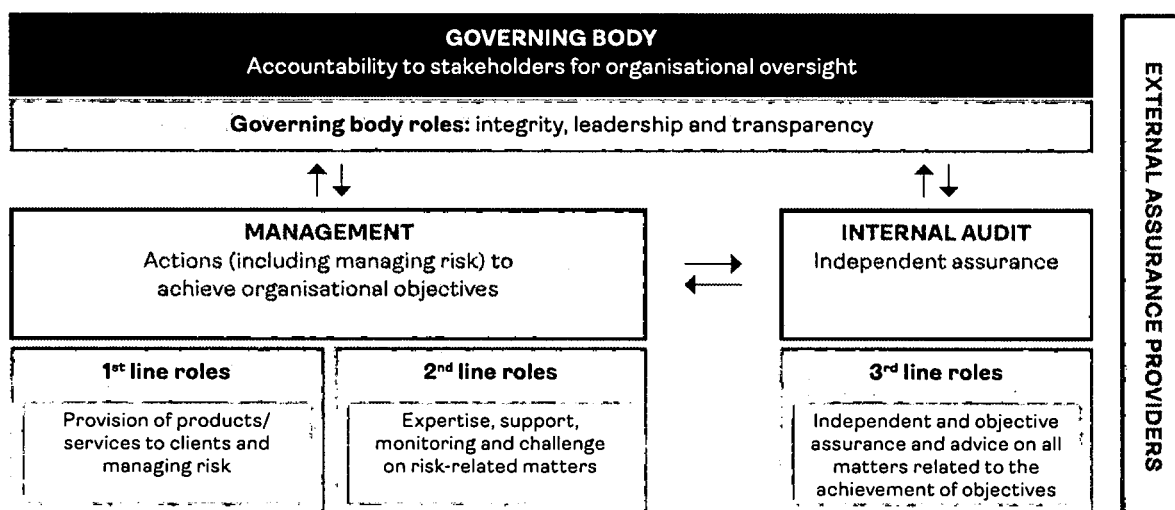
- there is an ongoing systematic process for identifying, evaluating and managing the emerging and principal risks faced by the Company;
- this system was in place for the year under review and up to the date of approval of this Annual Report and Accounts;
- the system is regularly reviewed by our Board; and
- the system accords with the Financial Reporting Council (FRC) guidance on risk management, internal control and related financial and business reporting.

During 2021, risk management activity continued to focus on protecting our financial and operational resilience and continuing to support the delivery of fair outcomes to customers. Our risk framework was further refined to support this work and to provide the foundation for delivering our strategy. Improvements in risk culture, internal control effectiveness, risk governance and incident management were all made during the year supported by new roles created within the business to improve the quality of risk incident root cause analysis and remediation in response to operational risk events.

Our subsidiary boards and Executive Leadership Team (ELT) had access to more timely and comprehensive risk reporting throughout the year, facilitated, in part, through a new risk system launched in the second quarter of 2021. This has encouraged risks and incidents to be captured promptly and allowed associated mitigating actions to be more effectively tracked to address both immediate issues arising and root causes, with priority towards driving the right outcomes for customers.

Our governance framework

Effective risk management and control is achieved through application of the 'three lines of defence' model as follows:



Risk strategy and plan

The Group's risk strategy and plan is aligned with the Company's overarching strategy and is considered and approved annually.

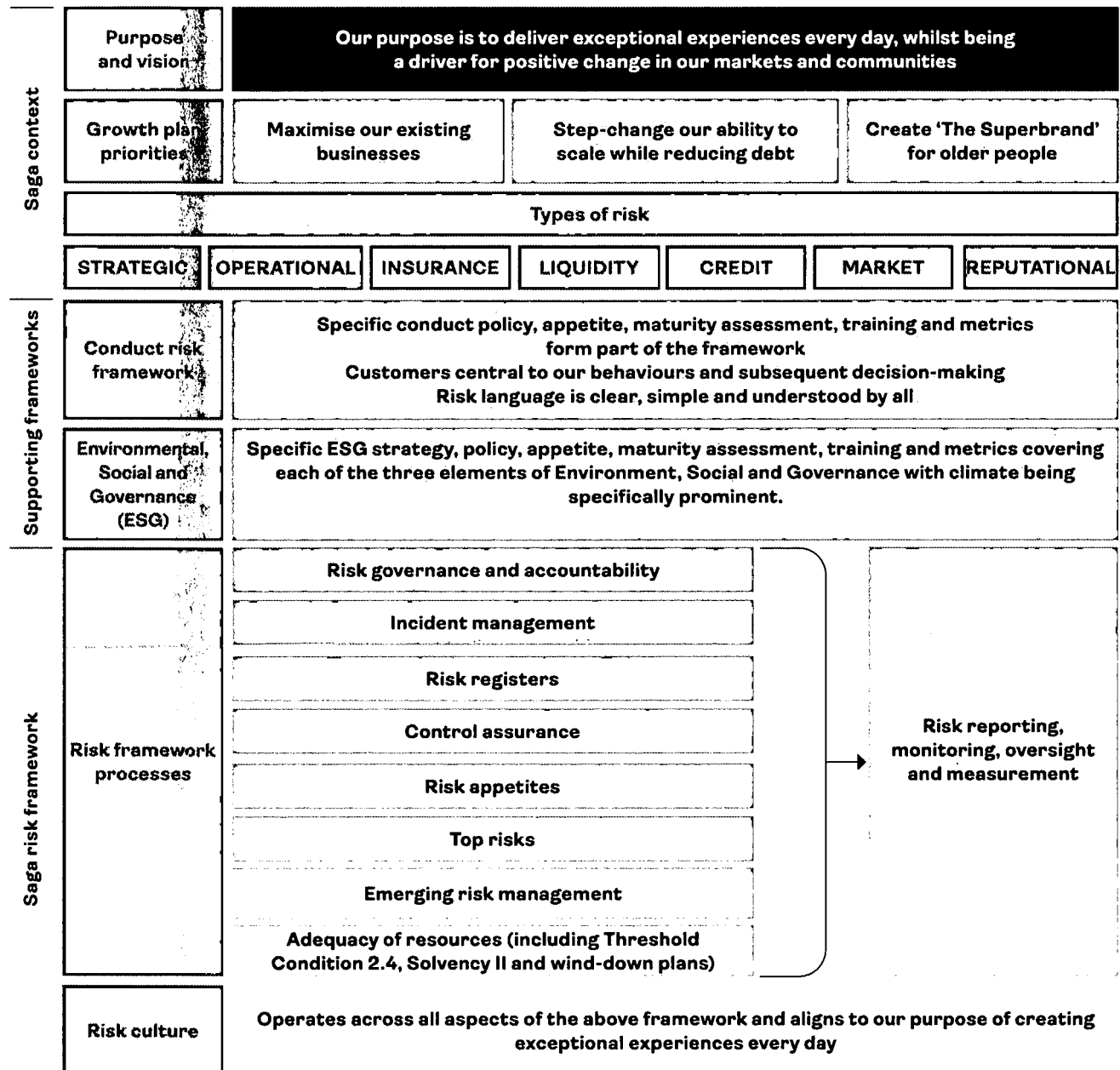
Risk framework processes

Risk governance – The main consideration within risk governance is the Board management of risk and subsequent delegation to risk committees and other governance forums. This ensures that risk is managed effectively and that there is appropriate oversight through reporting and accountability defined within each committee's Terms of Reference and through the application of the Senior Managers and Certification Regime. Additionally, the suite of Saga risk policies, including, but not limited to, conduct risk, incident management and internal control, define our risk management framework and high-level expectations of the 1st and 2nd line in respect of risk management activity.

Incident management – The 1st line business areas are responsible for raising any risk incidents identified in a timely manner, conducting appropriate root cause analysis to prevent recurrence, and resolving incidents promptly. The 2nd line oversees this activity to ensure fair customer outcomes, and that the process is managed in line with policy.

Risk and control registers – Each operating company and Group function is responsible for identifying and managing its risks and associated key controls, which are captured on risk and control registers and scored using a risk scoring matrix that rates risk against both likelihood and severity. Key controls are subject to design and operational effectiveness testing by the business and validated through periodic 2nd line assurance reviews, with action taken where controls are found to be ineffective. Our risk registers help to identify the top risks facing the various business units, which in turn inform our principal risks and uncertainties (PRUs).

Our risk framework



Risk appetites – Refers to the type and amount of risk that we are willing to take to achieve our strategic objectives.

Board-approved risk appetites exist for all primary risk types including strategic, operational, insurance, liquidity, credit, market and reputational risk, with a further subdivision of operational risk to ensure our subsidiary boards and our plc Board has visibility and oversight of all the key areas of risk and, in particular, to ensure we promptly respond to any risks moving towards, or already out of, appetite. Our risk appetites support the formation of our strategy and our decision-making.

PRUs – The PRUs are informed by the detailed functional/entity risk registers and top risk assessments and are linked back to the relevant strategic objectives. This gives visibility to management of the most significant risks which may impede our ability to achieve our strategic objectives.

Risk maturity – Each operating entity is assessed periodically against our risk maturity framework in both the 1st and 2nd lines of defence, with actions agreed for any areas where there is a desire to move further up the risk maturity scale, which are tracked through to completion.

Process feedback

Outputs from the risk management cycle are fed back to our risk committees and boards by exception to ensure the risk framework remains effective and supports the strategy, business model and decision-making processes of the Company.

Corporate Governance Statement

Audit, risk and internal control continued**Independent process assurance**

Saga's Internal Audit function provides independent assurance of the effectiveness of the risk management procedures at both Group and business levels.

Internal Audit acts as the 3rd line of defence within Saga's risk management framework. The objective of Internal Audit is to help protect the assets, reputation and sustainability of the organisation by providing independent, reliable, valued and timely assurance to the Board and ELT. To preserve the independence of Internal Audit, the Internal Audit Director's primary reporting line is to the Chair of the Audit Committee, and the Internal Audit Team is prohibited from performing operational duties for the business.

All activities of the Group fall within the remit of Internal Audit, and there are no restrictions on the scope of Internal Audit's work. Internal Audit fulfils its role and responsibilities by delivering the annual risk-based audit plan. Each audit provides an opinion on the control environment and details of any issues found. Internal Audit works with the businesses to agree the remedial actions necessary to improve the control environment, and these are tracked to completion. The Internal Audit Director submits reports to, and/or attends, board and audit committee meetings for the subsidiary Saga businesses, as well as meetings of the plc Audit and Risk Committees.

Financial reporting

The Group maintains a control environment that is regularly reviewed by the Board. The principal elements of the control environment include comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits, regular Board meetings, clear subsidiary board and operating structures, and an Internal Audit function.

Internal control and risk management systems relating to the financial reporting process and the process for preparing consolidated accounts ensure the accuracy and timeliness of internal and external financial reporting.

The Group undertakes an annual strategy process which updates the plan for the next five years and produces a detailed budget for the next financial year. Detailed reforecasts are performed by each area of the Group regularly and are consolidated to provide an updated view of the Group's expected performance and position for the current year. Each reforecast covers the income statement, cash flow and balance sheet positions, phased on a monthly basis through to the end of the financial year.

Regular weekly and monthly reporting cycles allow management to assess performance and identify risks and opportunities at the earliest possible time. Trading performance is formally reviewed on a weekly basis by the management of the trading subsidiaries and the ELT. Performance is reported to the Board at each Board meeting and is assessed against budget and the latest forecast.

The Group has a management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments. Control of the Group's cash resources is operated by a centralised Treasury function.

Internal management reporting and external statutory reporting timetables and delivery requirements are well-established and documented. Control of these is maintained centrally and communicated regularly.

The Group maintains IT systems to record and consolidate all its financial transactions. These ledger systems are used to produce the information for the monthly management accounts and for the annual statutory financial statements. The trading subsidiaries within the Group prepare their accounts either under Financial Reporting Standard (FRS) 101 or UK-adopted International Financial Reporting Standards (IFRS).

The accounts production process ensures that there is a clear audit trail from the output of the Group's financial reporting systems, through the mapping and consolidation processes, to the Group's financial statements.

Statement of review

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and, up to the date of the approval of this Annual Report and Accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 65.

Our risk management framework and systems are designed to manage, rather than eliminate risk, and operate to facilitate the achievement of our business objectives within our stated risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year on the improvements to the design of the risk framework, which is now complete as we enter the 2022/23 financial year.

Audit Committee Report



Gareth Hoskin
Chair, Audit Committee

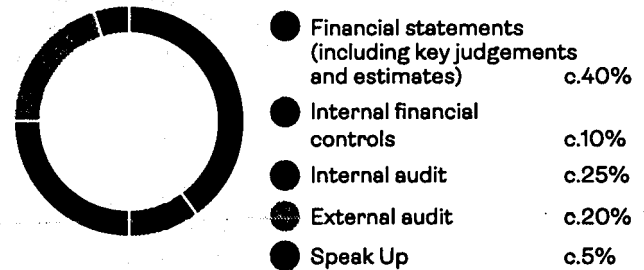
The Committee's responsibilities

- Consider integrity of the financial statements.
- Review the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Monitor the effectiveness of the Company's Internal Audit function, Finance function and the external auditor.
- Review the Internal Audit work plan.
- Review the Group's annual and half-yearly financial statements and accounting policies.
- Review and approve key judgements and estimates used as a basis for preparing the Group's financial statements.
- Approve the remuneration and terms of engagement, and determine the independence of the external auditor.
- Monitor the scope of the annual audit and the extent of non-audit work undertaken by the external auditor.
- Provide recommendations on the fair, balanced and understandable assessment, going concern basis of preparation and viability statements.
- Ensure that whistleblowing (**Speak Up**) and anti-fraud systems are in place and are monitored.

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 20 September 2021) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters



Committee composition and attendance

Members (all are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Gareth Hoskin (Chair)	4 Apr 19	7	7
Julie Hopes	31 Dec 20	7	6
Orna NiChionna	29 May 14	7	7

The Board is satisfied that Gareth Hoskin has recent and relevant financial experience and competence in accounting, reflected by his professional qualification as a chartered accountant and relevant experience during his career. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sectors in which the Company operates. The Board of Directors' biographies on pages 70-71 contain details of each Committee member's skills and experience.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 69). The review concluded that the Committee was focused on material issues and that the external auditor provided good challenge and helpful external market perspectives. Respondents confirmed that the Committee was well supported by the Internal Audit function and that financial controls were considered to be sound. For 2022/23, it was agreed that the planning process should be reviewed to ensure an optimum audit process between subsidiaries and the Company.

Corporate Governance Statement

Audit Committee Report continued**Dear shareholder,**

During 2021/22, we continued to demonstrate financial and operational resilience as the uncertainty of COVID-19 continued, progressing our Group strategy to further optimise our business and reduce debt.

The Committee continues to provide support to the Board and independent scrutiny of the Group's financial reporting and internal controls in its businesses as colleagues continue to work largely from home, maintaining colleague safety with minimum interruption to business for customers. There was continued focus on improving the financial flexibility of the Group by strengthening the balance sheet and improving the Group's liquidity.

The Group completed the issuance of a new fixed-rate guaranteed unsecured bond, enabling the Group to repay in full its existing term loan and make amendments to the covenants on its existing revolving credit facilities, which remain undrawn and are expected to remain undrawn for the foreseeable future. The Group also reached agreement to amend covenants on its cruise ship debt facilities to accommodate the eventuality of a prolonged further period of disruption due to COVID-19.

The Committee receives regular updates on the external regulatory landscape and continues to review and analyse emerging uncertainties to ensure strategic alignment with current developments.

Reporting**Interim and full year results**

The interim and full year results were reviewed and challenged, together with the appropriateness and application of key accounting policies and areas of significant judgement and how these were made. KPMG provided reports throughout the year, with focus on areas identified as having significant audit risk.

Letter from the Financial Reporting Council (FRC)

On 13 December 2021, the Group received a letter from the FRC requesting further information on certain matters covered in the Annual Report and Accounts for the financial year ended 31 January 2021. The letter requested information regarding:

- the accounting for cash flow hedges in connection with the purchase of the ocean cruise ships;
- river cruise lease contract modifications; and
- the impairment review and useful economic lives of the ocean cruise ships, with particular regard to what climate change considerations had been made when setting these judgements and estimates.

The letter also listed a number of minor observations around various other aspects of the Group's disclosure that management has taken into consideration when drafting the accounts for 2021/22.

The Committee heard how management had responded to the FRC's information request on 21 December 2021 and has since received a response from the FRC in January 2022, thanking the Group for the additional information and confirming that the matter has now been closed.

Significant issues**Consideration of the financial implications and ongoing impact of COVID-19 on liquidity, going concern and viability**

The Committee reviewed and challenged the assessment that management made, including the appropriateness of the underlying forecast assumptions used in the base and reasonable worst-case scenarios and the mitigating actions that management would take.

🔍 Note 2.1 of the financial statements, pages 126-127

🔍 Viability Statement, page 55

🔍 Independent Auditor's Report to the Members of Saga plc, pages 112-120

Valuation of insurance contract liabilities

The analysis and justification prepared by management in support of the reserves for outstanding claims, including consideration of an independent valuation prepared by PwC and analysis prepared by the Group's external auditor, was reviewed. The analysis and justification were reviewed and challenged initially by the Acromas Insurance Company Limited (AICL) reserving and audit committees, following which, it was also then reviewed and challenged by the Committee.

🔍 Note 28 of the financial statements, pages 178-181

🔍 Independent Auditor's Report to the Members of Saga plc, pages 112-120

Valuation of goodwill

The Committee considered the recoverability of goodwill and discussed with management the basis of its impairment assessment. The key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, and the selection of an appropriate discount rate and terminal growth rate, including the sensitivity of the assessment to changes in those rates within a reasonable range. The review concluded that no impairment of the carrying value of goodwill was necessary.

🔍 Note 16a of the financial statements, pages 157-158

🔍 Independent Auditor's Report to the Members of Saga plc, pages 112-120

Valuation of the parent company's investment in subsidiaries

The Committee evaluated the recoverability of the carrying value of the investment in subsidiaries held on the balance sheet of the Company. The Committee reviewed and challenged management's internal valuation of the Group. The Committee also considered alternative valuation data based on market data provided by brokers. The review confirmed that no impairment was required, nor was it appropriate to reverse any previous impairments at this stage.

🔍 Notes 1.2 and 2 of the Company financial statements, pages 197-198

🔍 Independent Auditor's Report to the Members of Saga plc, pages 112-120

Valuation of cruise ships

The Committee reviewed indicators of impairment and resultant impairment reviews of the Group's cruise ships. The key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, including, in particular, the impact of COVID-19 on the resumption of cruising, their useful economic lives and residual values, and the appropriateness of these in light of climate change regulations, and the selection of an appropriate discount rate.

The Committee also considered the sensitivity of the assessment to changes in that rate within a reasonable range.

Q Note 17 of the financial statements, pages 159-161

Q Independent Auditor's Report to the Members of Saga plc, pages 112-120

Carrying value of other material assets

The Committee reviewed indicators of impairment and resultant impairment reviews of the Group's other items of property, plant and equipment and software intangibles. For land and buildings, the Committee considered whether any buildings recognised as held for sale at the balance sheet date still met the necessary criteria as per IFRS 5, and for those that did, challenged the basis of the updated valuations obtained. The Committee also considered assets held in relation to the Tour Operations business, and took the decision to write down to nil the carrying value of those assets no longer deemed to be recoverable as part of the reorganisation of the Tour Operations business.

Defined benefit pension scheme

During the year, the Group's defined benefit pension scheme was valued in accordance with IAS 19 'Employee Benefits' by the Group's pension scheme advisers and it was concluded that the scheme had moved from a £4.3m deficit to a £1.1m surplus. The Committee supported the Group's proposal to consult with members to propose the scheme be closed to future accruals and in its place, launch a new defined contribution pension scheme arrangement for all colleagues operated by Aviva as a Master Trust. Following a consultation process, the defined benefit pension scheme was closed to future accruals, further reducing the risk of future deficits developing and moving to a fairer scheme for all colleagues.

Q Note 27 of the financial statements, pages 174-177

The Committee considered the internal control observations identified by the Group's external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions. The Committee was satisfied that the key accounting policy choices and judgements were appropriate and provided a true and fair view of the Company's financial performance and position.

Fair, balanced and understandable

We advised the Board that we supported the statement (see page 65) that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This was following consideration of whether:

- the report was clear and presented a balanced view of successes, challenges, opportunities and risks;
- key messages were prominent and an appropriate level of key performance indicators (KPIs) were disclosed;
- business segments, significant issues and key judgements reporting was consistent with disclosures in the financial statements; and
- definitions provided were explained and Alternative Performance Measures were reconciled with the closest IFRS measure in the financial statements.

Going concern and viability

The going concern basis of preparation disclosure note is set out on pages 126-127 and the Viability Statement, and the methodology for assessing the Group's ongoing viability, are set out on page 55.

Our review took account of the Company's current position and principal risks and uncertainties (PRUs) (as reviewed and refreshed by the Risk Committee and detailed on pages 53-54) and the methodology used to provide an assessment of ongoing viability over the five-year period of review. We considered the relevant assessment time horizon, severe, but plausible, potential outcomes and the appropriateness of the scenarios modelled. In particular, we considered the continued impact that the COVID-19 pandemic could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to continue to prepare the financial statements on a going concern basis and make the Viability Statement on page 55.

Audit and control

Internal controls

The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit work plan. The Group Finance Director also provided an update on accounting issues and key aspects of financial controls at each meeting. In August 2021, we received an update on the work which had been progressed by a 1st line Financial Control Working Forum which had been established to improve working practices following the results of a key financial controls audit carried out in the first quarter. The Committee continued to receive updates on the implications of IFRS 17, regulatory update sessions with KPMG and to be briefed on progress made with the Group's preparatory work on its adoption, ahead of its application in the financial year ending 31 January 2024.

Financial crime and Speak Up reporting

Policies covering financial crime (including anti-bribery, anti-corruption, anti-fraud, anti-money laundering and treasury sanctions and asset freezing) were reviewed and approved. We reviewed existing Speak Up processes and policy against best practice to ensure continued integrity and effectiveness and to encourage colleague engagement. I am responsible for ensuring the integrity, independence and effectiveness of the Company's Speak Up Policy and procedures. Since the year end, the Committee has reviewed all reported incidents and concluded that these had been handled appropriately, with no material issues identified.

Corporate Governance Statement

Audit Committee Report continued**Internal Audit**

We approved the Internal Audit work plan and considered the internal audits conducted throughout the year. Following a tender process, and in line with the Chartered Institute of Internal Auditors (CIIA) Standards, PwC carried out an External Quality Assessment (EQA). The results were presented to the Committee during the year and concluded that Internal Audit met the needs of its key stakeholders and was ahead of its peers in this regard. The Committee noted that a longer-term strategy to include the target operating model (TOM) had been designed as a result of the EQA. The audit plan was refreshed for the second half of the year, with progress being appropriately reported by the Internal Audit Director and amendments to the audit plan being approved by the Committee. We were satisfied that the Internal Audit function, a team of eight people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. The Internal Audit Director attended Committee meetings and provided regular reports on the progress of the Internal Audit plan.

The Committee monitored whether the Internal Audit function was independent of management and so able to exercise independent judgement throughout the year and was satisfied that this was the case.

A quality assurance and improvement programme, as required by the CIIA was considered. The Committee concluded that the Internal Audit function complied with the CIIA's definition of internal auditing, the core principles of the Professional Practice of Internal Auditing and the Code of Ethics. The Committee (in co-operation with the Risk Committee), monitored the work of the Risk, Compliance and Internal Audit functions to ensure that their activities complemented each other appropriately. KPIs included whether actions were closed within agreed timeframes and satisfaction survey response rates. We approved the Internal Audit Charter, which is available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Work conducted over the year was risk-based and covered both financial and non-financial controls. A selection is shown below:

- **Pricing (AICL):** Review of the design of the revised pricing framework, including pricing strategy and practices and embedding of the new TOM.
- **Customer journeys (Saga Services Limited (SSL), claims and customers in vulnerable circumstances):** Review of the customer journey in various business areas.
- **Cloud migration (Group):** Review of readiness and planning for cloud migration, including the logical migration path and cost-benefit analysis.
- **Treasury and cash management (Group):** Management of working capital to meet short-term debts and long-term growth plans.

Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also presented their annual year end review of the effectiveness of the risk management and controls framework. They found it reasonable for the Committee to conclude that, whilst areas for improvement were identified, the internal risk and control environment is broadly effective. The Chief Risk and Compliance Officer also presented findings of the 2nd line annual review of the control framework and reported the same conclusion.

🔍 Audit, risk and internal control, pages 74-76

🔍 Risk Committee Report, pages 82-84

Subsidiary audit committees

I have regular meetings with the independent Non-Executive Directors who chair the SSL, Saga Personal Finance Limited and AICL audit, risk and compliance committees to ensure an appropriate level of oversight and enable a sufficient level of transparency. Minutes from these meetings were also noted at each Committee meeting.

External audit

KPMG was appointed as the Company's external auditor for the financial year ended 31 January 2018 (following a competitive tender process in 2016/17) and has been re-appointed annually since then. The current audit partner, Stuart Crisp, has been in place since its appointment. The audit partner is due to be rotated after completion of the January 2022 year-end reporting process.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report to the Members of Saga plc on pages 112-120.

The Committee considered the audit scope, materiality and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud and error into account. We also considered and approved KPMG's engagement terms and fee proposal for 2021/22.

Auditor independence and non-audit services

During the year, the Committee met twice with the external auditor without members of management being present.

The challenge, independence and objectivity of KPMG was monitored continuously by the Committee and independence was confirmed by the auditor throughout the year in letters addressed to the Committee.

In accordance with the Revised Ethical Standard issued by the FRC in 2016, the Committee has adopted a robust Auditor Independence Policy on non-audit fees and employment of former employees of the external auditor. The policy includes a list of non-audit services for which we are satisfied that the external auditor can carry out those services without affecting its independence as external auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. Competitive tendering is used for substantial work. The Auditor Independence Policy was reviewed on 20 August 2021.

The audit fees payable to KPMG in respect of the year ended 31 January 2022 were £1.8m (2021: £1.7m) and non-audit service fees incurred were £0.2m (2021: £0.8m), the latter being incurred for work to review the Group's interim results and essential reporting to our banks and travel industry regulators. This equates to a non-audit to audit fee ratio of 0.1 (2021: 0.5). A summary of fees paid to the external auditor is set out in Note 4a to the consolidated financial statements on page 149. KPMG has discontinued the provision of non-audit services to the current and recent members of the FTSE 350 index that they audit, other than those required by law or closely related to the audit.

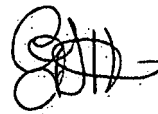
Audit quality and effectiveness of external auditor

The following were considered when assessing the effectiveness of KPMG:

- Our perception of KPMG's understanding and insight into the Group's business model.
- How key areas of judgement were approached by KPMG, the extent of challenge and the quality of reporting.
- The content of (and management's responsiveness to) KPMG's management letter.
- Feedback from management following completion of an evaluation survey on the audit process (including audit scope, audit communication, independence and objectivity).

The evaluation concluded that the external auditor had run the audit process well, retained a high level of independence and had challenged the key accounting judgements and estimates rigorously and fairly. Respondents said that the planning of the audit had improved because of feedback provided in the previous year, particularly in the Insurance and Travel businesses. The conclusion was that there was an opportunity to improve communication and the efficiency of the audit overall. Overall, the audit was judged to be high-quality.

The Committee is satisfied that the audit continues to be effective and provides independent and objective challenge to management. A recommendation was made to the Board for the re-appointment of KPMG as the Company's auditor at the forthcoming AGM.



Gareth Hoskin
Chair, Audit Committee

Corporate Governance Statement

Risk Committee Report



Julie Hopes
Chair, Risk Committee

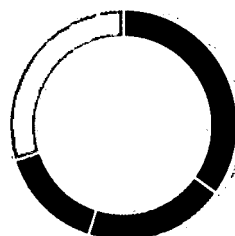
The Committee's responsibilities

- Review and advise the Board on the Group's overall risk appetite, tolerance and strategy and risk assessment processes.
- Oversee and advise the Board on current risk exposure and future risk strategy.
- Monitor the effectiveness of the Group's risk management and internal control systems and conduct risk management procedures.
- Monitor principal risks and uncertainties (PRUs).
- Consider the Group's capability to identify and manage new, and emerging, risk.
- Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings.
- Review material breaches of risk limits and adequacy of action.

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 20 September 2021) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters



- Managing and reporting c.35%
- Risk strategy, policy and appetite c.20%
- Compliance c.15%
- In-depth reviews c.30%

Committee composition and attendance

Members (all are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Julie Hopes (Chair)	4 Apr 19	4	4
Orna NiChionna	29 May 14	4	4
Gareth Hoskin	4 Apr 19	4	4

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 69).

The review indicated that there was a healthy level of challenge and robust discussion around risk management and that key regulatory developments and PRUs were adequately discussed. The focus for 2022/23 will be on ensuring that discussions around risk in business areas were brought to the Committee at the appropriate time to support delivery of the strategy.

Dear shareholder,

It has been another important and challenging year for the Risk Committee. During the year, we considered the risks and interdependencies within the Group and reviewed and discussed emerging and principal risks and uncertainties, aiming to ensure that these remained aligned with the Group's strategy.

A significant amount of time was dedicated to oversight of our regulated entities and regulator relationships. The Committee held robust discussion on the expectations of our regulators, including the Financial Conduct Authority (FCA). We discussed readiness for regulatory developments including the general insurance pricing practices market study and new requirements in relation to operational resilience and consumer duty.

We also considered the areas that should be the subject of detailed review, taking into account the external regulatory and macroeconomic landscape. The Committee conducted deep-dive analyses into topics including operational resilience and supplier risk management.

Management and reporting

The Committee considered the rationale behind the selection of PRUs, as well as the risk and conduct risk monitoring plans for each business. The Group's PRUs were reviewed and refreshed regularly during the year, ensuring that new and emerging risks and opportunities were captured and remained at the forefront of the Group's strategic planning.

The impacts of the COVID-19 pandemic on business operations and sustainability of the balance sheet remained a key area of focus.

The Committee also discussed emerging trends in key areas including data protection risk and cyber risk. Risks relevant to our business transformation programme, including culture and capability, were also considered. This included the organisational design of the Group's Risk function.

The Committee reviewed the risks relating to the performance of each business and those arising from incidents in relation to control failures or weaknesses. We discussed these incidents in the context of the risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business Chief Executive Officers certified compliance with the risk management framework at the year end.

The Committee continued to receive reports on, and provide oversight of, risk matters including those pertaining to climate risk, through the Committee's oversight of the PRUs, as well as through subsidiary risk governance committees, who escalated material points for consideration to the Committee.

Risk management and internal controls

In co-ordination with the Audit Committee, we discussed the effectiveness of the Group risk management framework and internal control systems, including reference to all material financial, operational and compliance controls. The Committee concluded that the internal risk and control environment was effective, with controls to mitigate key risks operating effectively. The Group will continue to take action to enhance the customer experience, strengthen supplier risk management processes, embed management actions and enhance capability and capacity across the businesses.

We recommended to the Board that the appropriate statements could be made regarding robust assessment of emerging and principal risks facing the Group and the review of the effectiveness of the risk management process (see pages 74-75).

Risk strategy, policy and appetite

The risk reporting framework continued to provide a holistic approach linked to the Company's strategy and business model. The Committee recognised the strength of our brand and the economic resilience of our customer demographic while appropriately considering opportunities and threats.

Changes and additions to the PRUs were scrutinised in line with the agreed strategy and business model and the results of this review are shown in the Strategic Report on pages 53-54. These formed the basis of the scenario testing used to produce the Viability Statement (see page 55). Our risk management processes are described on pages 74-76.

These are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

We reviewed and recommended approval of the Group risk appetites and risk framework policy during the year. The Committee oversaw the application of key risk indicators and alert limits for risk appetites, to ensure that any breaches of agreed appetite would be appropriately escalated.

The Committee also reviewed the Group's five-year plan from a risk management perspective. We considered conduct risk and how our decisions and behaviour could impact our customers, or affect our reputation with stakeholders, including shareholders and regulators. Business actions were reviewed against risk appetite and tolerance, and we concluded that where scenarios were outside of risk appetite, the probability of occurrence was low and that mitigating actions were appropriate. The Committee remains satisfied that suitable controls are in place, meaning that the risk of significant failure across the business model is considered unlikely.

The Committee is focused on a continued robust response as we emerge from the COVID-19 pandemic and ongoing resilient trading in our Insurance business alongside the need for financial flexibility as uncertainty caused by the pandemic continues in our Travel business.

We are also focused on delivery of good regulatory outcomes in key areas such as compliance with the general insurance pricing practices market study. Furthermore, a process of ongoing improvement continues in supplier risk management, with the Committee continuing to oversee and review action outcomes in this area. As a Committee, we are acutely aware of the need for the organisation to focus on the risks associated with larger suppliers and those that carry reputational risk, as well as their role in delivering robust operational resilience. The Group has continued to refine its governance framework, including a system of delegated authorities that allows the Committee to focus on the material issues which are escalated to it.

In-depth reviews

During the year, the Committee conducted in-depth reviews into key topics relevant to the Group's strategy.

Operational resilience

The Committee considered the expectation from the Group's regulators for robust operational resilience, including a focus on both preventing incidents and practising response activities in preparation for potential failures, should they occur. The focus of the Committee was on readiness for implementation of new rules on operational resilience from March 2022. We considered the various dimensions of operational resilience readiness, including strategy, governance, the need for a transformation programme and implementation of an appropriate operating model.

Corporate Governance Statement

Risk Committee Report continued

The Committee reviewed the Group's operational resilience readiness plans, and provided feedback on the proposed timeline, third-party support and process map. We discussed criteria for the screening of important business services and considered the involvement of internal and external suppliers in operational readiness. The Committee made recommendations on the appropriate governance structures for the project and on the suitable levels of adviser support.

Supplier risk management

The Committee received a detailed report on the findings of a third-party supplier assurance review conducted by the 2nd and 3rd lines of defence, based on industry best practice. We noted the performance of key supplier controls, including contract governance, due diligence, data security and audits. We also supported key actions agreed with management, including improved oversight through a procurement forum, alongside implementation of a procurement framework.

We supported recommendations for strengthening the Group procurement function and requested further action, including a gap analysis of third-party supplier management, by the internal audit function.

COVID-19 pandemic

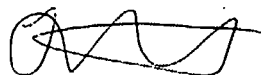
The Committee continued to review the Group's ongoing response to the COVID-19 pandemic, including the various lockdown scenarios set out by the UK Government. Through ongoing engagement with regulators, including the FCA, Saga was focused on protecting our customers. More recently, the Committee considered the necessary steps to emerge stronger from the impact of the COVID-19 pandemic as the Travel business resumed operations.

Conflicts of interest management

The Committee reviewed potential conflicts of interest that could arise from the Group's organisational structure, including cross-entity directorships, and noted regulatory expectations in this area. The Committee supported ongoing further action to ensure a robust level of protection from conflicts, including training for the leadership team, strengthening the policy, and an improved process for identifying, documenting and mitigating potential conflicts.

Risk function design

The Committee discussed the increasing demands and expectations of regulators on risk management and supported a review of the design of the 2nd line function, to ensure sufficient capacity exists to facilitate strong risk management and good business and key stakeholder partnerships.



Julie Hopes
Chair, Risk Committee

Directors' Remuneration Report

Annual Statement



Eva Eisenschimmel
Chair, Remuneration Committee

The Committee's responsibilities

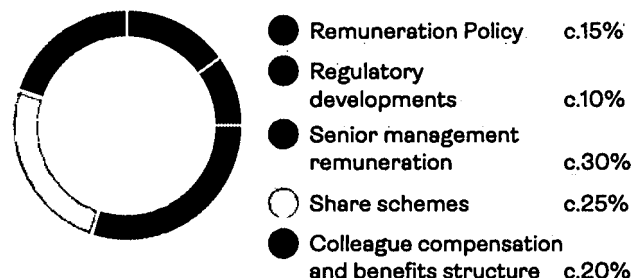
- Set and monitor the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with delivery of value over the long term.
- Determine and monitor remuneration packages for Executive Directors, the Chairman and senior management.
- Work with the Nomination Committee regarding workforce structure, reward incentives and conditions.
- Review workforce remuneration and incentive programmes to encourage desirable culture, behaviour and responsible risk-taking.
- Determine all aspects of share-based incentive arrangements.
- Review and administer employee share schemes.
- Set key performance indicators (KPIs) for the Annual Bonus Plan and long-term incentives.
- Prepare a Directors' Remuneration Report annually.

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 20 September 2021) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year as part of the Board effectiveness review (see page 69).

The review indicated that the Committee members had the right balance of skills, discharged their key responsibilities effectively and were ably supported by its remuneration consultants. The focus for 2022/23 will include further consideration of the impact of policies and practices on all colleagues.

What we did during the year**Time spent on matters****Committee composition and attendance**

Members (all are Independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)	4 Apr 19	7	7
Julie Hopes	4 Apr 19	7	7
Orna NiChionna	29 May 14	7	6

Contents

Annual Statement	Pages 85-87
Remuneration at a glance	Pages 88-89
Directors' Remuneration Policy	Pages 90-93
Annual Report on Remuneration	Pages 94-106
Single total figure of remuneration	Page 94
Annual bonus outcomes	Page 95
Scheme interests awarded	Page 98
Directors' shareholdings	Page 99
Wider workforce pay policies	Page 100
Shareholder voting at the Annual General Meeting (AGM)	Page 104
Service contracts and letters of appointments	Page 104
Compliance with UK Corporate Governance Code	Pages 105-106

Directors' Remuneration Report

Annual Statement continued**Dear shareholder,**

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 January 2022 which has been approved by both the Remuneration Committee (the **Committee**) and the Board.

Rising to the challenges

As referenced in the Strategic Report, this year has continued to be challenging for society given the continued effects of the COVID-19 pandemic. Despite these pressures, I am pleased to say that the Company is in a much stronger position than a year ago.

Our Leadership Team has made significant progress, delivering robust performance, and has worked intensively to ensure that the execution of our strategy stayed on course. Our Insurance Broking and Underwriting businesses, the mainstays of our business, have performed with resilience, meeting our expectations in all key areas.

In 2021, both our ocean ships were able to begin sailing with fewer restrictions and achieved satisfactory levels of occupancy. We also began a phased resumption of our Tour Operations. While we have taken fewer customers on holiday than in previous times, we are encouraged by the loyalty of our guests, the signs of returning confidence in overseas travel for next year and the continued relaxation of COVID-19 travel restrictions.

In summary, our Leadership Team has faced into a range of competing challenges with skill and dedication, enabling us to be agile in our response to COVID-19, while at the same time delivering on our strategy and building the foundations for future growth.

Company performance in 2021/22

The implementation of our strategy (as outlined on pages 18-21) has been measured against the key performance indicators (KPIs) set out below:

- Underlying Profit Before Tax¹ decreased by £23.8m to a Loss of (£6.7m).
- Available Operating Cash Flow¹ increased to £75.8m.
- Insurance Underlying Profit Before Tax¹ decreased 10% to £120.5m.
- Net debt improved to £729.0m.
- Motor and home retention of 82.8%, 2.3ppts ahead of 2020/21.
- Cruise load factor of 68% for 2021/22 and as at 30 January 2022, 74% for 2022/23.
- Cruise per diem was £299 for 2021/22 and as at 30 January 2022, £317 for 2022/23.
- Customer net promoter score (NPS) increased to 49.
- Overall colleague engagement increased to 7.7 out of 10.
- Colleague engagement with our values of 7.8 out of 10.

Changes to the Board

There were no changes to the Board during the year.

Salary increases for 2021/22

Euan Sutherland was awarded an inflationary salary increase of 1.5% for the financial year 2021/22 aligned with the all-colleague increase. In line with the disclosure in the 2021 Director's Remuneration Report, James Quin did not receive an inflationary increase and, instead, his salary was increased from £370,000 to £430,000, effective 1 January 2021.

2021/22 bonus

In April 2021, targets were set for the 2021/22 annual bonus, taking into account the turbulent trading outlook and the Company's business plan. The specific targets are shown on pages 96-97, together with the degree of achievement for each.

The Committee considered the level of bonuses achieved in respect of the targets set for 2021/22 and noted that the measures and targets had been carefully selected to reflect the challenging outlook for the business at the time. The annual bonus measures selected were set out in last year's Directors' Remuneration Report and were specifically tailored to the key areas which required strong performance during this period of extended uncertainty. The management team have delivered strongly against these measures and targets. Noting that Government support was not sought or used, the Committee judged it was appropriate to award a bonus payout in line with the achievement of the bonus targets which had been set.

Page 95 sets out the calculation for the 2021/22 bonus which paid out at between 85% and 87% of maximum for the Executive Directors.

Euan Sutherland will receive a bonus of £909,937. James Quin will receive a bonus of £465,636. In line with our approved Policy, all bonus awards are paid one-third in deferred shares and two-thirds in cash.

2019 long-term incentive plan (LTIP) vesting

James Quin was granted the 2019 LTIP on 12 August 2019 in line with the Company's normal LTIP cycle. Euan Sutherland joined part-way through the Company's normal LTIP cycle and was therefore granted a pro-rata award on 6 January 2020.

It is currently anticipated that the return on capital employed (ROCE) performance condition will result in no proportion of the award vesting (25% of the award). No proportion of the LTIP award is currently expected to vest in respect of the total shareholder return (TSR) performance of the Company over this performance period (25% of the award). Performance against the remainder of the LTIP award, which relates to operational and strategic metrics, is expected to result in 20% of this proportion of the award vesting (50% of the award). This is expected to lead to an overall vesting of 10% for the 2019 LTIP award (on 12 August 2022 for James and on 6 January 2023 for Euan).

Remuneration Policy (the Policy)

Our current Policy was approved by shareholders at the 2020 AGM with a vote of 97.98%. Changes were made at that time to bring the Policy in line with 2018 UK Corporate Governance Code and best practice. We have been reviewing the appropriateness and alignment of our current Policy in light of the evolving business strategy and, in particular, the growth strategy, following a period where the foundations for growth have been our focus. We are currently engaging with major shareholders to determine whether to bring forward a new Policy in 2022, which would be a year ahead of the normal three-year renewal period.

What we achieved during the year – matters discussed, decisions made and actions taken

- Approved Executive Director and Executive Leadership Team salary increases for 2021/22.
- Approved the business and personal metrics for the 2021/22 annual bonus. Details of the personal objectives for the Executive Directors can be found on pages 96-97.
- Made grants in April 2021 under the Restricted Share Plan (RSP) for the Executive and Senior Leadership Teams.
- Recommended that the Board approve the award of Free Shares to all eligible colleagues in November 2021.
- Reviewed the governance and processes of the four Saga Share Plans in operation and confirmed that they met the necessary standards and were well communicated.
- Reviewed the proposal to revisit the pension scheme design for all colleagues, including the closure of the defined benefit scheme.
- Considered the Environmental, Social and Governance agenda, reviewed progress against the actions to reduce our gender pay gap and discussed the wider diversity, equity and inclusion (DE&I) strategy.
- Noted the voting results on our Remuneration Report at the 2021 AGM and consulted with the largest shareholders who voted against the resolution to seek clarity on the reasons for this.
- Reviewed the 2021 gender pay report.
- Conducted a mid-year review of executives' personal objectives and agreed the timeline and approach to setting objectives for 2022/23.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy.

Wider workforce considerations

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions, as outlined on pages 100-101. We continue to be as focused on our colleagues as we are on our customers and we review our reward, benefits and careers package to ensure we remain competitive in the market. We continue to engage with colleagues on executive reward matters through our People Committee, which I attend regularly. Details of our People Committee can be found on page 26.

As part of our commitment to fairness, this report contains details of the pay and conditions of our wider workforce, the cascade of incentives throughout our business and our Group Chief Executive Officer to colleague pay ratio. Details of Saga's gender pay report can be found on our website (www.saga.co.uk/gender-pay-review).

Shareholder consultation and looking ahead

The Committee consulted with shareholders at various points throughout the year as appropriate. At the 2021 AGM, shareholders supported the Directors' Remuneration Report with a voting outcome of 77.72%. Whilst I am pleased that the majority of shareholders supported the resolution, it was important to us to understand the reasons behind the votes against it.

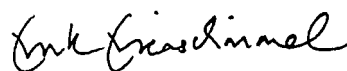
In the week after the AGM, I wrote to the largest shareholders who voted against the resolution to understand the reasons for their vote. The Remuneration Committee appreciates and values time taken by shareholders who expressed their views and understands that these were primarily connected to the payment of formulaic bonuses in respect of 2020/21, when taking into account the range of challenges experienced by the Company, our customers and shareholders during the year.

Following this valuable exchange with shareholders, the Committee determined that the points raised were items which had been considered when the relevant bonus decisions were made and, where possible, had also been taken into account in the setting of targets. In addition, the Committee considered bonuses in the broader context of the business and our stakeholders when determining the level of bonus awards and will continue to do so each year. We did not, therefore, consider the voting outcome to be indicative of a structural or systemic problem with the bonus design, nor the Policy as a whole. The Committee will continue its constructive dialogue with shareholders and seek to incorporate this feedback into its future remuneration decisions.

Conclusion

I hope you find the information contained in this report helpful, thoughtful and clear.

I welcome any feedback from the Company's shareholders, and you can contact me at any time at eva.eisenschimmel@saga.co.uk if you have any questions or comments on this report.



Eva Eisenschimmel
Chair, Remuneration Committee

Directors' Remuneration Report

Remuneration at a glance

Remuneration in the Group

Total spend
on pay**£118.3m**

2020/21 – £130.3m

2019/20 – £125.6m

CEO pay ratio to the
median employee**76:1**

2020/21 – 76:1

2019/20 – 41:1

General increase
for all employees**1.5%**

2020/21 – 1.5%

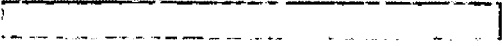
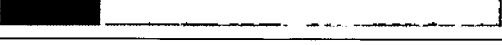
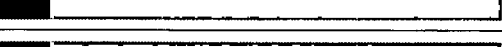
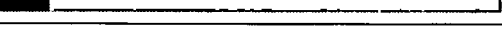
2019/20 – 2.0%

2021/22 Annual bonus and 2019 long-term incentive plan (LTIP) outcomes

For 2021/22, the Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) had a maximum bonus opportunity of 150% of salary and 125% of salary respectively. The overall bonus outcome is set out in the table below. No discretion was applied to the formulaic outcome. Further details are set out on pages 96-97 in the Annual Report on Remuneration.

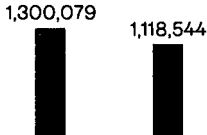
	Performance condition	Weighting	Threshold (20% payout)	Target (50% payout)	Maximum (100% payout)	Outcome achieved (% of award)
2021/22 Annual bonus outcome	Insurance Underlying Profit Before Tax ¹	21%				100%
	Saga Services Limited retention	14%				52%
	2021/22 Cruise load factor	3.5%				–
	2021/22 Cruise per diem	3.5%				100%
	2022/23 Cruise load factor (at 30 January 2022)	3.5%				100%
	2022/23 Cruise per diem (at 30 January 2022)	3.5%				100%
	Net debt	21%				85%
	Personal objectives	30%				CEO: 96%
						CFO: 100%
	Total	100%				CEO: 85.4% CFO: 86.6%

The chart below shows the outcome of the 2019 LTIP awards, for the performance period ended 31 January 2022.

2019 LTIP outcome	Relative total shareholder return	25%		–
	Return on capital employed	25%		–
	Operational and strategic measures	50%		20%
	Total	100%		CEO: 10%
				CFO: 10%

¹ Refer to Alternative Performance Measures Glossary on page 201 for definition and explanation

2021/22 Total single figure remuneration

	Euan Sutherland Group CEO £		James Quin Group CFO £	
				
	2021/22	2020/21	2021/22	2020/21
Salary	710,500	700,000	430,000	374,583
Benefits	12,889	13,641	13,143	13,035
Pension	42,630	42,000	25,800	31,108
Bonus paid in cash	606,625	581,887	310,424	306,212
Bonus deferred in shares ²	303,312	290,943	155,212	153,106
Restricted Share Plan (RSP) ²	710,500	490,000	365,500	240,500
Total	2,386,456	2,118,471	1,300,079	1,118,544

2021 RSP awards granted

On 30 April 2021, the second RSP award was granted to the CEO and CFO. Details of the award are set out below.

Director	Basis of award	Date of grant	Number of shares granted	Face value per share ³	Total face value of award
Group CEO					
Euan Sutherland	100% of salary	30 April 2021	184,258	£3.8560	£710,500
Group CFO					
James Quin	85% of salary	30 April 2021	94,787	£3.8560	£365,500

Shareholding of the Executive Directors

The table sets out the shareholdings of the Executive Directors at 31 January 2022. Further detail is set out on page 99.

Director	Shareholding requirement (% of salary)	Shares owned outright (% of salary) ^{4,5}	Shares subject to continued employment (% of salary) ^{5,6}
Group CEO			
Euan Sutherland	250%	31%	100%
Group CFO			
James Quin	200%	10%	94%

2 Deferred bonus and RSP awards both vest after three years

3 Represents the share price on the day prior to grant

4 Represents actual shares owned at 31 January 2022

5 Based on a closing share price of £2.848p at 30 January 2022 and the year-end salaries of the Executive Directors

6 Represents unvested RSP awards and annual bonus deferred share awards, as well as LTIP awards in the two-year holding period (included on a net of tax basis)

Directors' Remuneration Report

Directors' Remuneration Policy

Summary of current Remuneration Policy and implementation in 2022/23

The current Remuneration Policy (the **Policy**) was approved by shareholders at the Company's AGM on 22 June 2020.

A summary of the Policy is provided below and the full version can also be found on our corporate website (www.corporate.saga.co.uk/about-us/governance) or from the Group Company Secretary at Saga's registered office.

Key elements of the Policy and time horizon

The graphic below illustrates the time horizon for each of the key elements of our Policy:

Financial year	2022/23	2023/24	2024/25	2025/26	2026/27
Base salary	Ⓢ				
Benefits and pension	Ⓢ				
Annual bonus – cash	Ⓢ				
Annual bonus – deferred shares	Ⓢ	Ⓢ	Ⓢ	Ⓢ	
Restricted Share Plan (RSP)	Ⓢ	Ⓢ	Ⓢ	Ⓢ	Ⓢ
Shareholding requirement	Ⓢ	Ⓢ	Ⓢ	Ⓢ	Ⓢ (Ongoing)
All-colleague share plan	Ⓢ	Ⓢ	Ⓢ		
Chairman and Non-Executive Director fees	Ⓢ				

Key

Performance period: Ⓢ

Vesting period: Ⓢ

Holding period: Ⓢ

Details of each of these elements and their implementation are included in the table below, which provides the following information:

- A summary of the key elements of the Policy.
- The operation of the Policy in 2021/22 and its proposed operation in 2022/23.

Policy element	Summary of the Policy	Operation in 2021/22	Proposed operation in 2022/23
Base salary Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	Salaries are set on appointment and reviewed annually. When determining an appropriate level of salary, the Committee considers: • pay increases to other colleagues; • remuneration practices within the Group; • any change in scope, role or responsibilities; • the general performance of the Group and each individual; • the experience of the relevant Director; and • the economic environment.	Euan Sutherland received a salary increase of 1.5%, consistent with other colleagues. Having delayed the increase in the previous year, James Quin's salary increased from £370,000 to £430,000, effective 1 January 2021. Salaries for the Executive Directors were: • Euan Sutherland: £710,500 • James Quin: £430,000	Executive Directors received a 2.5% increase in salary, in line with the wider workforce. As a result, the salaries for the Executive Directors are: • Euan Sutherland: £728,262 • James Quin: £440,750
Benefits Provides a market-standard level of benefits.	Benefits may include family private health cover, death in service life assurance, a car allowance, subsistence expenses and discounts in line with other colleagues.	Standard benefits provided.	No change.

Policy element	Summary of the Policy	Operation in 2021/22	Proposed operation in 2022/23
Pension Provides a fair level of pension provision for all colleagues.	Directors may participate in a defined contribution scheme. Maximum pension contributions for Executive Directors are aligned with those of the wider workforce (6% of salary).	Executive Directors received the following: • Euan Sutherland: 6% of salary • James Quin: 6% of salary	No change.
Bonus The Annual Bonus Plan provides a significant incentive to the Executive Directors, linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives, allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant.	Awards are granted annually with performance measured over one financial year. The Remuneration Committee will determine the maximum participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. 70% of awards will be linked to financial measures. Specific measures, targets and weightings may vary from year to year. At least one-third of the bonus will be deferred into shares vesting after three years. Payout range is as follows (% of maximum payout): • Threshold: up to 20% • Target: 50% • Maximum: 100% Malus and clawback arrangements apply. Good/bad leaver provisions apply.	Maximum bonus opportunities were: • Euan Sutherland: 150% of salary • James Quin: 125% of salary Performance measures and weightings for the bonus were as follows: • Insurance Underlying Profit Before Tax: 21% • Saga Services Limited (SSL) retention: 14% • 2021/22 Cruise load factor and per diem: 7% • 2022/23 Cruise load factor and per diem: 7% • Net debt: 21% • Personal objectives: 30%	The maximum opportunities for Executive Directors are unchanged and are as follows: • Euan Sutherland: 150% of salary • James Quin: 125% of salary The current intention is to set performance measures and weightings for the 2022/23 bonus as follows: • Group Underlying Profit Before Tax: 17.5% • Net debt: 17.5% • SSL retention: 17.5% • Cruise load factor and per diems: 17.5% • Personal objectives: 30% The Committee is of the view that targets for the 2022/23 annual bonus are currently commercially sensitive and these targets will be disclosed retrospectively in the 2023 Directors' Remuneration Report.
Restricted Share Plan (RSP) Awards are designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.	Awards of nil-cost options are granted annually up to a maximum of 100% of salary. RSP awards do not have any performance conditions but are subject to an underpin on vesting. Awards vest after three years and are subject to a further two-year holding period, during which time shares may not be sold other than for tax.	The RSP awards were made at the normal levels: • Euan Sutherland: 100% of salary • James Quin: 85% of salary The Committee will review share price performance on vesting to determine whether any windfall gains were made.	No change.

Directors' Remuneration Report

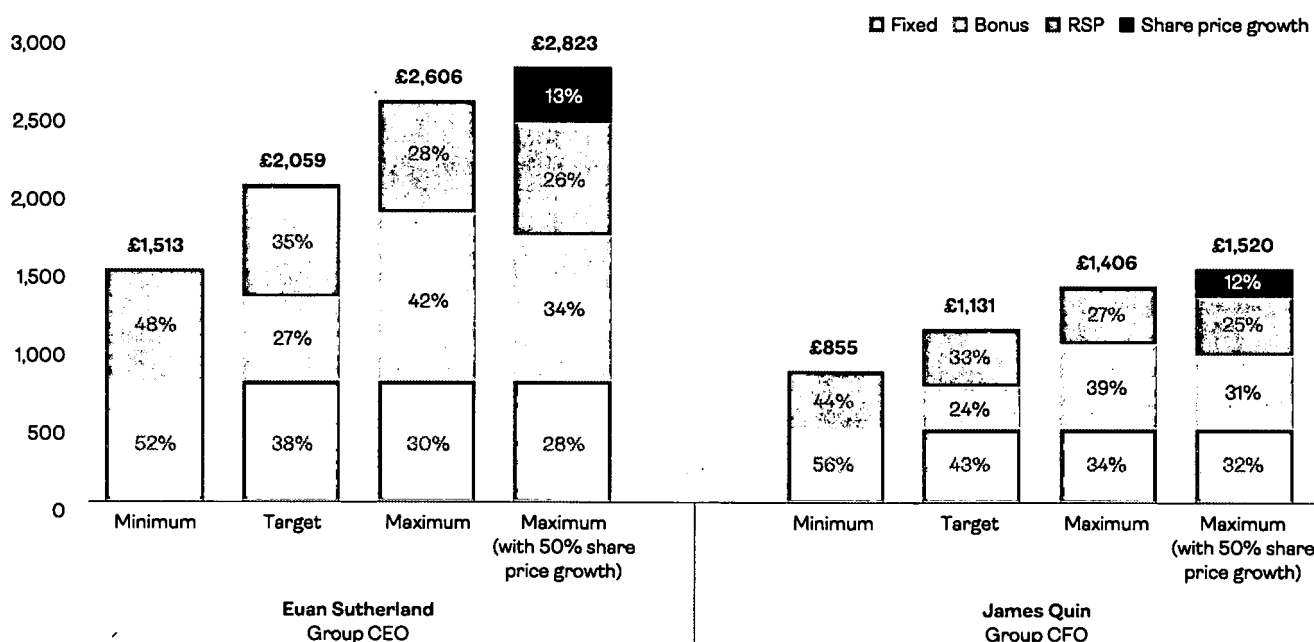
Remuneration Policy continued

Policy element	Summary of the Policy	Operation in 2021/22	Proposed operation in 2022/23
Shareholding requirement To ensure Executive Directors' interests are aligned with shareholders over the long term.	The Remuneration Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of salary.	- Euan Sutherland: 250% of salary - James Quin: 200% of salary	No change.
All-colleague share plan The Company operates a HM Revenue and Customs Share Incentive Plan (SIP).	Shares that are kept in the plan for five years will be exempt from income tax and national insurance on their value.	Saga continued to operate the SIP for all colleagues in 2021, with a Free Share award of £300 made in November 2021 to all eligible full-time colleagues.	Saga will continue to provide all colleagues with the opportunity to participate in colleague equity arrangements.
Chairman and Non-Executive Director fees Monetary incentives for the Chairman and Non-Executive Directors.	The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general, the level of fee increase for the Non-Executive Directors will be set, taking account of any change in responsibility and considering the general rise in salaries across the UK workforce.	Fees for 2021/22 were as follows (Roger De Haan waived his fee for 2021): - Roger De Haan: Nil - Board member fee: £63,672 - Committee Chair fee: £10,000 - Senior Independent Director fee: £40,000	No change to Non-Executive Directors or Senior Independent Director fee. Roger De Haan waived his fee up to October 2022.

Illustration of application of the Policy

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the Policy and is based on the normal RSP award level, rather than the lower initial award.

Figures shown (£'000)



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed elements	Base salary for 2021/22. Benefits paid for 2021/22 annualised for full year equivalent figures. Pension in line with policy at 6% of salary.			
Annual bonus	Nil.	50% of the maximum opportunity.	100% of the maximum opportunity.	100% of the maximum opportunity.
Restricted Shares	100% vesting of Restricted Shares.	100% vesting of Restricted Shares.	100% vesting of Restricted Shares.	100% vesting of Restricted Shares plus the increase in value from 50% share price growth.
	Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	Award levels are 100% of salary for the CEO, 85% of salary for the CFO.

Scenario charts show minimum, target and maximum scenarios in accordance with the regulations, as well as the impact of a 50% share price growth on the long-term incentives for the maximum scenario. All scenarios do not account for dividend equivalents on Deferred Bonus Plan (DBP) shares or RSP shares.

Loss of office policy

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited, or no, abatement on severance or early retirement. There is no agreement between the Company and its Directors or other colleagues, providing for compensation for loss of office or employment that occurs due to a takeover bid. The Committee reserves the right to make additional payments, where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

🔍 To see the full policy on loss of office, please see page 104 of the 2021 Annual Report and Accounts which is available on our corporate website (www.corporate.saga.co.uk).

Recruitment and promotion policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration to the appropriateness of any performance measures associated with an award.

Where an existing colleague is promoted to the Board, the Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing colleague would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Directors' Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of a new Chairman or Non-Executive Director is to apply the policy which applies to current Non-Executive Directors.

🔍 To see the full policy on recruitment and promotion, please see pages 107-108 of the 2021 Annual Report and Accounts which is available on our corporate website (www.corporate.saga.co.uk).

Directors' Remuneration Report

Annual Report on Remuneration

2021/22 Actual performance and remuneration outcomes

Single total figure of remuneration for Executive Directors for the 2021/22 financial year (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2021/22 financial year. Comparative figures for the 2020/21 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013.

	Period	Salary £	Taxable benefits £	Pension £	Other £	Total fixed £	Bonus ¹ £	RSP ² £	LTIP ³ £	Total variable £	Single figure £
Euan Sutherland (Group CEO)	2021/22	710,500	12,889	42,630	-	766,019	909,937	710,500	-	1,620,437	2,386,456
	2020/21	700,000	13,641	42,000	-	755,641	872,830	490,000	-	1,362,830	2,118,471
James Quin (Group CFO)	2021/22	430,000	13,143	25,800	-	468,943	465,636	365,500	-	831,136	1,300,079
	2020/21	374,583	13,035	31,108	-	418,726	459,318	240,500	-	699,818	1,118,544
Roger De Haan (Non-Executive Chairman)	2021/22	Nil	-	-	-	Nil	-	-	-	Nil	Nil
	2020/21	Nil	-	-	-	Nil	-	-	-	Nil	Nil
Eva Eisenschimmel (Non-Executive Director, Remuneration Committee Chair)	2021/22	73,672	-	-	-	73,672	-	-	-	-	73,672
	2020/21	73,672	-	-	-	73,672	-	-	-	-	73,672
Julie Hopes* (Non-Executive Director, Risk Committee Chair, Chair of SSL and SPF)	2021/22	176,511	-	-	-	176,511	-	-	-	-	176,511
	2020/21	178,216	-	-	-	178,216	-	-	-	-	178,216
Gareth Hoskin⁵ (Non-Executive Director, Audit Committee Chair, Chair of AICL)	2021/22	137,344	-	-	-	137,344	-	-	-	-	137,344
	2020/21	133,447	-	-	-	133,447	-	-	-	-	133,447
Orna NiChionna (Senior Independent Non-Executive Director, Nomination Committee Chair)	2021/22	113,672	-	-	-	113,672	-	-	-	-	113,672
	2020/21	102,710	-	-	-	102,710	-	-	-	-	102,710

1 A third of the bonus award is deferred into shares vesting after three years

2 The face value on grant of the RSP awards is shown in the table above as there are no performance conditions other than underpins tested on vesting. The RSP award vests after three years

3 In 2020/21 and 2021/22, none of the Executive Directors had an LTIP award which was eligible to vest in the year

How we performed in 2021/22

Bonus (audited in conjunction with details on page 150)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2021/22 financial year are shown in the table below. No discretion was applied to the formulaic outcome.

Performance condition	Weighting (based on 100% max)	Threshold performance required	50% Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Actual annual bonus value achieved (% of salary) ⁴	
								Euan Sutherland	James Quin
Insurance Underlying Profit Before Tax ⁵	21%	£108m	£113m	£120m	£120.5m	20% 100%	100%	31.5%	26.3%
Saga Services Limited retention	14%	82%	83%	84%	83%	20% 100%	52%	10.9%	9.1%
2021/22 Cruise load factor	3.5%	75%	79%	85%	68%	20% 100%	–	–	–
2021/22 Cruise per diem	3.5%	£290	£292	£295	£299	20% 100%	100%	5.3%	4.4%
2022/23 Cruise load factor (at 30 January 2022)	3.5%	60%	64%	70%	74%	20% 100%	100%	5.3%	4.4%
2022/23 Cruise per diem (at 30 January 2022)	3.5%	£285	£287	£290	£317	20% 100%	100%	5.3%	4.4%
Net debt	21%	£810m	£760m	£720m	£729m	20% 100%	85%	26.8%	22.3%
Personal objectives	30%					0% 100%		43.1%	37.5%
Total	100%							128.1%	108.3%
Total calculated (£)								£909,937	£465,636
Total payable (£)								£909,937	£465,636

⁴ The annual bonus percentage achieved for each Executive Director is based on their maximum bonus potential and shown as a percentage of annual salary

⁵ Refer to Alternative Performance Measures (APM) Glossary on page 201 for definition and explanation

Directors' Remuneration Report

Annual Report on Remuneration continued**Individual performance assessment**

The Remuneration Committee assessed Executive Directors on their individual performance in the year against four key areas: people, growth, risk and customer advocacy (financial resilience has been used as an alternative to customer advocacy for the CFO). This underpins the leadership responsibility to create a risk-aware and responsible culture, and to ensure that a robust risk framework was embedded across the Group.

Details of the individual's achievements are set out in the table below.

Objectives overview	Committee assessment and basis of achievement for 2021/22
Euan Sutherland – Maximum: 30% of overall bonus. Achievement: 28.75% of overall bonus.	
People • Maintain colleague engagement • Launch of Saga values • Working@Saga future vision and strategy	• Maintained strong colleague engagement across Saga: 93% participation in most recent colleague engagement survey, scoring 7.7 out of 10, 0.4 higher than in February 2021. • Successful launch of the values and feedback that we are living them scored 7.8 out of 10 in the most recent colleague engagement survey. • The renovation of our Enbrook hub was completed on time and to budget. • The most recent Saga Spirit Survey showed increased colleague support for Working@ Saga initiatives, with 94.5% of respondents preferring a form of hybrid working. • We are operating our hybrid model, with all colleagues enabled to work from home, with the provision of a renovated Enbrook hub along with continued operations at satellite offices enabling collaborative working. • We published our colleague technology vision and are on track with the delivery of IT to enable Working@Saga, such as the A/V solution and Microsoft Teams integration. • We have delivered a reduction in our estate, moving towards a hybrid way of working.
Growth • Deliver the Group-wide change priorities • Insurance market study improvements and Travel exceptional experiences plan • Deliver improved and consistent database visibility and reporting • New brand identity and tone of voice	• The Group Change Programme has been delivered. There has been a significant step-change in delivery of programmes across the Group in 2022. • Insurance market study product development was completed on time. The Financial Conduct Authority (FCA) commented positively on Saga's readiness versus others in the market. The operational service requirements for launch were met and the service levels are within planned parameters. The Travel team has specified and delivered the exceptional experiences plan in Cruise and has made good progress towards completing the reset of Tour Operations to deliver exceptional experiences for 2022. • Full database marketing effectiveness audit completed and standardised monthly database reporting now in place. Marketing Effectiveness Programme launched as a result, leading to a series of initiatives completed to improve marketing investment efficiencies across the Group. • New identity rolled out across marketing, key service documentation, digital experience, internal communications and buildings. • Strategic brand platform, Experience is Everything, launched, including full colleague launch, media launch, and integrated marketing campaign.
Risk • Role model and promote a risk culture • Step-change the pace at which incidents/issues and root causes are identified	• Improving trend in speed of reporting and closing incidents across Saga. • Effective management of top risks. • Timely and effective closure of audit actions. • Maintenance of effective risk management system. • Promoting a Speak Up/listening culture.
Customer advocacy • Vulnerable customer group project • Increase net promoter score (NPS) • Insurance contact centre remuneration	• Vulnerability policies in place. • System redesigned to align recording of vulnerability triggers and needs across the Group, consistent with FCA categories. • Colleague training delivered. • Vulnerability records continued to improve steadily month on month. Customer satisfaction and NPS for customers in vulnerable circumstances are consistently higher compared with customers with no vulnerability flag. • According to an independent review by PwC, Saga has done more to alter its approach to people in vulnerable circumstances than other companies, particularly regarding defining vulnerable customers, customer segmentation, recording of vulnerabilities and colleague training. • Increased NPS of 49. • Completed review and implementation of new structure for base pay in our contact centre to continue to improve alignment to customer outcomes.

Objectives overview

Committee assessment and basis of achievement for 2021/22

James Quin – Maximum: 30% of overall bonus. Achievement: 30% of overall bonus.

People • Maintain colleague engagement • Launch of Saga values • Working@Saga future vision and strategy	• Maintained strong colleague engagement across Saga: 93% participation in most recent colleague engagement survey, scoring 7.7 out of 10, 0.4 higher than in February 2021. • Successful launch of the values and feedback that we are living them scored 7.8 out of 10 in the most recent colleague engagement survey. • The renovation of our Enbrook hub was completed on time and on budget. • The most recent Saga Spirit Survey showed increased colleague support for Working@ Saga initiatives, with 94.5% of respondents preferring a form of hybrid working. • We are operating our hybrid model, with all colleagues enabled to work from home, with the provision of a renovated Enbrook hub along with the continued operations at satellite offices, enabling collaborative working. • We published our colleague technology vision and are on track with the delivery of IT to enable Working@Saga, such as the A/V solution and Microsoft Teams integration. • We have delivered a reduction in our estate, moving towards a hybrid way of working.
Growth • Deliver the Group-wide change priorities • Performance monitoring for strategic and financial plans • Pension consultation • Insurance market study improvements and Travel exceptional experiences plan	• The Group Change Programme has been delivered. There has been a significant step-change in delivery of programmes across the Group in 2021. • Robust forecasts throughout 2021, promptly reflecting the changing and more challenging travel environment and enabling the right discussions around tactical and strategic changes (e.g. costs and Travel reset). • Cash forecasts in line with plan despite challenges, highlighting that the right actions were taken throughout the year. • Insurance on track across all KPIs, highlighting the right set of trading responses to challenging market environment. • In-year finance transformation actions completed. • Much-improved planning process and monthly reporting. • Defined benefit pension scheme closed and new defined contribution scheme in place. Positive engagement with Trustees through the process and consultation generally well-received by colleagues with strong engagement throughout. • Insurance market study product development was completed on time. The FCA commented positively on Saga's readiness versus others in the market. The operational service requirements for launch were met and the service levels are within planned parameters. The Travel team has specified and delivered the exceptional experiences plan in Cruise and has made good progress towards completing the reset of the Tour Operations to deliver exceptional experiences for 2022.
Risk • Role model and promote a risk culture • Step-change the pace at which incidents/issues and root causes are identified	• Improving trend in speed of reporting and closing incidents across Saga. • Effective management of top risks. • Timely and effective closure of audit actions. • Maintenance of effective risk management system. • Promoting a Speak Up/listening culture.
Financial resilience • Financial resilience • Strategic management of stakeholders • Increase NPS	• Stress tests have withstood challenging external travel environment and have operated effectively as an early warning system, supported by robust in-year forecasts. • Enhanced financial flexibility that enables the Group to approach 2022/23 with much greater confidence. • Pension valuation completed. • Maintained positive relationships with the banks and regulators. • Increased NPS of 49.

Directors' Remuneration Report

Annual Report on Remuneration continued**Long-term incentives vesting in respect of 2021/22 performance**

The following table details the 2019 LTIP that is due to vest on 9 August 2022. For more details on how we performed against the specific conditions of the award, please see 'Remuneration at a glance' on page 88.

Name	Face value of award (% of salary)	Shares awarded ⁶	Value of award at grant (£)	End of performance period	Date of vesting	Proportion of award vesting as percentage of maximum	No. of shares vesting	Value of the award attributable to share price growth (£)	Value of award vesting (£) ⁹
Euan Sutherland	100%	99,113 ⁷	700,000	31 January 2022	6 January 2023	10%	9,911	–	28,227
James Quin	200%	121,566 ⁸	740,000	31 January 2022	12 August 2022	10%	12,156	–	34,620

Long-term incentives (audited)

Name	Award type	Basis on which award made	Face value of award (% of salary)	Shares awarded	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest (%)	Performance conditions
Euan Sutherland	2019 LTIP	Annual	100% ¹⁰	99,113 ¹¹	25%	100%	- Organisational and strategic measures: 50% - Comparative total shareholder return (TSR): 25% - Return on capital employed (ROCE): 25%
	2020 RSP	Annual	70%	198,831 ¹¹			No performance conditions
	2021 RSP	Annual	100%	184,258 ¹¹			No performance conditions
James Quin	2019 LTIP	Annual	200% ¹²	121,566 ¹¹	25%	100%	- Organisational and strategic measures: 50% - Comparative TSR: 25% - ROCE: 25%
	2020 RSP	Annual	65%	97,589 ¹¹			No performance conditions
	2021 RSP	Annual	85%	94,787 ¹¹			No performance conditions

6 Number of shares awarded post consolidation

7 Share price used to calculate award for Euan Sutherland was re-calculated post consolidation exercise in 2020. The original Saga mid-market quote (MMQ) on 2 January 2020 was 0.5170, post consolidation the equivalent share price was 706.26p

8 Share price used to calculate award for James Quin was re-calculated post consolidation exercise in 2020. The original Saga MMQ on 9 August 2019 was 0.4456, post consolidation the equivalent share price was 608.72p

9 Share price used to calculate award taken as MMQ on 31 January 2022 was 284.8p

10 100% LTIP agreed on recruitment on the same terms as the 2019 LTIP scheme; the award was officially made on 6 January 2020

11 Post consolidation number of shares

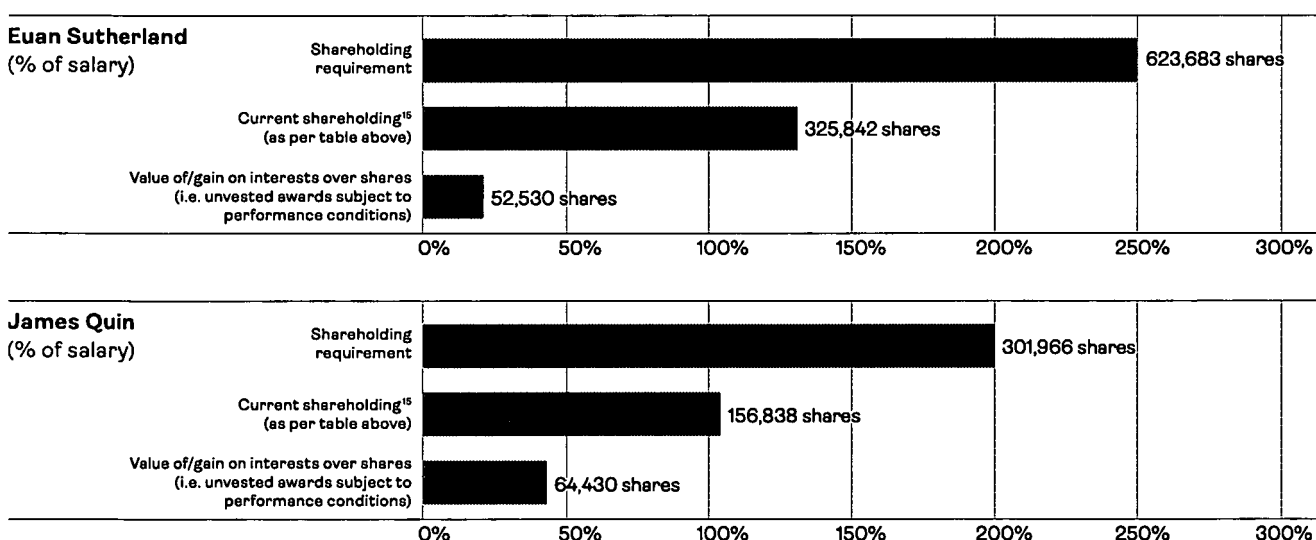
12 As part of James Quin's recruitment, it was agreed he would be awarded a 200% of salary one-off award. Following this, his LTIP returned to 150% of salary in line with the Remuneration Policy

Directors' share interests (audited)

The following table and chart set out the equity interests held by the Executive and Non-Executive Directors:

Director	Shareholding requirement (% salary) ¹³	Current shareholding (% salary)	Shares counting towards shareholder requirements ¹⁵	Beneficially owned	Unvested nil-cost options held				Other awards	Vested but unexercised nil-cost options held	Unvested SIP shares not subject to performance conditions	Shareholding requirement met?
					LTIP nil-cost options subject to performance conditions	RSP nil-cost options not subject to performance conditions	Deferred bonus nil-cost options subject to performance conditions					
Executive Directors												
Euan Sutherland	250%	131%	325,842	77,598	99,113	383,089	84,896	–	–	212	No	
James Quin	200%	104%	156,838	14,825	121,566	192,376	75,173	–	–	212	No	
Non-Executive Directors ¹⁴												
Roger De Haan	–	–	–	37,196,970	–	–	–	–	–	–	n/a	
Eva Eisenschimmel	–	–	–	4,288	–	–	–	–	–	–	n/a	
Julie Hopes	–	–	–	4,419	–	–	–	–	–	–	n/a	
Gareth Hoskin	–	–	–	19,018	–	–	–	–	–	–	n/a	
Orna NiChionna	–	–	–	3,027	–	–	–	–	–	–	n/a	

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary. The number of shares in which current Directors had a beneficial interest, and details of long-term incentive interests at 31 January 2022 are set out below:



Taxable benefits

The taxable benefits for all Executive Directors are in line with our Company policies. Both Euan Sutherland and James Quin receive private medical insurance and a company car.

Pension entitlements

Pension contributions for all Executive Directors are aligned with that of the majority of colleagues (6% of salary).

¹³ Shareholding requirements are those that were in existence throughout the course of the year and at 31 January 2022

¹⁴ Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements

¹⁵ The number of shares counting towards the shareholding requirement is calculated by summing beneficially owned shares with unvested nil-cost options which are not subject to performance conditions, on a net of tax basis as well as any vested but unexercised options on a net of tax basis. The MMQ share price of 2.848p as at 31 January 2022 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

Directors' Remuneration Report

Annual Report on Remuneration continued**Payments for loss of office (audited)**

There were no payments for loss of office in 2021/22.

Payments to past directors (audited)

As previously disclosed in the 2021 Annual Report and Accounts, Cheryl Agius, the former CEO of Insurance stepped down from the Board of Directors, due to personal reasons. Her leaving arrangements, which were fully disclosed in the 2021 Annual Report and Accounts, included buyout awards in respect of long-term incentives forfeited from her previous employer. These awards, which were granted on 1 June 2020 and pro-rated to reflect the period from the award date to the termination date, will vest at their normal vesting dates subject to the terms of the buyout agreement.

During the period ending 31 January 2022, element 1 of the buyout award vested on 16 April 2021. The table below sets out the number of shares vested for the former CEO of Insurance. The second and final element of the buyout award is scheduled to vest on 16 April 2022 and the number of shares vesting will be disclosed in next year's Annual Report and Accounts.

Award	Pro-rated number of Saga shares subject to the option	Legal & General Performance Share Plan (PSP) performance	Number of Saga shares vesting	Value of Saga shares vesting (£) ¹⁶
Buyout element 1	Awarded 11,911	24.2%	4,649	13,116
	Maximum 19,212			

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

Euan Sutherland is a Non-Executive Director of Britvic plc for which he receives a fee of £59,825 per annum.

James Quin does not hold any external directorships.

Governance of remuneration**Wider workforce**

For the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at Remuneration Committee meetings, setting out key details of remuneration throughout the Company. Alongside its review of the wider workforce remuneration, the Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

The table summarises some of the key workforce reward elements that are regularly discussed by the Committee:

Bonus	Bonus schemes contain both financial and personal measures. A universal financial scorecard is used for all colleagues at Saga, including Executive Directors. Malus and clawback are in place for the colleagues in our Senior Leadership Team (SLT).
Other incentive schemes	Incentive arrangements that are paid more frequently are also operated in our contact centres. These incentive schemes are reviewed regularly to ensure best practice and market alignment. The method of calculation and frequency of payment varies, depending on business area and product.
Base pay	All colleagues received an increase of 1.5% of base pay in 2021.
National living wage	Saga continues to be committed to paying 20p above national living wage for all UK colleagues.
RSP	RSP awards are granted across senior leadership at Saga. Eligible colleagues received an RSP grant in 2021, ranging from 20% to 50% of salary.
Free Shares and Share Incentive Plan (SIP)	We want all colleagues at Saga to feel invested in the Company's success, hence we gave each full-time colleague £300 of Free Shares in 2021. We also continue to promote our SIP, which enables colleagues to purchase shares through payroll.
Pension	Following a 90-day consultation period, Saga closed both the defined benefit scheme and the existing defined contribution scheme on 31 October 2021. From 1 November 2021, Saga operated a single defined contribution Master Trust arrangement with Aviva; at 31 January 2022 there were 2,220 colleagues in this scheme.

¹⁶ The value for element 1 of the buyout award is based on the Company's share price of 2.82p being the share price on 20 January 2022

The Committee Chair engages regularly with the People Committee, gaining regular feedback and sharing executive remuneration. Feedback from this engagement is shared with the Remuneration Committee. Further details of the People Committee can be found on page 26.

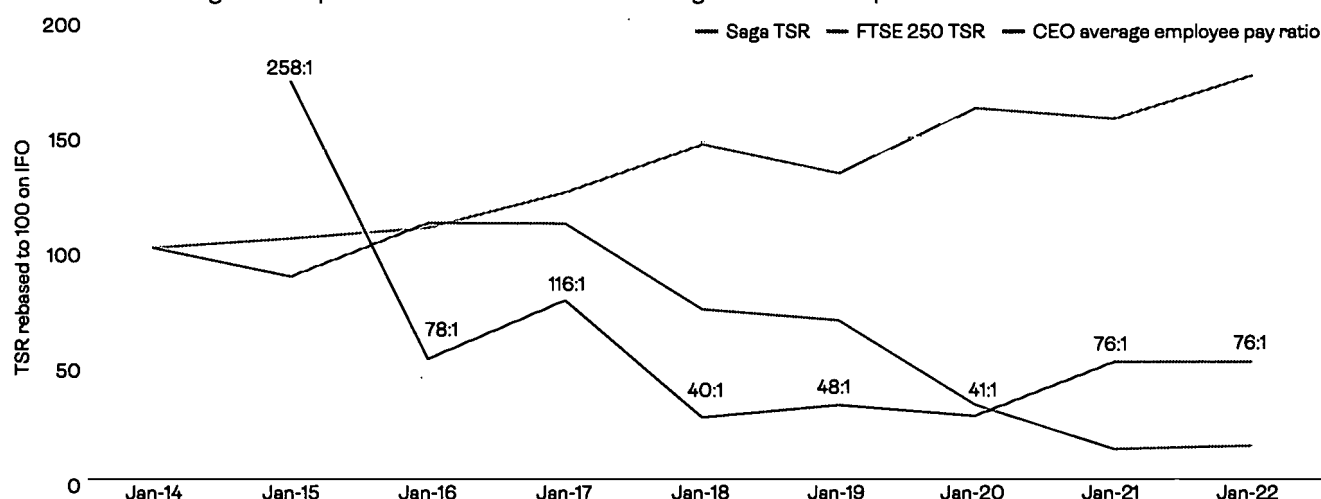
Competitive pay and cascades of incentives

Organisational level	Number of colleagues ¹⁷	Range bonus (% of salary)	Maximum proportion of bonus payable in cash	Minimum proportion of bonus deferrable in shares	Range of RSP award (% of salary)	SIP
Group CEO	1	150%	67%	33%	100%	Yes
Group CFO	1	125%	67%	33%	85%	Yes
Executive Leadership Team	6	100%	67%	33%	50%	Yes
Senior Leadership Team	37	40-80%	100%	– ¹⁸	20-40%	Yes
Senior Management Team	161	10-40%	100%	–	n/a	Yes
Other bonused colleagues	1,677	2.5-7.5%	100%	–	n/a	Yes
Other non-bonused colleagues	2,016	n/a	n/a	n/a	n/a	Yes

Pay comparisons

CEO ratio

Our CEO to average colleague pay ratio for 2021/22 is 76:1. To give context to this ratio, we included a chart below which tracks the CEO to average colleague pay ratio since 2014/15 alongside Saga's TSR performance since the Company was listed. We also show this against the performance of the FTSE 250 during the same time span.



The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company has been a long-standing member of this index since the Initial Public Offering (IPO) and has strong aspirations to re-join in the future. This graph has been calculated in accordance with the Listing Rules.

It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2022.

In summary, there has been significant volatility in Group CEO pay, and we believe that this is caused by the factors set out below. Please note that, before 2020/21, pay for Lance Batchelor (former Group CEO) has been used for this calculation.

- Our Group CEO's pay is made up of a higher proportion of incentive pay than that of our colleagues, in-line with the expectations of our shareholders and accepted market practice for senior executive roles. This introduces a higher degree of variability in pay each year, which in turn affects the ratio.
- The value of long-term incentives which measure performance over three years is disclosed in the year they vest, which increases the Group CEO's pay in that year, again impacting the ratio for that year.
- Long-term incentives are provided in shares, and therefore any movement in share price over the three years magnifies the impact of a long-term incentive award vesting in a year.
- We recognise that the ratio is driven by the different structure of pay for our Group CEO versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the Group CEO and wider workforce.

Where the structure of remuneration is similar, as for the Executive Leadership Team (ELT) and the Group CEO, the ratio is much more stable over time.

¹⁷ Colleagues at 31 January 2022

¹⁸ Colleagues in the SLT within Insurance also receive one-third of their bonus in deferrable shares

Directors' Remuneration Report

Annual Report on Remuneration continued

Colleague and Executive Committee ratios

The table below sets out the total remuneration received by the Group CEO using the methodology applied to the single total figure of remuneration. The Remuneration Committee believes that the remuneration payable in its earlier years, as a private company, to the Executive Chairman does not bear comparative value to that which has been, and will be paid to, the Group CEO and has therefore chosen only to disclose remuneration for the Group CEO:

Group Chief Executive Officer		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total single figure		£1,600,287	£2,490,617	£1,025,146 ¹⁹	£1,191,743	£1,062,887	£2,118,471	£2,386,456
Annual bonus payment level achieved (percentage of maximum opportunity)		78.6%	67.5%	–	35.1%	33.6%	83.1%	85.4%
LTIP vesting level achieved (percentage of maximum opportunity)		n/a ²⁰	65.6%	26.0%	–	–	n/a ²²	10%
Ratio of CEO single total remuneration figure to all colleagues ^{21,22}	Option used			Option B ²¹	Option B ²¹	Option B ²¹	Option B ²¹	Option B ²¹
	25 th percentile	n/a	n/a	8:1	59:1	46:1	97:1	103:1
	Median	78:1	116:1	40:1 ²³	48:1 ²⁴	41:1 ²⁵	76:1 ²⁶	76:1 ²⁷
	75 th percentile	n/a	n/a	33:1	36:1	29:1	55:1	55:1
Ratio of single total remuneration figure shown to executive members		2:1	4:1	3:1	3:1	2:1	4:1	3:1

The colleague pay figures used to calculate the ratio are as follows:

		25 th percentile	Median	75 th percentile
2021/22	Salary	£19,978	£26,317	£36,058
	Total pay	£23,094	£31,494	£43,584

19 For 2017/18, the final value of the 2015 LTIP award at vesting date is shown and has been restated from the 2017/18 Annual Report and Accounts. The share price at vesting date of 30 June 2018 was 125.6p

20 No LTIP awards eligible to vest for the Group CEO in post during 2015/16 and 2020/21

21 For the colleague ratio, Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 using the April gender pay gap data for that year. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018, 2019, 2020, 2021 and 2022 for these colleagues calculated in line with the single total figure methodology. For colleagues who participate in a defined benefit pension scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service

22 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 figures which have been calculated in line with the methodology prescribed by the regulations

23 The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group CEO and the relatively low payout on the LTIP. This reflects the fact that shareholders want executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group CEO remuneration set out in the table on page 103 shows that year-on-year, when the volatility of payouts from equity-based awards is excluded, the changes in remuneration for the Group CEO and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year on year

24 The increase in ratio for 2018/19 is due to the Group CEO receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout

25 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our contact centres

26 The increase in ratio in 2020/21 is due to the relatively high bonus payout in 2020/21 and RSP award granted to the Group CEO in 2020/21

27 No change in ratio in 2021/22 due to similar payout in bonus

Annual percentage change in remuneration of Directors and other colleagues

The following table sets out the change in the remuneration paid to each Director from 2019/20 to 2020/21 and then to 2021/22, compared with the average percentage change for other colleagues.

The percentage change for each Directors' remuneration in the table below is based on the figures in the single total figure table on page 94.

Average colleague pay has been calculated using the following elements:

- Annual salary: base salary and standard monthly allowances.
- Taxable benefits: car allowance and private medical insurance premiums.
- Annual bonus: company bonus, management bonus, commission and incentive payments.

	% increase/(decrease) in remuneration in 2020/21 compared with previous year (2019/20)			% increase/(decrease) in remuneration in 2021/22 compared with previous year (2020/21)		
	Salary/fees	Taxable benefits	Annual bonus	Salary/fees	Taxable benefits	Annual bonus
Euan Sutherland	0%	9.3%	25.2%	1.5%	(5.5%) ²⁸	4.3%
James Quin	1.2%	(48.9%) ²⁹	48.7%	14.8%	4.7%	1.4%
Roger De Haan	n/a	n/a	n/a	n/a	n/a	n/a
Eva Eisenschimmel	15.7% ³⁰	n/a	n/a	–	n/a	n/a
Julie Hopes	41.7% ³¹	n/a	n/a	(1.0%) ³¹	n/a	n/a
Gareth Hoskin	9.3% ³²	n/a	n/a	2.9% ³²	n/a	n/a
Orna NiChionna	9.6% ³³	n/a	n/a	10.7% ³³	n/a	n/a
Average per colleague	3.2% ³⁴	2.7%	67.8%	4.1% ³⁴	6.6%	5.4%

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2021/22 and 2020/21 financial years, compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2021/22 financial year £m	Disbursements from profit in 2020/21 financial year £m	Percentage change
Profit distributed by way of dividend	–	0.1	(100.0%)
Total tax contributions ³⁵	22.9	31.1	(26.4%)
Overall spend on pay including Executive Directors	118.3	130.3	(9.2%)

Advisers to the Remuneration Committee

During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy (the Policy) for Executive Directors and members of the ELT.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Other PwC teams provide certain non-audit services to the Company in areas of tax and consulting. The Committee is satisfied that no conflicts of interest exist in the provision of these services and that the advice provided is independent and objective. Fees of £83,750 (2021: £109,000) were provided to PwC during the year in respect of remuneration advice received. The decrease from the prior year is due to the additional support in relation to the renewal of Remuneration Policy.

The Committee receives support from Jane Storm (Chief People Officer (CPO)) and Vicki Haynes (Group Company Secretary).

28 The decrease in taxable benefits for Euan Sutherland is due to his move to a reduced cost electric vehicle for which he also pays a capital contribution

29 The decrease in taxable benefits for James Quin is due to his move to a reduced cost electric vehicle

30 Increase in salary for Eva Eisenschimmel in 2020/21 is due to becoming Chair of the Remuneration Committee on 1 February 2020

31 Increase in salary for Julie Hopes in 2020/21 is due to becoming Chair of the Saga Personal Finance (SPF) Board on 1 February 2020 and assuming the position of Risk Committee Chair on 31 December 2020. Decrease in salary in 2021/22 is due to the reduction in the fee for the Chair of SPF role on 1 January 2021 following a review of the role

32 Increase in salary for Gareth Hoskin in 2020/21 and 2021/22 is due to becoming Chair of the Audit Committee on 22 June 2020

33 Increase in salary for Orna NiChionna in 2020/21 and 2021/22 is due to increasing responsibilities as Senior Independent Director on 5 October 2020

34 Average salary per colleague increased due to a combination of the annual salary increase, Company restructuring which altered our colleague base and the impacts of the COVID-19 pandemic

35 Total tax contributions include corporation tax, national insurance contributions, VAT and air passenger duty

Directors' Remuneration Report

Annual Report on Remuneration continued**Shareholder voting**

The current Directors' Remuneration Policy was approved by shareholders at the AGM held on 22 June 2020. Outlined below are the voting outcomes for this, and in respect of, approving the Directors' Remuneration Report.

Results of shareholder voting at the Company's Annual General Meetings

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report ³⁶	61,831,919	77.72	17,725,106	22.28	79,600,002	56.81%	42,977
To approve the Directors' Remuneration Policy ³⁷	609,404,573	97.98	12,534,190	2.02	647,040,963	57.67%	25,102,200

Service contracts and letters of appointments

The Remuneration Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Remuneration Committee may, in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts and are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period. The Company follows the Code's recommendation that all Directors be subject to annual re-appointment by shareholders.

Executive Directors

Name	Date appointed	Nature of contract	Notice periods		Compensation provisions for early termination
			From Company	From Director	
Euan Sutherland	6 January 2020	Rolling	12 months	12 months	None
James Quin	1 January 2019	Rolling	12 months	12 months	None

Non-Executive Directors

Name	Original appointment	Appointment of current term	Arrangement	Notice period/unexpired term at AGM
Orna NiChionna	29 May 2014	29 May 2020	Letter of appointment	3 months/11 months
Julie Hopes	1 October 2018	1 October 2021	Letter of appointment	3 months/28 months
Eva Eisenschimmel	1 January 2019	1 January 2022	Letter of appointment	3 months/30 months
Gareth Hoskin	11 March 2019	11 March 2022	Letter of appointment	3 months/32 months

The Board allows Executive Directors to accept appropriate outside Non-Executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the ELT, the Remuneration Committee considers a report prepared by the Chief People Officer (CPO) detailing base pay and share schemes practice across the Company. The report provides an overview of how colleague pay compares to the market and any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with colleagues as part of the process of reviewing executive pay and formulating the Policy, the Company does receive an update and feedback from the broader colleague population on an annual basis using an engagement survey which includes a number of questions relating to remuneration. The Company does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all colleagues that is market-competitive and operates the same core structure as for the Executive Directors. The Group operates colleague share and variable pay plans, with pension provisions provided for all Executive Directors and colleagues. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based colleagues. The Committee annually publishes a section on fairness, diversity, equity and inclusion and wider workforce considerations as part of the Directors' Remuneration Report.

³⁶ The vote to approve the Director's Remuneration Report was at the 2021 AGM

³⁷ The vote to approve the Director's Remuneration Policy was at the 2020 AGM, therefore the votes cast were prior to the share consolidation

Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies, Investment Association, Institutional Shareholder Services and Glass Lewis, prior to proposing the Policy. The Committee is grateful for the time taken to consider the proposals and provide feedback. At the end of the consultation, the majority of shareholders consulted indicated they were supportive of the Policy.

Compliance with UK Corporate Governance Code (the Code)

The following table sets out how the Policy aligns with the Code, whose objective is to ensure that the remuneration operated by the Company is aligned with all stakeholder interests including those of shareholders:

Key remuneration element of the Code	Alignment with the Policy
Five-year period between the date of grant and realisation for equity incentives	The RSP meets this requirement through the implementation of the two-year post-vesting holding period.
Phased release of equity awards	The RSP meets this requirement as awards are made in an annual cycle.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Annual Bonus Plan and the RSP.
Post-cessation shareholding requirement	The Policy contains a full in-employment requirement for two years following cessation of employment.
Pension alignment	The pension contribution for all Executive Directors is aligned with the majority of colleagues at 6% of salary.
Extended malus and clawback	The malus and clawback provisions align with the Financial Reporting Council's Board Effectiveness Guidance.

Provision 40 element	How the Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Annual Bonus Plan performance conditions are based on the core strategic objectives and therefore, there is a clear link to all stakeholders between their delivery and reward provided to management. The RSP provides annual grants of shares which have to be retained for the longer-term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The performance conditions for the Annual Bonus Plan are based on the Company's strategic objectives. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. RSPs are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.

Directors' Remuneration Report

Annual Report on Remuneration continued

Provision 40 element	How the Policy aligns
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy includes: • setting defined limits on the maximum awards which can be earned; • requiring the deferral of a substantial proportion of the incentives in shares for a material period of time; • aligning the performance conditions with the strategy of the Company; • ensuring a focus on long-term sustainable performance through the RSP; and • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • limiting the maximum value that can be earned; • deferring the value in shares for the long term which helps ensure that the performance earning the award was sustainable and thereby discouraging short-term behaviours; • aligning any reward to the agreed strategy of the Company; • the use of an RSP which supports a focus on the sustainability of the performance over the longer term; • reducing the awards, or cancelling them, if the behaviours giving rise to the awards are inappropriate; and • reducing the awards, or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Policy clearly sets out the range of values, limits and discretions in respect of the remuneration of management. The introduction of an RSP increased the predictability of the rewards received by management.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Policy clearly sets out the range of values and discretions in respect of the remuneration of management. The introduction of an RSP increased the predictability of the rewards received by Executive Directors, and the bonus plan, being based on annual targets, operates over a more predictable time cycle compared with traditional LTIP schemes, thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes. The Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The bonus plan drives behaviours consistent with Saga's strategy. The RSP drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.



Eva Eisenschimmel
Chair, Remuneration Committee

22 March 2022

This report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, 2018 and 2019, the Provisions of the current Code and the Listing Rules.

Directors' Report

Management Report

The Directors' Report, together with the Strategic Report, set out on pages 1 to 57 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R (the **Management Report**).

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and Accounts as indicated in the table below and is incorporated into this report by reference.

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-57
Environmental, Social and Governance including Task Force on Climate-Related Financial Disclosures	Pages 23-35
Greenhouse gas emissions	Pages 30-32
Suppliers, customers and others in a business relationship engagement	Pages 16-17
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 25-28 and 56
Corporate Governance Statement	Pages 58-84
Directors' details (including changes made during the year)	Pages 59 and 69-73
Related-party transactions	Not applicable
Diversity	Pages 27, 28, 69 and 73
Share capital	Note 33 on page 186
Employee share schemes (including long-term incentive schemes)	Note 36 on pages 188-189
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 126-148, 150 and 163-172
Statements of responsibilities	Page 111
Additional information	Pages 201-204

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides references to where the information required by LR 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on pages 159-161
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Group Chief Financial Officer's Review, pages 36-52
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 85-106
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 85-106
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 85-106
9.8.4(7)	Non-pre-emptive issues of equity for cash	Directors' Report on page 110
9.8.4(8)	Non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is, or was, materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 110 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 110 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with a controlling shareholder	Not applicable. See Directors' Report on page 108 (under 'Relationship agreement with Director shareholder').

Directors' Report continued

Results and dividends

The Group made a loss after taxation of £28.0m for the financial year ended 31 January 2022. The Board did not pay an interim dividend. The Board of Directors is not in a position to recommend the payment of a final dividend for the 2021/22 financial year.

The Directors intend to resume dividend payments in the future, when further progress has been made with deleveraging and when current limitations, particularly in relation to the ship debt, have been removed. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

Political donations

No political donations were made during the year.

Directors' interests

A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 85-106.

Relationship agreement with Director shareholder

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions stated in the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, there are no controlling shareholders in the Company. However, the Company entered into a relationship agreement with Roger De Haan on 10 September 2020 (the **Relationship Agreement**) as Roger De Haan holds 37,196,970 shares of 15p each (constituting 26.5% of issued share capital as of 31 January 2022). The Relationship Agreement regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements will be conducted on an arm's-length basis and on normal commercial terms. It also provides that dilutions caused by new issuances of shares shall be disregarded when determining investor rights under its terms.

Rules on appointment and replacement of Directors

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy, or as an additional Director, provided that the individual retires at the next Annual General Meeting (AGM). A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by an ordinary resolution of the Company. The Relationship Agreement between the Company and Roger De Haan provides for the nomination for appointment (and removal or re-nomination) to the Board of one Non-Executive Director for as long as he holds at least the higher of (i) 10% or more of the issued ordinary share capital of the Company and (ii) the percentage of the issued ordinary share capital of the Company represented by 60% of the investor's holding of ordinary shares immediately following the capital raise which took place in October 2020.

All Directors will seek re-election at the AGM in accordance with the Company's Articles of Association and the recommendations of the UK Corporate Governance Code.

Directors' indemnities

At the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these indemnities during the year.

Change of control – significant agreements

There are some arrangements which give rights to third parties to terminate agreements upon a change of control of the Company, including following a takeover bid, for example insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £150m seven-year public listed bond at 3.375%, due to expire in May 2024, and a £250m five-year public listed bond at 5.50%, due to expire in July 2026. The Group also has available an undrawn £100m revolving credit facility, expiring in May 2025 (expiry date subject to repayment of the May 2024 bond).

Twelve-year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two ocean cruise ships. The first of these facilities was drawn on completion of the build of Spirit of Discovery and is secured by way of a charge over the asset. The second facility was drawn on completion of the build of Spirit of Adventure and is also secured by way of a charge over the asset. The Company has provided a guarantee for the ship debt. The Group also secured a debt holiday and covenant waiver for the ship debt up to 31 March 2022.

In the event of a change of control, the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in Note 30 to the consolidated financial statements on pages 182-183.

The rules of the Company's employee share plans generally provide for the accelerated vesting and/or release of share awards in the event of a change of control of the Company.

The Company does not have any agreements with colleagues (including Directors) which would pay compensation in the event of a change of control.

Conflict of interest

Each Director is obliged to disclose any potential or actual conflict of interest in accordance with the Company's Conflict of Interest Policy. The policy is subject to review and declarations are made on an annual basis. Directors are also required to update any changes to declarations as they occur. Internal controls are in place to ensure that any related-party transactions are conducted on an arm's-length basis.

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 186. On 12 November 2021, 235,044 ordinary shares of 15p each were issued and transferred into an Employee Benefit Trust to satisfy employee incentive arrangements. At the date of this report, the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 15p each. As of 31 January 2022, 140,337,271 ordinary shares of 15p each had been issued, fully paid up and quoted on the London Stock Exchange (LSE).

On 16 November 2021, Roger De Haan purchased 341,415 ordinary shares of 15p each, and holds a total of 37,196,970 shares, constituting 26.5% of the Company's issued share capital at the date of signing of this report¹.

In accordance with Disclosure and Transparency Rule (DTR) 5.1, the Company must disclose where it has been notified of the interests in the Company's total voting rights. The obligation to notify sits with the shareholder, and the Company must report on the notifications received, as at the end of the reporting year and also the date of signing of the Annual Report and Accounts.

Since the date of disclosure to the Company, the interest of any person may have increased or decreased. There is no requirement to notify the Company of any increase or decrease unless the holding passes a notifiable threshold in accordance with DTR 5.1.

Information regarding other interests in voting rights provided to the Company pursuant to the Financial Conduct Authority DTRs is published on the Company's corporate website and via a Regulatory Information Service. The following table summarises shareholders who hold over 3% of the Company's issued share capital (based on Section 793 requests):

Name	Ordinary shares of 15p each	Percentage of capital held	Nature of holding
Chelverton Asset Management	5,077,884	3.62%	Indirect
Roger De Haan	37,196,970	26.51%	Indirect

In accordance with DTR 5.1, the Company had been notified of the following interests in the Company's total voting rights as of 31 January 2022. The Company is aware that, of the list below, only Roger De Haan holds over 3%. The Company has not been formally notified of a change in holdings by any other shareholder mentioned and is obliged to disclose actual notifications received.

Name	Ordinary shares of 15p each	Percentage of capital as disclosed to the Company	Nature of holding
Majedie Asset Management Limited	3,738,311	4.99%	Indirect
Artemis Investment Management LLP	7,440,083	9.98%	Indirect
Royal London Asset Management Limited	3,685,489	4.93%	Direct
Pelham Capital Ltd	3,324,508	4.44%	Contract for Difference
BlackRock, Inc.	3,735,633	4.99%	Indirect
Pictet Asset Management Ltd	3,737,656	4.99%	Direct
Roger De Haan	36,855,555 ¹	26.31% ¹	Indirect
Mário Nuno dos Santos Ferreira	2,244,000	3.00%	Direct (0.2%) Indirect (2.8%)

¹ Roger De Haan now holds 37,196,970 shares, constituting 26.5% of the Company's issued share capital but was not required to notify the Company under DTR 5.1 as the share purchase did not cross a reportable threshold. The Company is aware that some shareholdings referenced above may have been diluted as a result of the capital raise that took place on 5 October 2020 and new share issues to satisfy employee benefit schemes. The number of shares quoted are disclosed post the consolidation which took place on 13 October 2020. Where disclosures were made prior to share consolidation, the number of shares has been restated to post-consolidation numbers

Directors' Report continued

Authority to allot/purchase own shares

A shareholders' resolution was passed at the AGM on 14 June 2021 which authorised the Company to make market purchases within the meaning of Section 693(4) of the Companies Act 2006 (the **Act**) (up to £2,101,533, representing 10% of the aggregate nominal share capital of the Company following admission). This is subject to a minimum price of 15p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the LSE trading system.

The Company did not exercise this authority during the year, and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed at the 2022 AGM. The authority to repurchase the Company's ordinary shares in the market will be limited to £2,105,059 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2021 AGM to allot relevant securities up to a nominal amount of £7,005,111. This authority was exercised during the year for the issue of 235,044 ordinary shares for transfer into an employee benefit trust to satisfy employee incentive arrangements. This authority will apply until the conclusion of the 2022 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of Section 551 of the **Act**) to allot relevant securities: (i) up to an aggregate nominal amount of £7,009,847; and (ii) comprising equity securities (as defined in the **Act**) up to an aggregate nominal amount of £14,019,693 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2023, or, if earlier, 31 July 2023.

Special resolutions will also be proposed to give the Directors authority to make non-pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £1,052,529 and to make non-pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £1,052,529.

Rights attaching to shares

The Company has a single class of ordinary shares in issue. The rights attached to the shares are governed by applicable law and the Company's Articles of Association which are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and to receive a copy of the Company's Annual Report and Accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held. No shareholder owns shares with special rights as to control. The Notice of AGM (**Notice**) states deadlines for exercising voting rights and for appointing a proxy or proxies.

The Saga Employee Benefit Trust (the Trust) is an Employee Benefit Trust which holds property (the Trust Fund) including inter-alia money, and ordinary shares in the Company,

in trust in favour or for the benefit of colleagues of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in Note 36 to the consolidated financial statements.

Restrictions on the transfer of shares

Pursuant to the relationship agreement dated 10 September 2020, Roger De Haan was limited in the transfer of his shares prior to 5 October 2021 (12 months from the date of admission) without the written consent of the Company. Other than this arrangement, or where imposed by law or regulation, or where the Listing Rules require certain persons to obtain clearance before dealing, there are no restrictions regarding the transfer of shares in the Company. The Company is not aware of any further agreement which would result in a restriction on the transfer of shares or voting rights.

Articles of Association

Any amendment to the Company's Articles of Association may only be made by passing a special resolution of the shareholders of the Company. The Company last approved its Articles of Association by special resolution at the AGM held on 14 June 2021.

Research and development

The Group does not undertake any material activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside the UK.

Post-balance sheet events

There were no post-balance sheet events.

Auditor

KPMG LLP has confirmed its willingness to continue in office as auditor of the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held on 5 July 2022 at 11.00am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice of AGM will be available on our corporate website (www.corporate.saga.co.uk) in due course.

By order of the Board



Victoria Haynes
Group Company Secretary

22 March 2022

Saga plc (Company no. 08804263)

Statements of responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 (the **Act**) and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 101 (Reduced Disclosure Framework).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period (see Governance statements on page 65). In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Act. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information (as defined by section 418(3) of the Act) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

Maintenance of website

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 70-71, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



Victoria Haynes
Group Company Secretary

22 March 2022

Saga plc (Company no. 08804263)

Independent Auditor's Report to the Members of Saga plc

1 Our opinion is unmodified

We have audited the financial statements of Saga plc ("the Company") for the year ended 31 January 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash flows, the Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the 5 financial years ended 31 January 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£3.5m (2021: £3.5m) 4.7% (2021: 3.7%) of normalised profit before tax
Coverage	98% (2021: 95%) of total profits and losses that made up the Group loss before tax
Key audit matter vs 2021	
Recurring risks	Valuation of claims outstanding – IBNR (gross and net) ◀▶
	Recoverability of Group Goodwill and the Parent Company's investment in subsidiaries ▼
	Recoverability of the carrying value of cruise ships ▶▶

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Area	The risk	Our response
Valuation of claims outstanding – IBNR (gross and net) Claims outstanding – IBNR is only a portion of the Claims outstanding (Gross £292.8 million, 2021: £329.5 million; Net £100.7 million, 2021: £117.2 million) Refer to pages 77-81 (Audit Committee Report), note 2.3.r on page 136 (accounting policies); note 2.6 on pages 140-143 (significant accounting judgements, estimates and assumptions), note 28 on pages 178-181 (financial disclosures).	Subjective valuation: Valuation of claims outstanding – incurred but not reported ('IBNR') is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods and involves complex calculations. Key assumptions include development patterns and estimates of the frequency and severity of claims used to value the liabilities, particularly those relating to the amount and timing of IBNR claims. The inherent risks of material misstatement relating to the valuation of claims outstanding has been impacted by the COVID-19 pandemic and current economic conditions. We expect that recent data used to determine the assumptions for setting reserve estimates are affected by COVID-19 and therefore management have to consider the extent to which this influences the choice of the assumptions. Certain areas of the claims outstanding – IBNR balance contains greater uncertainty, for example, large bodily injury ('BI') claims exhibit greater variability and are more long-tailed than the damage classes. In particular, the allowance made for the likelihood of a claim to settle as a Periodic Payment Order ('PPO') rather than a lump sum is uncertain and has a high reserving risk. Similar estimates are required in establishing the reinsurers' share of claims outstanding, in particular the share of IBNR claims. A margin is added to the actuarial best estimate ('ABE') of claims outstanding to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims, which has also been impacted by COVID-19. Data capture: The valuation of these reserves depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of claims outstanding may arise. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In the audit for the year ended 31 January 2021 we included within the valuation of claims outstanding – large BI case reserves, as part of this key audit matter. We continue to perform procedures over case reserving for large BI claims. However, we have re-assessed that the estimation uncertainty in relation to this element of the reserves for claims outstanding is lower, therefore we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.	Our procedures included: Control design, implementation and operating effectiveness: Testing the design, implementation and operating effectiveness of key controls over the completeness and accuracy of claims and premiums data used in the calculation of the IBNR claims (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems. We involved our actuarial specialists to perform the following procedures: Evaluate the work of the independent and internal actuaries: We evaluated the work of the independent and internal actuaries by analysing the results of reserving reports issued by them and further assessed the competence and the appropriateness of the methodology and the conclusions of the internal actuaries. Benchmarking assumptions and methodology: Through critical assessment of the actuarial reports and supporting documentation, including the use of benchmarking against market data and through discussion with the actuaries, we analysed and challenged the reserving methodology as well as the key assumptions used – including claims frequency, claims severity, claims inflation, development patterns, PPO propensities, allowances for subrogation and the impact of legislative and process developments and considered the need for additional allowances as a result of the ongoing effects of COVID-19. Independent re-performance in respect of the actuarial best estimate: We used our own modelling tools to re-project ultimate losses for substantially all perils and compared this to the Group's estimates. Margin evaluation: We evaluated the appropriateness of the Group recommended margin held at year end. In order to do this, we assessed the directors' approach, and supporting analysis for margin to be held, having regard to additional allowances that continue to be held this year for what is considered ongoing uncertainty in the notification and development of claims brought about as a result of COVID-19 that may not yet be reflected in the data and assumptions used in developing the ABE. We evaluated the directors' assumptions and judgement in measuring and unwinding of an element of the additional COVID-19 margin in the current year and plan for future periods. We then further considered the relative strength of the margin held against peers and versus the prior period in order to be satisfied that no additional prudence had been recognised in the level of overall reserves held including margin. Additionally, we performed the following procedures: Data comparisons: We agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal actuaries in their actuarial reserving process and in our own reprojections and assessed that the output of the actuarial re-projections reconciled with the reported balance in the financial statements. Evaluate application of reinsurance contracts: We also assessed the risk transfer elements by inspecting the reinsurance contracts, and recalculated a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance contracts. Assessing transparency: We assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions reflected the risks inherent in the valuation of claims outstanding. Our findings: Overall we found the resulting estimate of the amount recognised for claims outstanding – IBNR to be mildly cautious (2021 finding: cautious). We found the disclosures of the sensitivities to changes in key assumptions and estimate as inputs to the valuation to be proportionate (2021: proportionate).

Independent Auditor's Report to the Members of Saga plc continued

Area	The risk	Our response
Recoverability of Group goodwill and the Parent Company's investment in subsidiaries (Group goodwill: £718.6 million, 2021: £718.6 million; Parent Company's investment in subsidiaries: £552.3 million, 2021: £552.3 million) Refer to pages 77–81 (Audit Committee Report), note 2.3.h on pages 131–132 (accounting policies), note 2.6 on pages 140–143 (significant accounting judgements, estimates and assumptions), and notes 14 and 16 on pages 155 and 157–158 (financial disclosures).	Forecast-based valuation: Insurance goodwill in the Group and the carrying amount of the Parent Company's investment in subsidiaries are significant and at risk of irrecoverability if forecast business performance for the Group's Insurance, Cruise and Tour Operations businesses, in particular, were to fall significantly short of business plans. The estimated recoverable amount of goodwill in relation to the Insurance business and the Parent Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and auditor judgement is required to assess whether the directors' overall estimate, taking into account the below assumptions, falls within an acceptable range. Current economic conditions and the outlook for geo-political uncertainty and the impact that this has on the speed at which the Group's Travel businesses can recover also have a significant impact on estimation uncertainty. The assessment of the recoverability of these assets involves a high degree of subjectivity around assumptions due to the supporting calculations of Value in Use ('VIU') being reliant on expectations of future performance. Multiple inputs into the VIU calculations, such as weighted average cost of capital ('WACC') and terminal growth rates are at risk of manipulation in order to demonstrate that the value of an underlying intangible assets is not impaired. The risk premium in relation to these assets is impacted by uncertainty in the economic outlook as a result of the ongoing impact of COVID-19 and therefore there is risk of impairments to goodwill and investments in subsidiaries at the Parent Company level if the share price does not recover; and particularly if the Group is not able to deliver at or ahead of plan in 2022/23, and years to come. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Group goodwill and the Parent Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • Control design and implementation: We evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans. • Historical comparisons: We assessed the reasonableness of cash flow projections against historical performance. • Our sector experience: We evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience. • Benchmarking assumptions: We compared the Group's and the Parent Company's assumptions to externally derived data in relation to key inputs such as WACC and terminal growth rates, with the support of our valuation specialists. • Comparing valuations: We compared the recoverable amount of each significant Cash Generating Unit ('CGU') by reference to VIU relative to the carrying value and evaluated the outcome against comparator industry multiples; and, for the Parent Company's investment in subsidiaries, we compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group's businesses; and corroborated reasons for any significant differences. • Sensitivity analysis: We used our analytical tools to assess the sensitivity of the goodwill headroom and concluded on the appropriateness of the valuation of goodwill and the carrying value of the Parent Company's investment in subsidiaries. This included considering the ongoing impact of COVID-19 on key assumptions underlying the business plans and changes therein. • Assessing transparency: We assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the Parent Company's investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our findings: We found that the resulting estimates over the recoverable amount of Group goodwill and of the Parent Company's investment in subsidiaries to be balanced (2021 finding: balanced). We found the disclosures of the sensitivities of goodwill headroom and the carrying value of the Parent Company's investment in subsidiaries to changes in key assumptions, to be proportionate (2021: proportionate).

Area	The risk	Our response
Recoverability of the carrying value of cruise ships (Cruise ships: £621.3 million, 2021: £635.0 million) Refer to pages 77–81 (Audit Committee Report), note 2.3h and 2.3i on pages 131–132 (accounting policies), note 2.6 on pages 140–143 (significant accounting judgements, estimates and assumptions) and note 17 on pages 159–161 (financial disclosures).	Forecast-based valuation: The estimated recoverable amount of the Group's cruise ships is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The carrying amount of the cruise ships is at risk of irrecoverability if the trading in Cruise was to be significantly impacted beyond that assumed in the latest business plan forecasts approved or if the speed at which the business is expected to recover fell short of expectations. Further, there are multiple inputs into the estimate of VIU, such as the per ship cash flows, estimated useful life and residual value of the cruise ships, WACC and the annual growth rate, that are at risk of manipulation in order to demonstrate that the value of cruise ships assets is not impaired. The effect of these matters is that we determined that the recoverability of the carrying value of cruise ships has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • Control design and implementation: We evaluated the design and implementation of the Group's controls over the impairment assessment procedures, including those over the cash flow forecasts applied to the cruise ships. • Valuation expertise: We worked with our valuation specialists to independently develop a discount rate range considered appropriate using market data for comparable assets, adjusted by risk factors specific to the asset. • Benchmarking assumptions: We challenged the forecast cash flow and growth assumptions for the cruise ship assets, including comparison of the estimated useful life, residual values and annual growth rates to external sources. • Reperformance: We considered the appropriateness of, and assessed the integrity of, the VIU models applied by the Group for impairment testing by performing recalculations and validation tests of the model. We compared the forecast cash flows and capital expenditure contained in the VIU models to the Board approved five-year plan. • Sensitivity analysis: We assessed the sensitivity of the recoverability of the carrying value of cruise ships and concluded on the appropriateness of no impairment being recognised by considering the ongoing impact of COVID-19 on key assumptions including annual load factors, discount rates, price of fuel and the speed at which cruising is assumed to return to pre-COVID levels. • Assessing transparency: We assessed whether the Group disclosures around the valuation of cruise ships and the sensitivity to changes in key assumptions reflects the risks inherent in the valuation of cruise ship assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our findings: We found that the resulting estimates over the recoverable amount of the cruise ships to be mildly optimistic (2021: optimistic). We found the disclosures of the management judgements and the sensitivities of headroom to changes in key assumptions, to be proportionate (2021: proportionate).

In the prior year we reported a key audit matter in respect of the going concern and disclosures due to the unprecedented level of uncertainty as a result of COVID-19 and its impact on the Group. Following the developments during the year, the nature of these uncertainties has changed. We continue to perform procedures over going concern that we have included in section 5 of our report, however we no longer consider the going concern basis of preparation to be a separate key audit matter.

Independent Auditor's Report to the Members of Saga plc continued

3 Our application of materiality and an overview of the scope of our audit

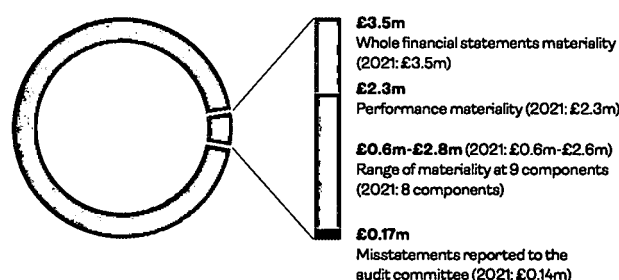
Materiality for the Group financial statements as a whole was set at £3.5m (2021: £3.5m), determined with reference to a benchmark of Group profit before tax, averaged over the last four years after normalising for the fluctuations in the results as a result of COVID-19, goodwill and other impairment charges recognised in prior years, and other non-recurring transactions within FY22, as disclosed in notes 3, 17, and 27b, of £15m (2021: £65.0m), which represents 4.7% (2021: 3.7%).

Average of normalised profit before tax

£74.7m (2021: £95.0m)

Group materiality

£3.5m (2021: £3.5m)



- Profit before tax
- Group materiality

Materiality for the Parent Company financial statements as a whole was set at £2.2m (2021: £2.2m), which represents 0.3% of net assets of £695.0m (2021: 0.3% of net assets of £713m).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for both the Group and Parent Company was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £2.3m (2021: £2.3m) and £1.4m (2021: £1.4m). We applied this percentage in our determination of performance materiality based on the level of control deficiencies and changes in key senior management during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.17m (2021: £0.14m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Of the Group's 9 (2021: 8) reporting components, we subjected 4 (2021: 4) to full scope audits for Group purposes and 5 (2021: 4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed. For the residual components, we conducted reviews of financial information (including enquiry) at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

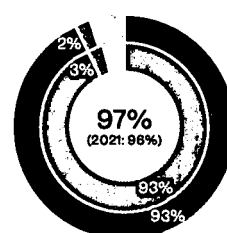
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which ranged from £0.4m to £2.8m (2021: £0.6m to £2.6m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 9 components (2021: 2 of the 8 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The group team performed procedures on the items excluded from normalised group profit before tax.

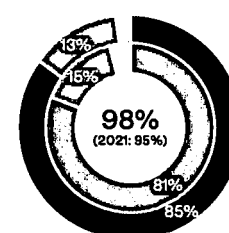
Whilst it would be conventional practice to visit the component teams, the continued impact of the COVID-19 restrictions on travel resulted in a greater degree of reliance on the use of video and telephone conference meetings with all component auditors. During these video and telephone conference meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected, and any further work required by the Group audit team was then performed by the component auditor.

These components within the scope of our work accounted for the following percentages of the Group's results:

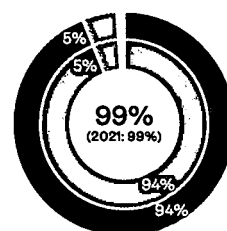
Group revenue



Group profits and losses that made up the Group loss before tax



Group total assets



- Full scope for Group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Residual components

4 The impact of climate change on our audit

In planning our audit, we performed a risk assessment, including enquiries of management, to determine how the impact of commitments made by the Group in respect of reducing carbon emissions, as well as the physical risks of climate change, and transition risks faced by the Group's customer base, could impact on the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment.

Through the procedures we performed, we did not identify any material impact of climate change on the Group's material accounting estimates and there was no significant impact of this assessment on our key audit matters for the year ended 31 January 2022.

The insurance business within the Group predominantly brokers and underwrites motor and home insurance risks. Climate change may result in an increase in the frequency and severity of climate related events, leading to higher insurance pay-outs. However, the short-term nature of the Group's insurance contracts means that the impact of losses from such events for the year ended 31 January 2022 is already recorded within the Group's insurance contract liabilities at the balance sheet date. The Group considers this loss experience in evaluating individual risk exposures, and the setting of insurance premium rates for both new policies and the periodic renewal of its existing insurance underwriting portfolio. The Group expects any increase in the frequency and severity of climate-related events to be reflected in future market premium rates.

Also, in relation to the insurance business, climate risk is an issue which is expected to evolve further over the medium to long term, rather than have instant incremental impacts on the insurance outlook, and therefore we assessed no significant impact at year-end on insurance goodwill, particularly given the headroom in the most recent impairment tests performed.

The cruise business within the Group owns cruise ship assets which meet all current regulatory standards regarding emissions and climate change targets. While there will likely be technology advances in years to come that, when developed, will require the Group to look to incur incremental cost to modify the engines on these cruise ships to meet lower emissions standards, the cost to incur such changes would likely extend the operating life of these vessels. Given this and the fact that this technology is yet to be developed, we assessed the risk of climate change to the carrying amount of the cruise ship assets at the balance sheet date to be not significant.

We have also read the disclosures of climate-related information in the front half of the annual report and accounts as set out on pages 30-34 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group and Parent Company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the Group and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period were:

- the length of time that the impact of COVID-19 will continue to disrupt the Group's Travel operations and constrain its ability to recover, given the current restrictions imposed worldwide in respect of the freedom of movement and travel;
- the financial and operational resilience of the Group's Insurance business and its ability to deliver its business plan in light of heightened levels of regulatory change and ongoing uncertainty from the pandemic; and
- the consequential impact on the Group's ability to meet the terms of its ship debt and Group bank debt covenants.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2.1 to be acceptable; and
- the related statement under the Listing Rules set out on page 65 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Independent Auditor's Report to the Members of Saga plc continued

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Audit Committee, the Internal Audit Director, the Chief Risk Officer and inspection of key policies and papers provided to those charged with governance as to the Group’s high-level policies and procedures to prevent and detect fraud, including the Group’s channel for “whistleblowing” and the process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- reading Board, Audit and Risk Committee minutes and in the case of Audit and Risk Committee meetings for the Group, attendance of the external audit partner at these meetings;
- considering remuneration incentive schemes and performance targets for directors and senior management;
- using analytical procedures to identify any usual or unexpected relationships; and
- reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is not complex in nature and there is no significant management judgement or estimation involved in recording the revenue transactions.

We also identified fraud risks related to inappropriate assessment of the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – IBNR, in response to possible pressures to meet profit targets.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. Further detail in respect of the procedures performed over the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – IBNR,

including how we have used specialists to assist in our challenge of management is set out in the key audit matter disclosures in section 2 of this report.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- identifying journal entries to test for all in scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, those including specific words based on our risk criteria, those journals which were unbalanced, those posted to unusual accounts, those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other members of management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies’ legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group’s license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of

the Group's activities and its legal form, with the Insurance business regulated primarily by the Financial Conduct Authority ('FCA') and the Gibraltar Financial Services Commission ('GFSC'), with the Travel business regulated by the Civil Aviation Authority ('CAA'). The Travel businesses are members of the Association of British Travel Agents ('ABTA'), the International Air Transport Association ('IATA') and the Federation of Tour Operators ('FTO'). These are well-recognised UK trade bodies with codes of conduct which members are required to adhere to. All parts of Saga operate procedures to comply with other key regulations and legislation including but not limited to the Data Protection Act 2018, UK General Data Protection Regulation, the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 55 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 55 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Independent Auditor's Report to the Members of Saga plc continued

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 111, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company'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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stuart Crisp
(Senior Statutory Auditor) for and on
behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London
E14 5GL

22 March 2022

Consolidated income statement

for the year ended 31 January 2022

	Note	2022 £m	2021 £m
Gross earned premiums	3	203.0	221.7
Earned premiums ceded to reinsurers	3	(123.8)	(142.8)
Net earned premiums	3	79.2	78.9
Other revenue	3	298.0	258.7
Total revenue	3	377.2	337.6
Gross claims incurred	28	(94.6)	(117.6) ¹
Reinsurers' share of claims incurred	28	63.3	99.4 ¹
Net claims incurred	28	(31.3)	(18.2)
Decrease in credit loss allowance	20	8.3	5.5
Other cost of sales		(120.3)	(87.5)
Total cost of sales	3	(143.3)	(100.2)
Gross profit		233.9	237.4
Administrative and selling expenses	4	(212.8)	(224.2)
Impairment of assets	5	(11.2)	(65.0)
Gain on lease modification	18	0.3	3.2
Net profit on disposal of assets held for sale and businesses	38, 13	7.2	8.6
Net (loss)/profit on disposal of property, plant and equipment, right-of-use assets and software	15, 17, 18	(0.4)	6.6
Investment income	6	0.3	0.7
Finance costs	7	(40.8)	(30.2)
Finance income	8	-	1.7
Loss before tax		(23.5)	(61.2)
Tax expense	10	(4.5)	(6.6)
Loss for the year		(28.0)	(67.8)
Attributable to:			
Equity holders of the parent		(28.0)	(67.8)
Loss per share:			
Basic	12	(20.1p)	(67.0p)
Diluted	12	(20.1p)	(67.0p)

The Notes on pages 126-192 form an integral part of these consolidated financial statements.

¹ Gross claims incurred and reinsurers' share of claims incurred for the year ended 31 January 2021 have been restated due to an incorrect allocation between these classifications. Gross claims incurred have decreased by £13.8m and reinsurers' share of claims incurred has decreased by £13.8m

Consolidated statement of comprehensive income

for the year ended 31 January 2022

	Note	2022 £m	2021 £m
Loss for the year		(28.0)	(67.8)
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net gains on hedging instruments during the year	19	2.1	22.3
Recycling of previous gains to income statement on matured hedges	19	(1.2)	(2.5)
Total net gains on cash flow hedges		0.9	19.8
Associated tax effect		0.3	(3.5)
Net (losses)/gains on fair value financial assets during the year		(10.3)	3.2
Recycling of previous losses to income statement on fair value financial assets during the year		10.1	–
Total net (losses)/gains on fair value financial assets during the year		(0.2)	3.2
Associated tax effect		2.1	(0.8)
Total other comprehensive (losses)/gains with recycling to income statement		(6.9)	18.7
Other comprehensive income not to be reclassified to income statement in subsequent years			
Remeasurement gains/(losses) on defined benefit plan	27	4.8	(1.2)
Associated tax effect		(1.2)	0.2
Total other comprehensive gains/(losses) without recycling to income statement		3.6	(1.0)
Total other comprehensive (losses)/gains		(3.3)	17.7
Total comprehensive losses for the year		(31.3)	(50.1)
Attributable to:			
Equity holders of the parent		(31.3)	(50.1)

The Notes on pages 126-192 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 January 2022

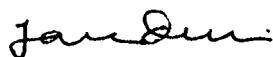
	Note	2022 £m	2021 £m
Assets			
Goodwill	14	718.6	718.6
Intangible assets	15	47.1	56.6
Retirement benefit scheme surplus	27	1.1	-
Property, plant and equipment	17	646.5	660.2
Right-of-use assets	18	36.0	2.8
Financial assets	19	332.1	359.8
Current tax assets		4.3	3.1
Deferred tax assets	10	12.3	12.5
Reinsurance assets	28	65.4	71.6
Inventories	22	6.3	3.5
Trade and other receivables	23	169.5	183.1
Trust accounts	24	23.4	22.4
Cash and short-term deposits	25	226.9	101.6
Assets held for sale	17, 38	12.9	16.9
Total assets		2,302.4	2,212.7
Liabilities			
Retirement benefit scheme obligations	27	-	4.3
Gross insurance contract liabilities	28	386.7	426.3
Provisions	31	6.7	11.7
Financial liabilities	19	936.2	826.6
Deferred tax liabilities	10	5.6	5.8
Contract liabilities	29	114.6	82.2
Trade and other payables	26	199.7	175.1
Total liabilities		1,649.5	1,532.0
Equity			
Issued capital	33	21.1	21.0
Share premium		648.3	648.3
Retained earnings		(22.4)	0.2
Share-based payment reserve		7.4	5.8
Fair value reserve		(0.8)	7.3
Hedging reserve		(0.7)	(1.9)
Total equity		652.9	680.7
Total equity and liabilities		2,302.4	2,212.7

The Notes on pages 126-192 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 22 March 2022 by



E A Sutherland
Group Chief Executive Officer



J B Quin
Group Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 January 2022

	Attributable to the equity holders of the parent						Total £m
	Issued capital £m	Share premium £m	Retained earnings £m	Share-based payment reserve £m	Fair value reserve £m	Hedging reserve £m	
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 (Note 33)	0.1	=	=	=	=	=	0.1
Share-based payment charge (Note 36)	=	=	=	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
At 1 February 2020	11.2	519.3	65.4	7.8	4.9	(20.4)	588.2
Loss for the year	-	-	(67.8)	-	-	-	(67.8)
Other comprehensive (losses)/income excluding recycling	-	-	(1.0)	-	2.4	18.4	19.8
Recycling of previous gains to income statement	-	-	-	-	-	(2.1)	(2.1)
Total comprehensive (losses)/income	-	-	(68.8)	-	2.4	16.3	(50.1)
Recognition of non-financial asset from hedging reserve (Note 19)	-	-	-	-	-	2.2	2.2
Dividends paid (Note 11)	-	-	(0.1)	-	-	-	(0.1)
Issue of share capital (Note 33)	9.8	140.6	-	-	-	-	150.4
Transaction costs associated with issue of share capital	-	(11.6)	-	-	-	-	(11.6)
Share-based payment charge (Note 36)	-	-	-	2.4	-	-	2.4
Exercise of share options	-	-	3.7	(4.4)	-	-	(0.7)
At 31 January 2021	21.0	648.3	0.2	5.8	7.3	(1.9)	680.7

The Notes on pages 126-192 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 January 2022

	Note	2022 £m	2021 £m
Loss before tax		(23.5)	(61.2)
Depreciation, impairment and loss on disposal, of property, plant and equipment, and right-of-use assets		22.2	14.9
Amortisation and impairment of intangible assets, and loss on disposal of software		20.6	72.5
Impairment of assets held for sale	38	1.0	-
Gain on lease modification		(0.3)	(3.2)
Share-based payment transactions		3.4	2.4
Profit on disposal of assets held for sale	38	(7.2)	(12.2)
Loss on disposal of subsidiaries		-	3.6
Finance costs	7	40.8	30.2
Finance income	8	-	(1.7)
Interest income from investments		(0.3)	(0.7)
Increase in trust accounts		(1.0)	(22.4)
Movements in other assets and liabilities		29.3	(66.5)
		85.0	(44.3)
Interest received		0.3	0.7
Interest paid		(34.2)	(24.1)
Income tax paid		(4.6)	(10.7)
Net cash flows from/(used in) operating activities		46.5	(78.4)
Investing activities			
Proceeds from sale of property, plant and equipment, and right-of-use assets		0.3	8.3
Net proceeds from disposal of assets held for sale	38	10.2	-
Purchase of and payments for the construction of property, plant and equipment and intangible assets		(18.9)	(285.1)
Net disposal of financial assets		(18.9)	41.9
Disposal of subsidiaries, net of cash in businesses disposed of	13	-	23.1
Net cash flows used in investing activities		(27.3)	(211.8)
Financing activities			
Payment of principal portion of lease liabilities	32	(3.6)	(4.0)
Proceeds from borrowings	32	250.0	330.8
Repayment of borrowings	32	(170.0)	(130.0)
Debt issue costs	32	(6.8)	(17.4)
Proceeds from issue of share capital	33	-	150.3
Transaction costs associated with issue of share capital		-	(11.6)
Dividends paid		-	(0.1)
Net cash flows from financing activities		69.6	318.0
Net increase in cash and cash equivalents		88.8	27.8
Cash and cash equivalents at the start of the year		166.9	139.1
Cash and cash equivalents at the end of the year	25	255.7	166.9

The Notes on pages 126-192 form an integral part of these consolidated financial statements.

Notes to the 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.

Saga offers a wide range of products and services to its customer base, which includes general insurance products, package and cruise holidays, personal finance products and a monthly subscription magazine.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards.

The consolidated 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, details of which are included below. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

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

The preparation of financial statements in compliance with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 2.6.

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

Going concern

The Directors have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 January 2022 and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of the COVID-19 pandemic and other key risks and uncertainties.

The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see (i) Principal risks and uncertainties (PRUs) on pages 53 and 54; (ii) Group Chief Financial Officer's Review on pages 36–52; (iii) Audit,

risk and internal control on pages 74–76; (iv) Audit Committee Report on pages 77–81; (v) Risk Committee Report on pages 82–84; and (vi) Notes on pages 126–192). The Directors believe that the Group is well placed to successfully manage its business risks.

The impact of COVID-19 over the past two years has increased the level of uncertainty and earnings volatility for the Group, as it has done for many businesses, and particularly for the Group's Travel business. Since the start of the pandemic in the first half of 2020, the Group has increased the frequency and depth of its long-term financial forecasting and scenario modelling to allow the Directors to take appropriate action to ensure the ongoing liquidity and solvency of the business.

Over this period, the Group has undertaken a series of transactions to restructure its operations and capital structure. The Group's balance sheet has been strengthened to allow it to withstand a further period of uncertainty that may be faced in 2022 and beyond. The most notable of these transactions was the raising of £138.7m of net proceeds from the issuance of new equity shares in September 2020, followed by the issuance of a new £250.0m unsecured fixed-rate five-year bond in July 2021. These actions allowed the Group to fully repay its senior secured bank debt facilities, bolster Available Cash² reserves, which were £186.6m at 31 January 2022, increase financial flexibility and extend the maturity profile of Group debt. On its ship debt facilities, the Group deferred a number of capital repayments and there is a covenant testing holiday on these facilities until 31 July 2022.

The Group successfully recommenced operations in its Travel business during 2021, with UK-only cruises and holidays operating from July 2021, and a return to international cruises from the end of August 2021 and international tours from September 2021. The Travel business has continued to operate since, despite the increased disruption from the emergence of the Omicron variant in November 2021.

The Group announced at the end of January 2022 its plans to restructure the operations of its Travel business. The Saga Holidays and Titan Travel operations are being combined to maximise efficiency in touring, where the product offerings are highly complementary, and to create a new hotel stay proposition to be launched later in 2022. The river cruise product is now being managed by the Cruise management team, who have a demonstrable track record of operating the ocean cruise product successfully in a COVID-safe environment. These actions place the Travel business in a strong position as travel restrictions ease and customer demand continues to recover.

As in the prior year, the Insurance business' ability to trade continues to be largely unaffected by COVID-19, with resilient earnings in the Retail Broking business and some positive impacts on motor claims frequency during the first half of 2021 when the UK population was in lockdown. The Insurance business has also successfully implemented changes to pricing in line with the requirement of the regulations imposed by the FCA following its market study into insurance pricing, which came into force on 1 January 2022.

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, Cruise continues to see some impact of COVID-19 in the first half of 2022/23, with reduced load factors and higher return to service costs, but then largely returns to normal operation thereafter. The Tour Operations business is targeting to break even in 2022/23 and then return to pre-pandemic contribution levels from 2023/24, with a lower overhead cost base following completion of the recently announced restructuring plans. Insurance plans include an estimate of the impact of the FCA market study on customer pricing, which is 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, Cruise assumes a layup of both ships for a further two-month period during 2022/23 due to further potential travel restrictions, and with suppressed load factors for the remainder of 2022/23 and 2023/24, capped at 75% and

80% for each year respectively. Tour Operations also sees a much 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 impact of the FCA market study compared with base case assumptions.

The Group has made an initial assessment of the potential impact that the Russia-Ukraine conflict could have on its outlook, and potential downsides are considered to be limited to short-term reductions to Travel bookings and inflationary pressures that are sufficiently covered by the assumptions within the base case and RWC.

The Group concluded discussions with its Cruise lenders to amend the covenants on the two ship debt facilities as set out in the table below. This is to ensure we have significant headroom against all scenarios modelled. As part of the modelling, the Group considered its compliance with the maintenance covenants attached to its banking facilities, which are summarised in the following table at each of the required testing dates:

	Ship debt facilities		RCF		
	EBITDA to debt repayment (minimum)	EBITDA to cash interest (minimum)	Net debt to EBITDA 'leverage' (maximum)	EBITDA to cash interest 'interest cover' (minimum)	Cruise intercompany debt cap (maximum)
31 July 2022	1.0x	1.7x	3.75x	2.0x	£115m
31 January 2023	1.0x	2.0x	3.75x	2.5x	£115m
31 July 2023	1.0x	2.0x	3.00x	3.5x	£115m
31 January 2024	1.0x	2.0x	3.00x	3.5x	£115m
31 July 2024 onwards	1.2x	2.0x	3.00x	3.5x	£115m

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. Under the terms of the revolving credit facility (RCF), dividends also remain restricted if leverage is above 3.0x (excluding Cruise debt) and the Group remains subject to a minimum liquidity requirement of £40.0m, which can be met either through cash or undrawn and committed facilities (such as the RCF itself). The terms also include a requirement to repay the RCF on 1 March 2024 if the remaining £150.0m of bond notes that are due to mature in May 2024 have not been redeemed prior to this date. The RCF is expected to remain undrawn in both scenarios for the foreseeable future, and it can be cancelled with immediate effect at any point, which would remove all covenants attached to it.

The new unsecured bond that is due to mature in July 2026 includes an event-based fixed charge covenant ratio, of 2.0x EBITDA, which must be satisfied if, and when, the Group intends to issue new debt. The Group has no current plans to issue any new debt. The definition of this covenant is comparable to the interest cover covenant within the RCF.

In both scenarios modelled, the Group expects to be able to operate within all of its debt covenants and to maintain sufficient liquidity until at least September 2023, being 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 will continue to trade through the

continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months, and accordingly have prepared the financial statements on a going concern basis.

2.2 Basis of consolidation

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

Subsidiary companies are consolidated using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

In preparing these consolidated financial statements, any intra-group receivables, payables, income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

Notes to the financial statements continued

2.2 Basis of consolidation continued

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

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

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

2.3 Summary of significant accounting policies

a. Revenue recognition

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

i) Insurance

The amounts received from customers for insurance policies comprise three main elements: the premium charged to the customer in respect of the insurance cover (gross premium); insurance premium tax (IPT); and an arrangement fee where applicable (only applied to policies that are brokered via a panel). The gross premium itself comprises two elements: the premium charged by the underwriter of each policy (net premium), which may be provided by the Group's in-house underwriter or by a third-party underwriter, plus any adjustment to the net premium that is applied by the Group's broker during the broking service (street pricing adjustment).

In addition, where the customer pays in instalments, the Group may charge interest on the outstanding balance. The Group may also charge additional fee income for mid-term cancellations and adjustments made to policies mid-term.

IPT is excluded from all revenue recognised by the Group.

For 12-month insurance policies with no option to fix the premium at renewal (annual policies):

For insurance policies underwritten by the Group, the gross insurance premium is recognised on a straight-line time-apportioned basis over the period of cover. The portion of the premium ceded to reinsurers is also recognised on a straight-line time-apportioned basis over the period of cover as a reduction to revenue. This recognition basis is in line with the requirements of IFRS 4.

For insurance policies not underwritten by the Group, the portion of the gross premium that is retained by the Group, otherwise referred to as the street pricing adjustment, is recognised on the cover start date of each policy. The portion of the gross premium charged by the third-party

underwriter, otherwise referred to as the net premium, is not recognised as revenue in the income statement. This recognition basis is in line with the requirements of IFRS 15.

For 12-month insurance policies with the option to fix the premium over three years (three-year fixed-price policies): For three-year fixed-price policies, the option to fix the premium at the first and second renewal points is deemed to be a separate performance obligation as defined by IFRS 15. The Group therefore defers a portion of the gross premium received in the first year of cover into years two and three, and a portion of the gross premium received in the second year of cover into year three, to coincide with when the option has been exercised by the customer and so deemed to be fulfilled by the Group. The carrying value of the revenue deferred is recognised within contract liabilities in the statement of financial position.

If a customer cancels a three-year fixed-price policy mid-term or chooses not to renew in the second or third years, any brought forward income deferral is recognised in the income statement at the point the cover ends, being the point that the Group is released from the obligation to fix the price at renewal.

The Group uses a cost-plus methodology to approximate a standalone selling price of the option to fix the customer price at renewal, by reference to an actuarial estimate of the premium that it would cost the Group to transfer the obligation to fix to a third party, plus an appropriate profit margin.

The gross premium that is allocated to each of the three policy years is then measured as the gross premium charged in each year, less any income deferred to subsequent policy years for the option to fix, plus any brought forward income deferred from earlier policy years. The accounting in each policy year then follows the same principles as described above for annual policies.

Where there is a switch of underwriter between the Group and a third-party underwriter at either of the renewal points within the three-year price-fix, the Group applies the relevant accounting policy for the subsequent policy year in line with either of the two methods as described for annual policies.

Management considers the definition of performance obligations for three-year fixed-price policies to be a significant area of judgement.

All insurance policies (both three-year fixed-price policies and annual policies):

For all insurance policies, the arrangement fee that is charged in respect of the broking service is recognised on, or before, the cover start date of each policy on the date that each policy is arranged, being the point at which the performance obligation to broker the policy is fulfilled. It is measured by reference to the explicit price charged to customers for this service. Management considers the revenue recognition treatment of the arrangement fee to be a significant area of judgement.

Gross premiums received in advance of the cover start date of a policy are treated as advance receipts and included as contract liabilities in the statement of financial position.

Premiums in respect of insurance policies underwritten by the Group that have a period of unexpired risk at the reporting date, and which relate to the period after the reporting date, are treated as unearned and included in

gross insurance contract liabilities in the statement of financial position. The portion of those unearned premiums ceded to excess of loss reinsurers is recognised as a reinsurance asset on the face of the statement of financial position. The portion of those unearned premiums ceded to quota share reinsurers is recognised as an asset netted off against reinsurance premiums withheld within trade payables, since there is a right of set-off within the contract.

Subsequent changes to premiums mid-term are recognised on the effective date of the mid-term adjustment. For those policies that are underwritten by the Group, these changes are recognised on a straight-line time-apportioned basis over the period of cover remaining on the policy. Reduction in premiums from mid-term cancellations are recognised on the effective date of the cancellation. Any fee income charged for a mid-term cancellation or adjustment is recognised on the date the adjustment is made, being the point that the mid-term service is fulfilled.

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

Profit commissions due under coinsurance or reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject, when it is highly probable that a significant reversal of revenue will not occur, and on the same basis, where appropriate, as the related reinsured liabilities.

For revenue earned from credit hire and repair services for non-fault claims (**credit hire** and **credit repair**), the Group initially recognises the revenue at fair value, which is based on a historical assessment of debt recovery and discount levels. Credit hire revenue is recognised from the date that a vehicle is placed on hire equally over the duration of the hire. Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed. Late payment penalties afforded under the terms of the Association of British Insurers General Terms of Agreement (ABI GTA) are recognised as they become payable by the insurance company.

ii) Travel

Revenue from Tour Operations and Cruise, where the Group does not operate the cruise ship, is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied, which is deemed to be when each service to the customer takes place. The standalone selling price of each performance obligation is estimated as the cost to provide each obligation plus a profit margin appropriate to the nature of each service. The price charged to each customer is then apportioned to each performance obligation based on the relative estimated standalone selling prices, in line with the requirements of IFRS 15.

For Tour Operations, revenue in relation to flights and flight upgrades is recognised on the date of each flight; revenue in relation to accommodation is recognised over the duration of the holiday; revenue in relation to transfers is recognised on the date that the transfers occur before and after each

holiday; and revenue in respect of travel insurance (which is underwritten by a third-party underwriter) is recognised on the cover start date of the insurance.

Revenue in respect of Cruise holidays where the Group operates the cruise ship is also recognised in line with the performance obligations, being the cruise itself, flights (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to flights and flight upgrades (where applicable) and transfers is recognised on the date that each trip is fulfilled, which is consistent with the approach adopted by the Tour Operations business. Revenue from travel insurance for cruising holidays is recognised at the cover start date of the policy, which is usually at the point the customer makes a booking.

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

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

Revenue from tour operations and cruising holidays received in advance of when each performance obligation is satisfied is included as deferred revenue within contract liabilities in the statement of financial position.

iii) Other Businesses and Central Costs

Personal finance

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

Where the personal finance product is one that delivers a recurring income stream, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product, and it is highly probable that a significant reversal of revenue recognised will not occur. For the Saga savings product, commissions are earned over the duration of the contract in line with the contractual amount due to the Company.

Magazine subscriptions

Magazine subscription revenue is recognised on a straight-line basis over the period of the subscription. Revenue generated from advertising within the magazine is recognised when the magazine is provided to the customer.

The element of subscriptions and advertising revenue relating to the period after the reporting date is recognised as deferred revenue within contract liabilities in the statement of financial position.

Printing and mailing

Revenue from printing and mailing services is recognised in line with the performance obligations within customer contracts.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

b. Cost recognition

i) Insurance acquisition costs

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

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

ii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include estimates for claims made for losses reported as occurring during the period together with the related handling costs, any adjustments to claims outstanding from previous periods, and an estimate for the cost of claims incurred during the period but not reported as at the reporting date. The portion of costs recovered from reinsurance is recognised as a reduction to those costs in the same period in which the costs are recognised.

Further detail is provided in Note 28.

iii) Finance costs

Finance costs comprise interest paid and payable that is calculated using the effective interest rate (EIR) method, and it is recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest-bearing financial liability in the statement of financial position. Finance costs also include debt issue costs that were initially recognised in the statement of financial position and amortised over the life of the debt, debt issue costs in respect of renegotiating existing facilities that are immediately recognised in the income statement and net fair value losses on derivative financial instruments.

iv) All other expenses

All other expenses are recognised in the income statement as they are incurred.

c. Recognition of other income statement items

i) Interest income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the EIR method. Interest income is earned by the Group on both assets held at fair value through profit or loss, and assets held at fair value through other comprehensive income. Fees and commissions which are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

ii) Dividend income

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

iii) Gains and losses on financial investments at fair value

Realised and unrealised gains and losses on financial investments are recorded as investment income in the income statement, and represent net fair value gains and losses arising from changes in fair value during the year.

d. Taxes

i) Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised in other comprehensive income (OCI) and directly in equity is recognised in OCI or equity and not in the income statement.

ii) Deferred tax

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

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

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

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

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

e. Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date that the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevalent at the reporting date.

f. Intangible assets

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

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

Goodwill	Indefinite
Software	3-10 years

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

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually, either individually or at the cash generating unit (CGU) level. Where the carrying value of the asset exceeds the recoverable amount, an impairment loss is recognised in the income statement immediately. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

g. Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IFRS 9 'Financial Instruments' is measured at fair value with the changes in fair value recognised in the income statement.

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

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

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

h. Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. If such an indication exists, the recoverable amount is estimated and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is determined of the CGU to which the asset belongs.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

h. Impairment of non-financial assets continued

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

i. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

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

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

Buildings, properties and related fixtures:

Buildings	50 years
Fixtures and fittings	3-20 years
Cruise ships	30 years
Computers	3-6 years
Plant, vehicles and other equipment	3-10 years

Costs relating to cruise ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-docking, where appropriate. The International Convention for the Safety of Life at Sea regulations stipulate that ships have to be dry-docked twice in an interval of five years, with the interval between consecutive dry-dockings being not less than two years and not more than three years. All other repairs and maintenance costs are recognised in the income statement as incurred.

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

Estimated residual values and useful lives are reviewed annually.

In relation to the annual review of estimated residual values and useful lives of ocean cruise ships, potential environmental regulatory changes are also considered. The shipping industry has made a commitment to reduce CO₂ 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 the Group'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.

j. Non-current assets held for sale

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

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

k. Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

	Initial recognition	Subsequent measurement
Amortised cost	A financial asset is measured at amortised cost (plus any directly attributable transaction costs) if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is to hold assets to collect contractual cash flows. • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group classifies trade receivables, other receivables and deposits with financial institutions as held at amortised cost.	These assets are subsequently measured at amortised cost using the EIR method. The amortised cost is reduced by any impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.
FVOCI	A debt investment is measured at FVOCI (plus any directly attributable transaction costs) if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group classifies debt securities as FVOCI.	Debt instruments are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss. Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
FVTPL	All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL and held at fair value. This includes all derivative financial assets. On initial recognition, the Group may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. This election is made on an individual instrument basis. The Group classifies loan funds, money market funds and foreign exchange forward contracts not designated in a hedging relationship, as FVTPL.	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship (see (vi) below).

Derecognition

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

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

k. Financial instruments continued

ii) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to 12-month ECLs, except for the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk has increased significantly since initial recognition.
- Trade receivables and contract assets that result from transactions within the scope of IFRS 15.

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

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement. For debt instruments measured at FVOCI, the loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss, or increases the fair value gain, otherwise recognised in the statement of other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition except for derivatives, which are classified at FVTPL, the gains or losses for which are recognised through OCI if the instrument is designated as a hedging instrument in an effective cash flow hedge.

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

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

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

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

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

iv) Derivatives

Derivatives are measured at fair value both initially and subsequently to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as cash flow hedges are initially recognised in OCI until such a point that they are recycled to profit or loss in the same period as the hedged item is recognised in profit or loss, or immediately if the hedged item is no longer expected to occur.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

v) Fair values

The Group measures all financial instruments at fair value at each reporting date, other than those instruments measured at amortised cost.

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

The fair values are quoted market bid prices where there is an active market, or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's length market transactions, discounted cash flow analysis and other commonly used valuation techniques.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

vi) Hedge accounting

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

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

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

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

I. Leases

The Group leases various river cruise ships, buildings, equipment and vehicles. The contract length of the lease varies considerably and may include extension or termination options as described below.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: the contract involves the use of an identified asset; the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the Group has the right to direct the use of the asset.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option will be included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used. This is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period using the EIR method and the lease liability is measured at amortised cost using the EIR method.

Right-of-use assets are initially measured at cost, comprising the present value of future lease payments plus any initial direct costs and restoration costs. Right-of-use assets are depreciated over the lease term on a straight-line basis except for the Group's river cruise ships. The unit of production method is used to depreciate river cruise ships in order to accurately reflect the usage of the asset, which is seasonal.

Payments associated with short-term leases of equipment and all leases of low-value assets are expensed in profit or loss as incurred in line with the exemption allowed under paragraph 6 of IFRS 16. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and river cruise ship leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

m. Borrowing costs

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

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

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

n. Cash and short-term deposits

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

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

o. Trust accounts

All customer monies received in advance in relation to Air Travel Organiser's Licence (ATOL) licensable bookings are held in trust accounts until after the customer has travelled, when the Group has fulfilled all its performance obligations with customers.

The trust arrangement is governed by a deed between the Group, the Civil Aviation Authority Air Travel Trustees and an independent Trustee, PT Trustees Limited, which determines the inflows and outflows from the accounts. The Group does not use advance receipts from customers in its Tour Operations business to fund its business operations.

p. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Loss allowances are measured as lifetime ECLs.

q. Inventories

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

r. Insurance contract liabilities

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

Outstanding claims provision

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

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

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

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is recognised in the income statement as premium income over the term of the contract on a straight-line basis.

Provision for premium deficiency

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

s. Reinsurance assets

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

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

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

For the funds-withheld quota share agreement in motor insurance, the obligation to pay funds and the right to receive reimbursement for incurred claims are presented on a net basis because there is a legally enforceable right to offset these amounts and there is an intention to settle on a net basis or realise both the asset and settle the liability simultaneously. The reinsurance assets recognised under these agreements are therefore recognised as an offset against premium ceded under the same agreement, within trade and other payables.

t. Share-based payments

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

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

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

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

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

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

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

u. Retirement benefit schemes

During the year, the Group operated a defined benefit pension plan that requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method.

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

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the

income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Group recognises restructuring-related costs. The interest cost, less interest income on assets held in the plans, is also charged to the income statement.

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

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

v. Provisions

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

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

w. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

x. Equity

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

Notes to the financial statements continued

2.4 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2022. Except where separately disclosed, these standards are yet to be endorsed by the UK Endorsement Board.

a. IFRS 17 'Insurance Contracts'

IFRS 17 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 was issued in May 2017 and establishes a principles-based accounting approach for insurance contracts that will replace IFRS 4 'Insurance Contracts'. 'Amendments to IFRS 17' was issued in June 2020 and amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published. The standard is effective for annual reporting periods beginning on or after 1 January 2023, so it becomes effective for the Group from 1 February 2023. 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.

The Group has been undertaking a multi-year project to prepare for the adoption of the new standard and has now largely concluded the technical analysis required to appraise the impact that this will have on the Group's financial statements. As a general insurer only, the Group is expecting to be able to apply the simplified premium allocation approach permitted by the standard, instead of the more complex general measurement model. As such, the recognition and measurement of premium income is expected to remain largely unchanged from current accounting. The only potential significant change to earnings that is expected is the need to accelerate any anticipated future losses from unexpired risks from the new onerous contract assessment required under the new standard, although the Group does not anticipate that there will be the need to recognise any significant level of such onerous contract losses.

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 Group expects to more closely align its measurement of the actuarial best estimate of claims liabilities for financial reporting to the principles of Solvency II, with a change to the application of discounting and the derivation of an appropriate discount rate in line with the requirements of the new standard. The derivation of the reserve margin held for uncertainty above the actuarial best estimate, now referred to as the risk adjustment, will also change, and will be based on selecting an appropriate confidence interval using the expected loss distribution for outstanding claims.

The Group is still assessing whether to exercise the option to expense acquisition costs immediately and the option to recognise discount rate movements through OCI. The Group intends to finalise its view of these, and the approach to all of the key judgements and estimates, towards the end of the calendar year 2022.

The standard is also 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 the ones they are now. The standard will also require new, and changes to existing, disclosure notes in relation to insurance and reinsurance contracts.

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

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

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

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

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

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

e. Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)

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

f. Annual improvements to IFRS 2018-2020

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

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

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

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

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

i. COVID-19-related rent concessions beyond 30 June 2021 (amendment to IFRS 16)

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2021. The amendment has been endorsed by the UK Endorsement Board. The Group does not intend to take advantage of the exemption available under this amendment. The amendment will have no effect on the Group's financial statements.

j. Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. They will typically apply to transactions such as leases of lessees and will require the recognition of additional deferred tax assets and liabilities. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

2.5 First time adoption of new standards and amendments

The Group has adopted 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' during the year. These amendments, issued in August 2020, introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the inter-bank offered rate (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed, how the entity manages those risks, the entity's progress in transitioning from IBORs to alternative benchmark rates and how the entity is managing this transition. The amendments are effective for annual reporting periods beginning on or after 1 January 2021.

In the UK, the London Interbank Offered Rate (LIBOR) was replaced by the Sterling Overnight Index Average (SONIA) from the end of 2021. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow pounds sterling overnight from other financial institutions and other institutional investors. The amendments have not had a material impact on the Group's financial statements.

Subsequent to these amendments being adopted:

- (a) 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 (Note 30);
- (b) interest payable on the Group's cruise ship debt deferrals is incurred at a variable rate of SONIA plus a bank margin (Note 30); and
- (c) interest return on floating rate investments held by the Group's insurance underwriting business is linked to SONIA (Note 19).

The adoption of these amendments has had no impact on the Group's hedge accounting. In addition, no additional risks have arisen from the IBOR reform which the Group would be exposed to.

Notes to the financial statements continued

2.6 Significant accounting judgements, estimates and assumptions

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

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

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – identification of performance obligations within insurance contracts not underwritten by the Group	Identification of performance obligations within insurance contracts with customers. In particular, management has exercised judgement in defining separate performance obligations as part of the Group's insurance broking services, namely: • the option to fix the customer's premium at renewal for three-year fixed-price insurance policies, which results in the deferral of a portion of revenue from policy years one and two to policy years two and three; and • the arrangement of each insurance policy at the point the insurance cover is arranged, as separate from the premium charged in respect of the insurance cover, which occurs on, or before, the cover start date of each policy and results in a portion of revenue being recognised a number of days in advance of the cover start date. Please refer to Note 2.3a for further information on the Group's performance obligations relating to revenue recognition.
2.3ai, 2.3r and 2.3s	Classification of insurance contracts	Management has exercised judgement in defining which insurance policies that it arranges and underwrites constitute an insurance policy that is subject to the accounting principles of IFRS 4. This assessment is based on whether significant insurance risk is transferred under each insurance contract and also includes the assessment of reinsurance contracts that the Group enters into. Policies that are arranged, and not underwritten, by the Group, primarily a portion of the motor and home insurance panels, private medical insurance and travel insurance, are not deemed to constitute insurance policies as defined by IFRS 4, and so they are accounted for in line with the principles of IFRS 15. Policies that are both arranged and underwritten by the Group, primarily a portion of the motor and home insurance panels, are deemed to constitute insurance policies as defined by IFRS 4 and so are accounted for in line with the requirements of that standard. The Group's excess of loss and funds-withheld quota share reinsurance arrangements relating to its motor underwriting line of business are deemed to transfer significant insurance risk to the reinsurer, and so they are also accounted for in line with the requirements of IFRS 4.

Acc. policy	Items involving judgement	Critical accounting judgement
2.3h	Impairment testing of goodwill and other major classes of assets	Following the continued impact of the COVID-19 pandemic on the Group's operations, particularly in Travel, management concluded that indicators of impairment exist and conducted impairment reviews at 31 January 2022, 31 July 2021 and 31 January 2021 of the Group's two cruise ships, Spirit of Discovery and Spirit of Adventure. Management has considered a range of scenarios and used its judgement to conclude that no impairment was necessary. Please refer to Note 17a for further detail. Given the delay in taking delivery of the river cruise ship, Spirit of the Rhine, along with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, management concluded that indicators of impairment exist and deemed it necessary to conduct an impairment review of the vessel at 31 January 2022. Management has considered a range of scenarios and used its judgement to conclude that no impairment was necessary. Please refer to Note 18a for further detail. The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. In the year to 31 January 2022, management did not deem it necessary to impair goodwill. In the year to 31 January 2021, management deemed it necessary to impair the goodwill allocated to the Cruise and Tour Operations CGUs in full. Following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations CGU. In light of this exercise, management has exercised its judgement in relation to the impairment of software assets and performed an impairment review of software assets used by the Tour Operations business. In the year to 31 January 2021, in light of the Group's decision to vacate most of its properties, management exercised its judgement in relation to the impairment of the freehold land and buildings. In the year to 31 January 2022, in light of the Group obtaining updated freehold property market valuation reports, management exercised its judgement in relation to the impairment of the assets held for sale. Please refer to Note 38 for further detail. In the year to 31 January 2021, in relation to the Destinology business, management also exercised its judgement in relation to the impairment of property, plant and equipment and right-of-use assets.
2.3r	Insurance contract liabilities	Judgement as to areas of uncertainty that may give rise to claims costs in excess of the actuarial best estimate of claims incurred, and the level of additional reserve margin to recognise in the financial statements above that estimate. In the years to 31 January 2022 and 31 January 2021, the Group considered the additional latency risk to claims cost development caused by the impact of COVID-19 and recognised an additional claims reserve above actuarial best estimate to cover this specific risk.

Notes to the financial statements continued

2.6 Significant accounting judgements, estimates and assumptions continued

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The standalone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option because they either decide not to renew, or they make a claim that releases the Group from its obligation to fix the customer price.
2.3f and 2.3i	Useful economic lives and residual values of software, intangible assets and ocean cruise ships	The useful economic lives and residual values of software assets classified as intangible assets (Note 15), and ocean cruise ship assets classified as property, plant and equipment (Note 17) are assessed upon the capitalisation of each asset and at each reporting date and are based upon the expected consumption of future economic benefits of the asset.
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate to calculate present value. In the prior year, the outcome of the impairment reviews concluded that an impairment charge of £59.8m be recognised against the Group's Cruise and Tour Operations CGUs, effectively writing them down to nil. This was due to increased estimation uncertainty in the Tour Operations and Cruise CGUs in light of the COVID-19 pandemic. Sensitivity analysis was undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in Note 16a on pages 157-158.
2.3h	Impairment of ocean and river cruise ships	Following the continued impact of the COVID-19 pandemic on the Group's operations, management conducted impairment reviews at 31 January 2022, 31 July 2021 and 31 January 2021 of the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of the two ocean cruise ship assets, and therefore concluded that no impairment charges were necessary. Sensitivity analysis was undertaken to determine the effect of changing the residual value, load factor and useful economic life on the present value calculation, which is shown in Note 17a on pages 160-161. At 31 January 2022, management conducted an impairment review of its river cruise ship, Spirit of the Rhine. Based on this review, the Group is comfortable that there is sufficient headroom over and above the carrying value of the river cruise ship asset, and therefore concluded that no impairment charge was necessary.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3r	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims incurred but not yet reported (IBNR), as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted, except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2022 (2021: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in Note 20d on pages 171-172. In calculating the level of reserve margin to recognise above the actuarial best estimate of incurred claims, the Group considered an array of risks (including cost inflation) to future claims experience, and estimated the financial impact that those risks could have, to derive an appropriate level of margin to hold. This included an assessment of the magnitude of the claims latency risk due to the impact of the COVID-19 pandemic.
2.3u	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in Note 27 on page 176.

Notes to the financial statements continued

3 Segmental information

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

- **Insurance:** 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.

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

- **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 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 the financial services product offering, a monthly subscription magazine and the Group's mailing and printing business.

Segment performance is evaluated using the Group's key performance measure of Underlying (Loss)/Profit Before Tax³. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

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

2022	Insurance					Other Businesses and Central			
	Motor broking £m	Home broking £m	Other insurance broking £m	Under-writing £m	Total £m	Travel £m	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 software and right-of-use assets	(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 Tax⁴									
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 cruise ship loan holiday	-	-	-	-	-	-	2.4	-	2.4
Charge on closure of defined benefit pension scheme	-	-	-	-	-	-	2.0	-	2.0
Underlying Profit/(Loss) Before Tax⁴	29.9	25.2	11.3	54.1	120.5	(79.3)	(47.9)	-	(6.7)
Total assets less liabilities					261.7	(63.2)	134.8	319.6	652.9

All revenue is generated solely in the UK.

⁴ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

Notes to the financial statements continued

3 Segmental information continued

2021	Insurance					Other Businesses and Central			Total £m
	Motor broking £m	Home broking £m	Other insurance broking £m	Under-writing £m	Total £m	Travel £m	Costs £m	Adjustments £m	
Revenue	92.7	60.2	40.7	74.4	268.0	51.6	22.6	(4.6)	337.6
Cost of sales	(2.7)	–	(4.2)	(16.5)	(23.4)	(68.1)	(8.7)	–	(100.2)
Gross profit/(loss)	90.0	60.2	36.5	57.9	244.6	(16.5)	13.9	(4.6)	237.4
Administrative and selling expenses	(56.5)	(32.3)	(22.0)	(2.9)	(113.7)	(64.4)	(50.7)	4.6	(224.2)
Impairment of assets	–	–	–	–	–	(0.2)	(5.0)	(59.8)	(65.0)
Gain on lease modification	–	–	–	–	–	–	3.2	–	3.2
Net (loss)/profit on disposal of businesses	–	–	–	–	–	(1.7)	10.3	–	8.6
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software	–	–	–	–	–	6.8	(0.2)	–	6.6
Investment income/(loss)	–	–	–	3.7	3.7	0.2	(3.2)	–	0.7
Finance costs	–	–	–	–	–	(13.6)	(16.6)	–	(30.2)
Finance income	–	–	–	–	–	1.7	–	–	1.7
Profit/(loss) before tax	33.5	27.9	14.5	58.7	134.6	(87.7)	(48.3)	(59.8)	(61.2)
Reconciliation to Underlying Profit/(Loss) Before Tax⁵									
Profit/(loss) before tax	33.5	27.9	14.5	58.7	134.6	(87.7)	(48.3)	(59.8)	(61.2)
Net fair value gain on derivative financial instruments	–	–	–	–	–	(1.7)	–	–	(1.7)
Impairment of goodwill	–	–	–	–	–	–	–	59.8	59.8
(Profit) on disposal/impairment of assets	–	–	–	–	–	(3.8)	1.8	–	(2.0)
Restructuring costs	–	–	–	–	–	13.0	17.8	–	30.8
Net loss/(profit) on disposal of businesses	–	–	–	–	–	1.7	(10.3)	–	(8.6)
Underlying Profit/(Loss) Before Tax⁵	33.5	27.9	14.5	58.7	134.6	(78.5)	(39.0)	–	17.1
Total assets less liabilities					284.4	19.3	(18.0)	395.0	680.7

All revenue is generated solely in the UK.

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

	2022 £m	2021 £m
Goodwill (Note 14)	718.6	718.6
Group bonds and bank loans	(399.0)	(323.6)
	319.6	395.0

a) Disaggregation of revenue

2022						
Major product lines	Insurance			Travel £m	Other Businesses and Central Costs £m	Total £m
	Earned premium on insurance underwritten by the Group £m	Other revenue £m	Total insurance £m			
Gross earned premium 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
Tour Operations				12.2		12.2
Cruise				82.5		82.5
Personal Finance					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
2021						
Major product lines	Insurance			Travel £m	Other Businesses and Central Costs £m	Total £m
	Earned premium on insurance underwritten by the Group £m	Other revenue £m	Total insurance £m			
Gross earned premium on insurance underwritten by the Group	221.7		221.7			221.7
Less: ceded to reinsurers	(142.8)		(142.8)			(142.8)
Net revenue on:						
Motor broking	23.2	69.5	92.7			92.7
Home broking	–	60.2	60.2			60.2
Other broking	1.1	39.6	40.7			40.7
Underwriting	54.6	19.8	74.4			74.4
Tour Operations				32.7		32.7
Cruise				18.9		18.9
Personal Finance					6.0	6.0
Healthcare					0.9	0.9
Media					9.1	9.1
Other					2.0	2.0
	78.9	189.1	268.0	51.6	18.0	337.6

Included in insurance broking other revenue is instalment interest income on premium financing of £9.8m (2021: £11.1m).

Notes to the financial statements continued

3 Segmental information continued

b) Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers as accounted for under IFRS 15 (the amounts stated here do not include amounts accounted for under IFRS 4):

	2022 £m	2021 £m
Contract cost assets (Note 23)	2.6	2.9
Contract liabilities (Note 29)	114.6	82.2

The contract cost assets relate to commissions paid to price-comparison websites to acquire new business policies not underwritten by the Group.

Management expects that incremental commission fees paid to price-comparison websites as a result of obtaining insurance contracts are recoverable. The Group has therefore capitalised them as contract assets amounting to £1.7m for the year ended 31 January 2022 (2021: £4.5m). These fees are amortised over the period of the expected renewal cycle. In the year to 31 January 2022, the amount of amortisation was £2.0m (2021: £4.2m) and there was no impairment loss in relation to the costs capitalised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

The contract liabilities relate to the deferral of revenue for performance obligations not satisfied as at 31 January 2022 and the advance consideration received from customers for holidays or cruises booked but not travelled, and insurance premiums received in advance of the cover start date. There was no revenue recognised in the current reporting year that related to performance obligations that were satisfied in a prior year.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2022		2021	
	Contract cost assets £m	Contract liabilities £m	Contract cost assets £m	Contract liabilities £m
Balance as at 1 February	2.9	82.2	2.6	153.2
Released to the income statement in the period	(2.0)	(66.6)	(4.2)	(86.2)
Additional contract balances incurred during the period	1.7	148.6	4.5	149.9
Amounts refunded to customers	–	(49.6)	–	(133.1)
Disposed of with subsidiary undertakings	–	–	–	(1.6)
Balance as at 31 January	2.6	114.6	2.9	82.2

c) Transaction price allocated to the remaining performance obligations

The transaction price allocated to three-year fixed-price insurance policy renewal options, where the remaining performance obligations are not expected to be satisfied within the next 12 months, is £0.7m (2021: £1.0m). This is expected to be recognised as revenue in the subsequent one to three years.

The transaction price allocated to customer contracts within the Travel segment, where the remaining performance obligations are not expected to be satisfied within the next 12 months, is £0.8m (2021: £14.3m). This is expected to be recognised as revenue in the subsequent one to two years.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 Administrative and selling expenses

	2022 £m	2021 £m
Staff costs (excluding restructuring costs)	85.8	90.1
Marketing and fulfilment costs	49.6	41.4
Short-term lease rentals	0.1	0.2
Auditors' remuneration	2.1	1.8
Other administrative costs	64.7	60.0
Amounts ceded under reinsurance contracts	(6.9)	(7.7)
Depreciation – property, plant and equipment (Note 17)	2.2	3.8
Depreciation – right-of-use assets (Note 18)	0.7	1.5
Amortisation of intangible assets (Note 15)	9.7	11.8
Restructuring costs	4.8	21.3
	212.8	224.2

a. Auditors' remuneration

	2022 £m	2021 £m
Audit of the parent company and consolidated financial statements	0.8	0.6
Audit of subsidiary financial statements	1.1	1.0
Audit-related assurance services	0.2	0.2
Total auditors' remuneration	2.1	1.8

In the prior year, in addition to the auditors' remuneration disclosed above, a further £0.6m was paid by the Group in relation to corporate finance services provided. These costs were expensed against the share premium reserve as part of the transaction costs associated with the issue of share capital during the prior year.

5 Impairment of assets

a) Impairments during the year ended 31 January 2022

As explained in Note 16b, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations CGU. As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m (Note 15) be recognised against the Group's software assets as at 31 January 2022. Furthermore, the Group concluded that an impairment charge of £0.5m (Note 15) to software assets was required in the Group's Central Costs business unit.

In addition, following management's decision to restructure the Group's Tour Operations CGU, the Group impaired property, plant and equipment in its Tour Operations CGU by £0.3m (Note 17).

In light of the Group obtaining updated freehold property market valuation reports, management impaired assets held for sale by £1.0m (Note 38).

b) Impairments during the year ended 31 January 2021

During the year ended 31 January 2021, the Group impaired the carrying value of the goodwill balance allocated to the Tour Operations CGU by £15.0m and the Cruise CGU by £44.8m.

During the year ended 31 January 2021, in light of the Group's decision to vacate most of its properties, it estimated the recoverable amount based on the fair value less costs to sell of each property the Group planned to dispose of. The outcome of the impairment reviews concluded that an impairment charge of £4.5m be recognised against the Group's freehold land and buildings assets as at 31 January 2021 (Note 17). These properties were subsequently transferred to assets held for sale (Note 38).

In addition, during the year ended 31 January 2021, the Group impaired property, plant and equipment and software in its Central Costs division by £0.4m and £0.1m respectively, and also impaired property, plant and equipment and right-of-use assets in its Destinology business by £0.1m and £0.1m respectively.

Notes to the financial statements continued

6 Investment income

	2022 £m	2021 £m
Interest income recognised using the EIR method	4.4	5.0
Gains on assets measured at FVTPL	0.2	0.3
Amounts ceded under reinsurance contracts	(4.3)	(4.6)
	0.3	0.7

7 Finance costs

	2022 £m	2021 £m
Interest and charges on debt and borrowings	37.4	29.4
Net fair value loss on derivative financial instruments	2.7	-
Net interest and finance charges payable on lease liabilities	0.7	0.8
	40.8	30.2

8 Finance income

	2022 £m	2021 £m
Net fair value gain on derivative financial instruments	-	1.7
	-	1.7

9 Directors and employees

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

	2022 £m	2021 (restated) £m
Wages and salaries	97.0	107.5 ⁶
Social security costs	9.3	11.6
Pension costs (Note 27)	12.0	11.2
Total staff costs	118.3	130.3

Staff costs (including restructuring and redundancy costs) of £27.7m (2021: £18.9m⁶) and £90.6m (2021: £111.4m) have been allocated to cost of sales and to administrative and selling expenses respectively. Staff costs above exclude share-based payment charges of £3.4m (2021: £2.4m). Further detail on share-based payments can be found in Note 36.

Average monthly number of employees:

	2022 £m	2021 £m
Insurance	1,519	1,509
Travel	1,705	1,001
Other Businesses and Central Costs	552	697
Total employee numbers	3,776	3,207

The average employee numbers for Travel have increased due to the adverse impacts of the COVID-19 pandemic on headcount in the prior year starting to reverse in the year ended 31 January 2022. In addition, the Group took delivery of its second new ship, Spirit of Adventure, in September 2020, and therefore average headcount for the year prior year did not represent a full year's worth of crewing for this vessel.

⁶ Wages and salaries costs for the year ended 31 January 2021 have been restated to £107.5m (from £102.5m previously reported) to reflect the inclusion of crew costs relating to the Group's Cruise ships which were previously omitted in error

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the FCA is contained on pages 85-106 in the Directors' Remuneration Report.

Compensation of key management personnel of the Group

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

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

	2022 £m	2021 £m
Short-term benefits	6.0	6.6
Termination costs	0.3	0.4
Share-based payments	1.0	0.4
	7.3	7.4

10 Tax

The major components of the income tax expense are:

	2022 £m	2021 £m
Consolidated income statement		
Current income tax		
Current income tax charge	3.4	3.5
Adjustments in respect of previous years	(0.1)	(3.7)
	3.3	(0.2)
Deferred tax		
Relating to origination and reversal of temporary differences	2.7	3.2
Effect of tax rate change on opening balance	(2.6)	(1.7)
Adjustments in respect of previous years	1.1	5.3
	1.2	6.8
Tax expense in the income statement	4.5	6.6

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

	2022 £m	2021 £m
Loss before tax	(23.5)	(61.2)
Tax at rate of 19.0% (2021: 19.0%)	(4.5)	(11.6)
Adjustments in respect of previous years	1.0	1.6
Effect of tax rate change on opening balance	(2.6)	(1.7)
Expenses not deductible for tax purposes:		
Impairment of goodwill	–	11.4
Other non-deductible expenses/non-taxed income	1.5	(0.5)
Effect of Cruise business entering tonnage tax regime	9.1	7.4
Tax expense in the income statement	4.5	6.6

The Group's tax expense for the year was £4.5m (2021: £6.6m expense) representing a tax effective rate of negative 19.1% before the impairment of goodwill and associated deferred tax (2021: negative 471.4%). 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 Cruise business entering the tonnage tax regime on 1 February 2020.

Notes to the financial statements continued

10 Tax continued

Adjustments in respect of previous years include a charge for the under-provision of tax charge in prior years of £1.0m (2021: £1.6m under-provision charge) and the impact of the change in the tax rate on opening deferred tax balances of £2.6m credit (2021: £1.7m credit).

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

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2022 £m	2021 £m	2022 £m	2021 £m
Excess of depreciation over capital allowances	4.4	3.9	(0.5)	4.6
Retirement benefit scheme liabilities	(0.3)	0.8	(0.1)	0.3
Short-term temporary differences:				
– Designated hedges recognised through OCI	0.5	0.2	–	–
– Share-based payment reserve	1.6	1.0	0.6	0.2
– General bad debt provision	1.6	2.8	1.2	1.1
– Capitalised borrowing costs	(2.8)	(2.2)	0.6	0.7
– IFRS 16 transition adjustments	1.4	1.7	0.3	0.2
– Other	0.3	(1.5)	(0.9)	(0.3)
Deferred tax charge			1.2	6.8
Net deferred tax assets	6.7	6.7		

Deferred tax is reflected in the statement of financial position as follows:

	2022 £m	2021 £m
Deferred tax assets	12.3	12.5
Deferred tax liabilities	(5.6)	(5.8)
Net deferred tax assets	6.7	6.7

Reconciliation of net deferred tax assets

	2022 £m	2021 £m
At 1 February	6.7	18.1
Tax charge recognised in the income statement	(1.2)	(6.8)
Tax charge recognised in other comprehensive income	1.2	(4.1)
Tax charge recognised directly into the hedging reserve	–	(0.5)
At 31 January	6.7	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.

11 Dividends

Given the restrictions on the declaration of dividends described below, the Board of Directors does not recommend the payment of a final dividend for the 2021/22 financial year (2021: nil pence per share).

For the current and prior year, no interim or final dividends were declared or paid during the year. Dividend equivalents of £nil have been paid during the year (2021: £0.1m). Dividend equivalents paid in the prior year relate to previously declared dividends which only become payable when certain share options are exercised.

The distributable reserves of Saga plc are £18.1m as at 31 January 2022, which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately, with the exception of companies within the Tour Operations and Underwriting segments, which require regulatory approval before any dividends can be declared and paid. 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 30). In addition, under the terms of the RCF, dividends also remain restricted while leverage is above 3.0x (excluding Cruise debt). The Group maintained sufficient headroom under the RCF covenant during the year.

12 Loss per share

Basic loss per share is calculated by dividing the loss after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted 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 other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

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

	2022 £m	2021 (restated) £m
Loss attributable to ordinary equity holders	(28.0)	(67.8)
Weighted average number of ordinary shares	m	m
Ordinary shares as at 1 February	139.4	1,119.4
Long-term incentive plan (LTIP) share options exercised	0.1	-
Issue of shares – 5 October 2020 (Note 33)		
First Firm Placing	-	224.4
Second Firm Placing	-	124.2
Placing and Open Offer	-	623.3
Share consolidation – 13 October 2020 (Note 33)	-	(1,951.9)
Ordinary shares as at 31 January	139.5	139.4 ⁷
Weighted average number of ordinary shares for basic loss per share and diluted loss per share	139.5	101.2
Basic loss per share	(20.1p)	(67.0p)
Diluted loss per share	(20.1p)	(67.0p)

The table below reconciles between basic loss per share and Underlying Basic (Loss)/Earnings Per Share⁸:

	2022	2021
Basic loss per share	(20.1p)	(67.0p)
Adjusted for:		
Derivative losses/(gains)	1.4p	(1.9p)
Impairment, and loss/(profit) on disposal, of assets	2.3p	(2.2p)
Impairment of goodwill and associated deferred tax	-	59.1p
Net profit on disposal of businesses	-	(8.5p)
Charge on closure of defined benefit pension scheme	1.1p	-
Foreign exchange movement on lease liabilities	(0.5p)	-
Costs incurred for cruise ship loan holiday	1.3p	-
Restructuring costs	3.4p	33.7p
Underlying Basic (Loss)/Earnings Per Share⁸	(11.1p)	13.2p

⁷ Ordinary shares as at 31 January 2021 have been restated to 139.4m reflecting the incorrect inclusion of 0.5m shares issued on 18 November 2020 in the 139.9m total reported previously. Options relating to these shares had not been exercised as at 31 January 2021 and therefore should not have been included in the total ordinary shares previously reported at this date

⁸ Refer to the Alternative Performance Measures Glossary on page 201 for definition and explanation

Notes to the financial statements continued

13 Business combinations and disposals

a) Acquisitions

There were no business acquisitions in the years ended 31 January 2022 and 31 January 2021.

b) Disposals during the year ended 31 January 2022

There were no business disposals in the year ended 31 January 2022.

c) Disposals during the year ended 31 January 2021

i) Healthcare business

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

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

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

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

ii) Bennetts

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

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

On 7 August 2020, the disposal of Bennetts to Atlanta was completed following the receipt of regulatory approvals, generating net disposal proceeds of £24.0m.

Details of the sale of Bennetts are as follows:

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

iii) Destinology

During the year ended 31 January 2021, the Group made the decision to initiate an active programme to locate a buyer for its Travel segment business, Destinology. On 20 October 2020, the Group announced that it had sold Destinology Limited to Brooklyn Travel Limited for a nominal sum of £1. Net transaction costs of £0.2m were incurred in relation to the disposal.

Details of the sale of Destinology are as follows:

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

(iv) Other

During the year ended 31 January 2021, transaction costs of £1.0m were incurred in relation to other business disposals that did not complete.

14 Goodwill

	Goodwill £m
Cost	
At 1 February 2020	1,471.4
At 31 January 2021 and 31 January 2022	1,471.4
Impairment	
At 1 February 2020	693.0
Charge for the prior year (Note 16a)	59.8
At 31 January 2021 and 31 January 2022	752.8
Net book value	
At 31 January 2022	718.6
At 31 January 2021	718.6

Goodwill deductible for tax purposes amounts to £nil (2021: £nil).

Notes to the financial statements continued

15 Intangible assets

	Brands £m	Customer relationships £m	Software £m	Total £m
Cost				
At 1 February 2020	12.7	7.4	144.4	164.5
Additions and internally developed software	-	-	13.2	13.2
Disposals	-	-	(1.2)	(1.2)
Disposed of with subsidiary undertakings	(12.7)	(7.4)	(4.8)	(24.9)
At 31 January 2021	-	-	151.6	151.6
Additions and internally developed software	-	-	11.2	11.2
Disposals	-	-	(53.9)	(53.9)
At 31 January 2022	-	-	108.9	108.9
Amortisation and impairment				
At 1 February 2020	12.7	7.4	87.3	107.4
Amortisation	-	-	12.4	12.4
Impairment of assets (Note 16b)	-	-	0.1	0.1
Disposals	-	-	(1.0)	(1.0)
Disposed of with subsidiary undertakings	(12.7)	(7.4)	(3.8)	(23.9)
At 31 January 2021	-	-	95.0	95.0
Amortisation	-	-	10.6	10.6
Impairment of assets (Note 16b)	-	-	9.9	9.9
Disposals	-	-	(53.7)	(53.7)
At 31 January 2022	-	-	61.8	61.8
Net book value				
At 31 January 2022	-	-	47.1	47.1
At 31 January 2021	-	-	56.6	56.6

The net book value of software at 31 January 2022 includes internally generated software of £26.0m (2021: £28.7m) relating to the Group's Guidewire platform. Software additions in the year include internally generated software of £0.2m (2021: £3.1m) relating to the Group's Guidewire platform. Guidewire is the Group's insurance broking, policy administration and billing platform. The Guidewire platform has an expected useful economic life of 10 years, with six years of phase one expenditure remaining at 31 January 2022. Implementation and the commencement of amortisation of the Guidewire platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2019.

The net book value of software at 31 January 2022 also includes internally generated software of £2.3m (2021: £10.3m) relating to the Group's Tigerbay platform. Software additions in the year include internally generated software of £1.6m (2021: £3.4m) relating to the Group's Tigerbay platform. Tigerbay is the Group's travel booking reservation platform. The Tigerbay platform has an expected useful economic life of 10 years, with seven years of phase one expenditure remaining at 31 January 2022. Implementation and the commencement of amortisation of the Tigerbay platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2020.

As explained in Note 16b, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations business. As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m be recognised against the Group's software assets as at 31 January 2022, all of which related to the Tigerbay platform. In addition, the Group concluded that an impairment charge of £0.5m to software assets was required in the Group's Central Costs division.

The amortisation charge for the year is analysed as follows:

	2022 £m	2021 £m
Cost of sales	0.9	0.6
Administrative and selling expenses (Note 4)	9.7	11.8
	10.6	12.4

During the year, the Group disposed of assets with a net book value of £0.2m (2021: £0.2m). The loss arising on disposal was £0.1m (2021: £0.2m loss).

During the prior year, borrowing costs of £1.1m were capitalised in software within intangible assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised was the weighted average interest rate applicable to the Group's general borrowings during the prior year, being 4.0%.

16 Impairment of intangible assets

a) Goodwill

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

	2022 £m	2021 £m
Insurance	718.6	718.6
	718.6	718.6

The Group tests all goodwill balances for impairment at least annually, and twice-yearly if there exist indicators of impairment at the interim reporting date of 31 July. The Group has duly tested the Insurance CGU goodwill balance for impairment as at 31 January 2022. In the prior year, due to the impact of the COVID-19 pandemic on the Group's earnings, the Group tested goodwill for impairment as at 31 July 2020 and 31 January 2021. The impairment test compares the recoverable amount of each CGU to the carrying value of its net assets including the value of the allocated goodwill. The Group now only has goodwill allocated to its Insurance CGU, following the write-off in full of goodwill allocated to its Tour Operations and Cruise CGUs as at 31 July 2020.

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 2021: 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 January 2022, the pre-tax discount rate used for the Insurance CGU was 11.5% (2021: 9.8%). 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 balance sheet date have then also been removed for the purpose of the value-in-use calculation.

Furthermore, the Group also considered an array of stress tests, both in terms of adverse impacts to the cash flow projections and to the discount rate. For the cash flow stress tests, the impact of a more prudent outlook for the impact of the FCA market study, further impact to travel insurance sales from COVID-19 disruption and further net rate pressures were assumed, in combination with a more cautious terminal growth rate of 1.5% reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of c.+1.5ppt.

After considering the impact of cash flow and discount rate stresses to the recoverable amount, the Group remains comfortable that there remains headroom over and above the carrying value of the net assets including goodwill allocated to the Insurance CGU. This was the case at both the 31 January 2022 and 31 January 2021 testing points.

Notes to the financial statements continued

16 Impairment of intangible assets continued

a) Goodwill continued

In the prior year, as a result of the continued uncertainty and adverse impact of the COVID-19 pandemic on the travel industry, the Group determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs were below their respective carrying values and took the decision to impair in full the £59.8m goodwill allocated to Tour Operations and Cruise in the Group's July 2020 interim results. Whilst the outlook for the travel industry has improved since then, characterised by an improvement in industry betas and cost of debt levels, goodwill impairments are irreversible.

The headroom 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 January 2022	31 January 2021	31 January 2022	31 January 2021	31 January 2022	31 January 2021
Insurance	146.3	216.4	89.7	72.4	(10.2)	108.0

The headroom calculated is most sensitive to the discount rate and terminal growth rate assumed, or to changes in the projected cash flow of the CGU. A quantitative sensitivity analysis for each of these as at 31 January 2022, and its impact on the 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	+1.0ppt £m	-1.0ppt £m
Insurance	(136.6)	120.5	89.4	(113.1)	69.6	(121.4)

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

b) Other intangible assets

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

Following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations CGU. As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m (Note 15) be recognised against the Group's software assets as at 31 January 2022. In addition, the Group concluded that an impairment charge of £0.5m (Note 15) against software assets was required in the Group's Central Costs division.

In the prior year the Group concluded that an impairment charge of £0.1m to software assets was required in the Group's Central Costs division.

17 Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Cruise ships £m	Assets in the course of construction £m	Plant and equipment £m	Total £m
Cost						
At 1 February 2020	39.8	9.5	384.6	72.8	69.0	575.7
Additions	-	-	-	271.6	2.4	274.0
Disposals	-	(0.1)	(80.7)	-	(12.0)	(92.8)
Disposed of with subsidiary undertakings	-	(0.2)	-	-	(1.0)	(1.2)
Transfer of asset class	-	-	344.4	(344.4)	3.2	3.2
Reclassification to assets held for sale (Note 38)	(24.4)	-	-	-	-	(24.4)
At 31 January 2021	15.4	9.2	648.3	-	61.6	734.5
Additions	-	-	2.7	-	4.4	7.1
Disposals	(0.1)	-	-	-	(18.9)	(19.0)
Transfer of asset class	-	0.3	(0.5)	-	(0.9)	(1.1)
Reclassification from assets held for sale (Note 38)	3.8	-	-	-	-	3.8
Reclassification to assets held for sale (Note 38)	(4.0)	-	-	-	-	(4.0)
At 31 January 2022	15.1	9.5	650.5	-	46.2	721.3
Depreciation and impairment						
At 1 February 2020	4.6	5.6	80.7	-	59.8	150.7
Provided during the year	0.7	0.2	8.3	-	4.3	13.5
Impairment of assets	4.5	0.1	-	-	0.4	5.0
Disposals	(0.1)	(0.1)	(75.7)	-	(12.1)	(88.0)
Disposed of with subsidiary undertakings	-	(0.3)	-	-	(0.6)	(0.9)
Transfer of asset class	-	-	-	-	1.5	1.5
Reclassification to assets held for sale (Note 38)	(7.5)	-	-	-	-	(7.5)
At 31 January 2021	2.2	5.5	13.3	-	53.3	74.3
Provided during the year	0.2	0.1	16.1	-	2.9	19.3
Impairment of assets	0.2	-	-	-	0.1	0.3
Disposals	-	-	-	-	(18.4)	(18.4)
Transfer of asset class	-	0.3	(0.2)	-	(0.6)	(0.5)
Reclassification from assets held for sale (Note 38)	0.8	-	-	-	-	0.8
Reclassification to assets held for sale (Note 38)	(1.0)	-	-	-	-	(1.0)
At 31 January 2022	2.4	5.9	29.2	-	37.3	74.8
Net book value						
At 31 January 2022	12.7	3.6	621.3	-	8.9	646.5

At 31 January 2021	13.2	3.7	635.0	-	8.3	660.2
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The depreciation charge for the year is analysed as follows:

	2022 £m	2021 £m
Cost of sales	17.1	9.7
Administrative and selling expenses (Note 4)	2.2	3.8
	19.3	13.5

During the year, the Group disposed of assets with a net book value of £0.6m (2021: £4.8m). The loss arising on disposal was £0.4m (2021: £7.2m profit).

During the prior year, borrowing costs of £2.1m were capitalised in property, plant and equipment. The capitalisation rate used to determine the amount of borrowing costs capitalised was the weighted average interest rate applicable to the Group's general borrowings during the prior year, being 4.0%.

Notes to the financial statements continued

17 Property, plant and equipment continued

a) Impairment review of property, plant and equipment

Due to the continued impact of the COVID-19 pandemic on the Group's operations, with the suspension of the Cruise businesses between March 2020 and June 2021 and an ongoing impact on the level of customer demand, management concluded that there continued to exist indicators of impairment for both of its ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Management therefore conducted impairment reviews at 31 January 2022 for both vessels, following previous reviews conducted at 31 July 2021 and 31 January 2021.

The recoverable amount of each 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 has then been 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 cruises was also considered, by assuming the need for a further two-month layup of both ships during April and May 2022, and with load factors capped at 75% for the remainder of 2022/23 and at 80% for the duration of 2023/24. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

Potential environmental regulatory changes have also been considered as part of this assessment. The shipping industry has made a commitment to reduce CO₂ 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/CII regulations are being introduced internationally to enable the industry to meet the 2030 target, and both of Saga's 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.

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 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 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, on board 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 were discounted to present value using a pre-tax discount rate of 9.9% (January 2021: 11.8%) for both vessels. As at 31 January 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	119.2	83.3
Spirit of Adventure	71.0	34.5

The headroom calculated is most sensitive to the discount rate and the load factor assumed within the forecast cash flows. Given both ships are relatively new, and so have relatively long remaining useful lives, the headroom is not sensitive to either changes in the useful economic life or the residual value of the vessel due to the degree of discounting that is applied in the impairment calculation. A quantitative sensitivity analysis has been set out below to illustrate the impact that changes in key assumptions within the value-in-use calculation would bring about on the calculated headroom as at 31 January 2022:

	Discount rate		Residual value		Load factor		Useful economic life	
	+1.0ppt £m	-1.0ppt £m	+5% £m	-5% £m	+1% £m	-1% £m	+5 years £m	-5 years £m
Spirit of Discovery	(34.8)	40.4	0.2	(0.2)	11.1	(13.3)	16.6	(23.9)
Spirit of Adventure	(36.1)	42.1	0.2	(0.2)	11.5	(14.2)	15.4	(22.2)

Based on these impairment tests, and looking at the likelihood of a range of outcomes, the Group is satisfied that there was headroom over and above the carrying values of both Spirit of Discovery and Spirit of Adventure. Given the headroom in the test for both vessels and the degree of caution already adopted in the RWC stress scenario, the Directors concluded that no impairment of either vessel was necessary, and that there would need to be a reasonably significant change in the key assumptions for this to be the case.

In the prior year, as a result of the Group planning to vacate most of its properties (Note 38), management concluded that this constituted an indicator of impairment and duly conducted an impairment review of the Group's freehold land and buildings as at 31 January 2021, with the exception of the main Head Office building which was not intended to be vacated. In relation to these freehold properties, value-in-use was negligible and so the Group obtained market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £5.0m should be recognised against the Group's assets as at 31 January 2021. At 31 January 2021, the Group reclassified freehold land and buildings with a net book value of £16.9m to assets held for sale (Note 38).

During the current year, the Group declassified one of the properties classified as held for sale at 31 January 2021, to property, plant and equipment since it was no longer being actively marketed for disposal (Note 38). The carrying value of this property as at 31 January 2021 was £3.0m.

18 Right-of-use assets

	Long leasehold land and buildings £m	River cruise ships £m	Plant and equipment £m	Total £m
Cost				
At 1 February 2020	13.5	29.4	8.3	51.2
Additions	-	-	0.8	0.8
Disposals	(1.9)	-	(0.5)	(2.4)
Disposed of with subsidiary undertakings	(1.1)	-	-	(1.1)
Transfer of asset class	-	-	(3.2)	(3.2)
Effect of modification of lease terms	(8.4)	(29.4)	-	(37.8)
Other movements	-	-	0.5	0.5
At 31 January 2021	2.1	-	5.9	8.0
Additions	1.3	33.5	1.0	35.8
Disposals	(0.7)	-	(1.2)	(1.9)
Transfer of asset class	4.0	-	0.9	4.9
Effect of modification of lease terms	(5.1)	-	-	(5.1)
At 31 January 2022	1.6	33.5	6.6	41.7
Depreciation and impairment				
At 1 February 2020	3.6	18.4	3.5	25.5
Provided during the year	0.7	0.9	1.5	3.1
Impairment of assets	0.1	-	-	0.1
Disposals	(1.5)	-	(0.4)	(1.9)
Disposed of with subsidiary undertakings	(0.6)	-	-	(0.6)
Transfer of asset class	-	-	(1.5)	(1.5)
Effect of modification of lease terms	(0.7)	(19.3)	-	(20.0)
Other movements	-	-	0.5	0.5
At 31 January 2021	1.6	-	3.6	5.2
Provided during the year	0.1	0.7	1.5	2.3
Disposals	(0.7)	-	(0.4)	(1.1)
Transfer of asset class	4.1	-	0.2	4.3
Effect of modification of lease terms	(5.0)	-	-	(5.0)
At 31 January 2022	0.1	0.7	4.9	5.7
Net book value				
At 31 January 2022	1.5	32.8	1.7	36.0
At 31 January 2021	0.5	-	2.3	2.8

Notes to the financial statements continued

18 Right-of-use assets continued

The depreciation charge for the year is analysed as follows:

	2022 £m	2021 £m
Cost of sales	1.6	1.6
Administrative and selling expenses (Note 4)	0.7	1.5
	2.3	3.1

During the year, the Group disposed of assets with a net book value of £0.8m (2021: £0.5m). The profit arising on disposal was £0.1m (2021: £0.4m loss).

The total cash outflow for leases amounted to £4.4m (2021: £5.0m).

In the year ended 31 January 2021, modification of lease terms relating to river cruise ships resulted from the impact of the COVID-19 pandemic on the Travel business. The Group entered into multi-year agreements to lease the use of river cruise vessels to operate its river cruise tours. As such, the Group recognised a right-of-use asset and corresponding lease liability when those lease agreements became effective. From March 2020, the Group suspended its Travel operations, including its river cruise tours, as a result of the restrictions placed on international travel from the impact of the COVID-19 pandemic. The Group then subsequently curtailed its river cruise agreements during the financial year, and accordingly derecognised the right-of-use assets held on the statement of financial position in respect of those agreements. The Group also derecognised the corresponding lease liabilities, which contributed to a reduction in lease liabilities during the financial year ended 31 January 2021 (Note 37a). Lease agreements that were modified in the year ended 31 January 2021, also ended within the same financial year.

River cruise ship additions in the year ended 31 January 2022 relate to the river cruise vessel, Spirit of the Rhine (Note 37a).

In the year ended 31 January 2021, modification of lease terms relating to long leasehold land and buildings resulted from the Group's decision to initiate an active programme to locate buyers for a number of its freehold properties (Note 38) due to a relationship existing between the use of one of these freehold properties and the use of one of the long leasehold land buildings. In addition, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £3.2m being reported in the income statement in the prior year.

In the year ended 31 January 2022, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £0.3m being reported in the income statement in the prior year.

a) Impairment review of right-of-use assets

During the year, 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.

The recoverable amount of the vessel 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 10 years. This has then been 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 river cruises was also considered, by assuming the need for a two-month layup of the vessel in April and May 2022, and with load factors capped at 75% for the remainder of 2022/23 and at 80% for the duration of 2023/24. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

The cash flows were discounted to present value using a pre-tax discount rate of 5.2%, which effectively represents a market-participant's view of the pre-tax cost of debt of the river cruise business. This is because by the very nature of how the carrying value of the right-of-use asset arises as the present value of future lease payments at the inception of the lease, a market-participant would expect to finance such an asset purely with debt. As at 31 January 2022, the headroom for the ship against its carrying value was as follows:

	Headroom £m	
	Central scenario	RWC stress test scenario
Spirit of the Rhine	7.9	6.5

Based on these impairment tests, and looking at the likelihood of a range of outcomes, the Group is 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.

19 Financial assets and financial liabilities

a) Financial assets

	2022 £m	2021 £m
FVTPL		
Foreign exchange forward contracts	0.4	0.6
Loan funds	6.2	6.2
Money market funds	29.2	66.8
	35.8	73.6
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	0.3	0.1
Fuel oil swaps	1.2	-
	1.5	0.1
FVOCI		
Debt securities	280.8	261.9
	280.8	261.9
Amortised cost		
Deposits with financial institutions	14.0	24.2
	14.0	24.2
Total financial assets	332.1	359.8
Current	110.0	105.2
Non-current	222.1	254.6
	332.1	359.8
	2022 £m	2021 £m
Total financial assets (as above and presented on the face of the statement of financial position)	332.1	359.8
Trade receivables (Note 23)	112.2	117.7
Other receivables (Note 23)	17.3	33.0
Cash and short-term deposits (Note 25)	226.9	101.6
Total financial assets (including cash and short-term deposits, trade and other receivables)	688.5	612.1

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

Debt securities, where the contractual cash flows are solely principal and interest, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets, are classified as FVOCI. On disposal of these debt securities, any related balance within the fair value reserve is reclassified to other gains/(losses) within profit or loss.

Deposits with financial institutions, where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved by holding the asset in order to collect contractual cash flows, are classified as measured at amortised cost. The fair values of financial assets held at amortised cost are not materially different from their carrying amounts.

Interest return on floating rate investments held by the Group's insurance underwriting business was linked to LIBOR. The Group adopted 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' during the year (Note 2.5). In the UK, LIBOR was replaced by SONIA from the end of 2021. Subsequent to these amendments being adopted, interest return on floating rate investments held by the Group's insurance underwriting business is linked to SONIA.

Notes to the financial statements continued

19 Financial assets and financial liabilities continued

b) Financial liabilities

	2022 £m	2021 £m
FVTPL		
Foreign exchange forward contracts	1.3	1.3
	1.3	1.3
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	2.7	2.1
Fuel oil swaps		0.2
	2.7	2.3
Amortised cost		
Bonds and bank loans (Note 30)	896.5	817.1
Lease liabilities	35.3	4.4
Bank overdrafts	0.4	1.5
	932.2	823.0
Total financial liabilities	936.2	826.6
Current	56.1	10.4
Non-current	880.1	816.2
	936.2	826.6
	2022 £m	2021 £m
Total financial liabilities (as above and presented on the face of the statement of financial position)	936.2	826.6
Trade payables (Note 26)	124.8	115.5
Other payables (Note 26)	8.1	5.1
Total financial liabilities (including trade and other payables)	1,069.1	947.2

Except for the Group's bonds, the fair values of financial liabilities held at amortised cost are not materially different from their carrying amounts, since the interest payable on those liabilities is close to current market rates. The fair value of the Group's bonds (Note 30) at 31 January 2022 is £382.5m (2021: £226.8m).

All financial assets that are measured at FVTPL are mandatorily measured at FVTPL and all financial liabilities that are measured at FVTPL meet the definition of held for trading.

c) Fair values

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

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

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

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

Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i) Level 1

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

ii) Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets.

The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying instrument.

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, credit valuation adjustment (CVA)/debit valuation adjustment (DVA) risk adjustment is factored into the fair values of these instruments. As at 31 January 2022, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

The fair values are periodically reviewed by the Group's Treasury Committees.

iii) Level 3

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

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

	At 31 January 2022				At 31 January 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	-	0.7	-	0.7	-	0.7	-	0.7
Fuel oil swaps	-	1.2	-	1.2	-	-	-	-
Loan funds	6.2	-	-	6.2	6.2	-	-	6.2
Debt securities	280.8	-	-	280.8	261.9	-	-	261.9
Money market funds	29.2	-	-	29.2	66.8	-	-	66.8
Financial liabilities measured at fair value								
Foreign exchange forwards	-	4.0	-	4.0	-	3.4	-	3.4
Fuel oil swaps	-	-	-	-	-	0.2	-	0.2
Financial assets for which fair values are disclosed								
Deposits with institutions	-	14.0	-	14.0	-	24.2	-	24.2
Financial liabilities for which fair values are disclosed								
Bonds and bank loans	-	879.0	-	879.0	-	793.9	-	793.9
Lease liabilities	-	35.3	-	35.3	-	4.4	-	4.4
Bank overdrafts	-	0.4	-	0.4	-	1.5	-	1.5

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2021: none). The Group's policy is to recognise transfers into, and out of, fair value hierarchy levels as at the end of the reporting period.

The values of the debt securities, money market funds and loan funds are based upon publicly available market prices.

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.

Notes to the financial statements continued

19 Financial assets and financial liabilities continued

d) Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2022, the Group designated 298 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

Foreign currency cash flow hedging instruments	Designated in the year		At 31 Jan 2022		At 31 Jan 2021	
	Volume	£m	Volume	£m	Volume	£m
Euro (EUR)	78	(0.8)	133	(2.5)	92	(0.7)
US dollar (USD)	58	0.2	86	0.1	82	(1.2)
Other currencies	162	–	212	–	113	(0.1)
Total	298	(0.6)	431	(2.4)	287	(2.0)

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

ii) Commodity price risk

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

Commodity cash flow hedging instruments	Designated in the year		At 31 Jan 2022		At 31 Jan 2021	
	Volume	£m	Volume	£m	Volume	£m
Hedging instruments	36	1.6	36	1.2	22	(0.2)

iii) Hedge maturity profile

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2022. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £m	USD £m	Other currencies £m	Currency hedges £m	Fuel hedges £m	Total £m
1 February 2022 to 31 July 2022	22.1	17.0	2.5	41.6	0.8	42.4
1 August 2022 to 31 January 2023	15.6	16.5	3.8	35.9	0.4	36.3
1 February 2023 to 31 July 2023	12.5	1.4	0.6	14.5	–	14.5
1 August 2023 to 31 January 2024	10.0	0.7	0.2	10.9	–	10.9
Total	60.2	35.6	7.1	102.9	1.2	104.1

During the year, the Group recognised net gains of £2.1m (2021: £6.0m gains) on cash flow hedging instruments through OCI into the hedging reserve. Additionally, the Group recognised net gains of £nil (2021: £16.3m gains) through OCI into the hedging reserve, in relation to the specific hedging instrument for the acquisition of two new ships. The overall net gains were £2.1m (2021: £22.3m gains). The Group has recognised £nil gains (2021: £nil) through the income statement in respect of the ineffective portion of hedges measured during the year.

During the year, the Group has de-designated 96 foreign currency forward contracts, with a transaction value of £18.8m, where 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 £0.7m have been reclassified from the hedging reserve into profit or loss during the year. The Group has not de-designated any fuel oil swaps during the year. During the year, the Group recognised a £1.2m gain (2021: £2.5m gain) through the income statement in respect of matured hedges which have been recycled from OCI. In the prior year the Group also recognised a £2.7m loss in property, plant and equipment, in respect of matured hedges which have been recognised directly from the hedging reserve.

20 Financial risk management objectives and policies

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

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

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

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

a) Market risk

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

- Foreign currency risk
- Commodity price risk
- Equity prices
- Interest rate risk

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits that the Group is willing to accept considering strategy, risk appetite and capital resources. The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency and fuel oil price risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes. For risk exposures that the Group hedges and for which the Group applies hedge accounting, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Equity exposures are managed within allocation parameters agreed by the Board and with reference to agreed benchmarks.

i) Foreign currency risk

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

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

Notes to the financial statements continued

20 Financial risk management objectives and policies continued

a) Market risk continued

i) Foreign currency risk continued

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

	Sensitivity of +/- 5% forex rate change in	Effect on the fair value of forward exchange contracts	Effect on profit after tax and equity
2022	EUR	+/- £3.5m	+/- £0.7m
	USD	+/- £2.1m	+/- £0.4m
2021	EUR	+/- £3.5m	+/- £1.4m
	USD	+/- £2.5m	+/- £0.5m

To the extent that forward exchange contracts are held as part of effective hedging relationships, any change to the fair value of the instrument will be offset by an equal and opposite change to the cost of the hedged item, resulting in no effect on profit after tax and equity.

ii) Commodity price risk

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

The Group manages the purchase price using forward commodity purchase contracts based on future forecast fuel oil requirements.

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

	Sensitivity of +/- 5% rate change in	Effect on profit after tax and equity
2022	USD - Fuel oil price	+/- £0.0m
2021	USD - Fuel oil price	+/- £0.0m

iii) Interest rate risk

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

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

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

The following table shows the sensitivity of financial assets and liabilities to changes in, SONIA as at 31 January 2022, and LIBOR as at 31 January 2021 (Note 2.5). The impact is shown net of tax at the current rate.

	Sensitivity of +/- 1% rate change in	Effect on profit after tax and equity
2022	SONIA	+/- £0.6m
2021	LIBOR	+/- £0.2m

b) Credit risk

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

The credit risk in respect of trade and other receivables is generally limited as payment from customers is generally required before services are provided. At 31 January 2022, the maximum exposure to credit risk for trade receivables by operating segment was as follows:

	2022 £m	2021 £m
Insurance	42.6	39.9
Travel	2.3	2.2
Other Businesses and Central Costs	2.3	5.2
	47.2	47.3

The variance between the quantum of the maximum exposure to credit risk for trade receivables (above) and total of trade receivables presented in 'Trade and other receivables' (Note 23) primarily relates to insurance instalment gross premium debtors due from customers, for which a corresponding related creditor exists with third-party insurers for the net premium. In the event of payment obligation default by a customer no longer on risk, the impairment of the debtor balance by the Group would lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer. In the event of payment obligation default by a customer remaining on risk, the impairment of the debtor balance by the Group would not lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer, and the Group would bear the credit risk relating to the debtor balance.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The loss allowance required for these receivables is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime ECLs are recognised irrelevant of the credit risk. The loss allowance is based on a combination of: (i) aged debtor analysis; (ii) historical experience of write-offs for each receivable; (iii) any specific indicators of credit deterioration observed; and (iv) management judgement. Loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

On that basis, the loss allowance as at 31 January 2022 and 31 January 2021 was determined as follows for trade receivables:

31 January 2022	Current	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	Total
Expected loss rate	1%	13%	4%	6%	4%	39%	
Gross carrying amount – trade receivables (Note 23)	£101.7m	£1.2m	£0.5m	£0.4m	£0.4m	£10.7m	£114.9m
Loss allowance (Note 23)	£0.6m	£0.2m	£0.0m	£0.0m	£0.0m	£4.2m	£5.0m
31 January 2021	Current	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	Total
Expected loss rate	0%	25%	38%	29%	22%	63%	
Gross carrying amount – trade receivables (Note 23)	£107.5m	£1.6m	£0.8m	£0.7m	£0.9m	£20.1m	£131.6m
Loss allowance (Note 23)	£0.1m	£0.4m	£0.3m	£0.2m	£0.2m	£12.7m	£13.9m

Notes to the financial statements continued

20 Financial risk management objectives and policies continued

b) Credit risk continued

The loss allowance for trade receivables reconciles to the opening allowances as follows:

	2022 £m	2021 £m
Opening loss allowance at 1 February	13.9	21.2
Decrease in loan loss allowance recognised in profit or loss during the year	(8.3)	(5.5)
Receivables written off during the year as uncollectable	(0.5)	(1.7)
Unused amount reversed	(0.1)	(0.1)
Closing loss allowance at 31 January	5.0	13.9

The Group's loss allowance has reduced during the current year following the outsourcing of the Insurance segment's credit hire business during the period.

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

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

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2022 and 31 January 2021 is the gross carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

The Group's financial assets and reinsurance assets are analysed by Moody's credit risk rating as follows:

Ratings analysis

31 January 2022

£m	AAA	AA	A	BBB	Unrated	Total
Debt securities	20.2	94.4	68.0	98.2	-	280.8
Money market funds	29.2	-	-	-	-	29.2
Deposits with financial institutions	-	-	14.0	-	-	14.0
Derivative assets	-	-	1.8	0.1	-	1.9
Loan funds	-	-	-	-	6.2	6.2
	49.4	94.4	83.8	98.3	6.2	332.1
Reinsurance assets	-	36.3	29.1	-	-	65.4
Total	49.4	130.7	112.9	98.3	6.2	397.5

31 January 2021

£m	AAA	AA	A	BBB	Unrated	Total
Debt securities	23.1	73.9	71.5	93.4	-	261.9
Money market funds	66.8	-	-	-	-	66.8
Deposits with financial institutions	-	24.2	-	-	-	24.2
Derivative assets	-	-	0.2	0.5	-	0.7
Loan funds	-	-	-	-	6.2	6.2
	89.9	98.1	71.7	93.9	6.2	359.8
Reinsurance assets	-	39.7	31.9	-	-	71.6
Total	89.9	137.8	103.6	93.9	6.2	431.4

c) Liquidity risk

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

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

31 January 2022 £m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bonds and bank loans	–	46.4	62.2	572.0	235.0	915.6
Interest on bonds and bank loans	–	32.7	31.3	65.4	20.0	149.4
Insurance contract liabilities	–	88.0	50.1	76.8	115.9	330.8
Derivative liabilities	–	3.7	0.3	–	–	4.0
	–	170.8	143.9	714.2	370.9	1,399.8

31 January 2021 £m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bonds and bank loans ⁹	–	–	46.4	500.1	289.1	835.6
Interest on bonds and bank loans	–	27.4	26.5	46.9	27.9	128.7
Insurance contract liabilities	–	88.9	64.3	92.7	144.8	390.7
Derivative liabilities	–	2.1	1.5	–	–	3.6
	–	118.4	138.7	639.7	461.8	1,358.6

d) Insurance risk

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

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

i) Underwriting and pricing risk

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

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

ii) Reserving risk

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

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

In the year to 31 January 2022, the Group considered the additional latency risk to claims cost development caused by the impact of the COVID-19 pandemic and recognised an additional claims reserve above actuarial best estimate to cover this specific risk. The latency risk provision in relation to the COVID-19 pandemic has been reduced since 31 January 2021 reflective of the improvement in the COVID-19 outlook.

9 In March 2021, the Group reached agreement of a one-year extension to the debt deferral on its cruise ship facilities (Note 30). This has resulted in the debt repayments on the cruise ship facilities within the bonds and bank loans profile disclosed above being amended for this one-year deferral

Notes to the financial statements continued

20 Financial risk management objectives and policies continued

d) Insurance risk continued

iii) Reinsurance

The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophic event. During 2018, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 80% of the Group's motor claims risks limited by a loss ratio cap of 130%, effective from 1 February 2019. Prior to this, the Group had a funds-withheld quota share reinsurance contract in place that reinsured 75% of the Group's motor claims risks limited by a loss ratio cap of 120%. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has underwritten motor business.

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

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a five-percentage point variation in the recorded loss ratio at 31 January 2022 and 31 January 2021. The impact of a 5% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate. The impact to the statement of financial position as at 31 January 2022 and 31 January 2021 of a 0.25% percentage point change in discount rate for PPOs is also shown.

	2022	2021
Impact of a five-percentage point change in loss ratio	+/- £3.3m	+/- £3.2m
Impact of 5% change in claims outstanding	+/- £4.1m	+/- £4.6m
Impact of a 0.25 percentage point change in discount rate for PPOs	+/- £2.2m	+/- £3.2m

e) Operational risk

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

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which, together, ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes. The resilience of the Group's disaster recovery plans was demonstrated during the COVID-19 lockdown. The Group was able to quickly move office-based colleagues to working from home arrangements, ensuring that it was able to continue to support existing and new customers through the contact centre and support functions.

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

i) Insurance

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

ii) Travel

The Travel segment operates two cruise ships, which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly, or its suppliers. The Travel segment is in operation with multiple suppliers which minimises the impact of any socio-economic events affecting its suppliers. The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. Further detail relating to this is provided within the basis of preparation and going concern sections in Note 2.1 on pages 126-127.

iii) Other Businesses and Central Costs

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

21 Interests in unconsolidated structured entities

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

- bank loan funds; and
- money market funds.

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

Bank loan funds invest in secured loans to companies rated below investment grade.

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

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

At 31 January 2022, the Group's total interest in unconsolidated structured entities was £35.4m analysed as follows:

	Carrying value £m	Interest income £m	Fair value gains £m
Loan funds	6.2	0.2	-
Money market funds	29.2	-	-

These investments are typically managed under credit risk management as described in Note 20. The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments. No further loss can be made by the Group in relation to these investments. For this reason, the total assets of the entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented.

22 Inventories

	2022 £m	2021 £m
Raw materials	0.3	0.2
Technical stocks	2.3	1.5
Finished goods	3.7	1.8
	6.3	3.5

Technical stocks are spare parts for the Group's ocean cruise ships. Finished stocks primarily relate to ocean cruise ship fuel, food, bar and sundry stocks.

23 Trade and other receivables

	2022 £m	2021 £m
Trade receivables (Note 20b)	114.9	131.6
Loss allowance (Note 20b)	(5.0)	(13.9)
	109.9	117.7
Other receivables	17.3	33.0
Prepayments	16.8	11.4
Contract cost assets (Note 3b)	2.6	2.9
Deferred acquisition costs	18.2	15.1
Other taxes and social security costs	4.7	3.0
	169.5	183.1

An explanation of how the Group manages and measures the credit risk of trade receivables can be found in Note 20b. The Group expects trade and other receivables to be normally settled within 12 months. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Notes to the financial statements continued

24 Trust accounts

The Civil Aviation Authority (CAA) and Association of British Travel Agents (ABTA) regulated the Travel business conducted by the Group in the UK during the year. To comply with its regulatory obligations, the Group is required to arrange financial security to protect customer monies, in addition to making ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

From 25 September 2020, the Group changed its method of customer protection for ATOL licensable bookings from financial security bonds to paying customer monies into trust (**Trust Accounting**). Under Trust Accounting, all monies the Group receives from customers in respect of ATOL licensable holiday packages sold, are held in trust until such time as the Group has fulfilled all its obligations to the customer. The trust is administered and controlled by an independent Trustee, PT Trustees Limited. Interest arising from the funds held on trust belongs to the Group.

With the introduction of Trust Accounting during the prior year, the Group is no longer required to hold financial security bonds in relation to ATOL bookings. In relation to ABTA bookings a bonding requirement still exists (Note 37c).

25 Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	174.6	94.4
Short-term deposits	52.3	7.2
Cash and short-term deposits	226.9	101.6
Money market funds	29.2	66.8
Bank overdraft	(0.4)	(1.5)
Cash and cash equivalents in the cash flow statement	255.7	166.9

Included within cash and cash equivalents are amounts held by the Group's Travel and Insurance businesses, which are subject to contractual or regulatory restrictions (Note 35). These amounts held are not readily available to be used for other purposes within the Group and total £69.1m (2021: £91.5m). Available Cash¹⁰ 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.

26 Trade and other payables

	2022 £m	2021 £m
Trade payables	124.8	115.5
Other payables	5.8	5.1
Other taxes and social security costs	9.4	8.4
Assets in the course of construction	3.8	4.4
Accruals	55.9	41.7
	199.7	175.1

All trade and other payables are current in nature. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

27 Retirement benefit schemes

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

a) Defined contribution plans

There are three defined contribution schemes in the Group at 31 January 2022 (2021: two). The total charge for the year in respect of the defined contribution schemes was £4.5m (2021: £3.2m).

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 below). 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). During the year, a net expense of £2.0m was recognised as a past service cost (within administrative and selling expenses) relating to the closure. The assets of the scheme are held separately from those of the Group in independently administered funds.

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

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so to control the long-term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy of members. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided super security to the Trustees of the scheme, which ranks before any liabilities under the senior facilities agreement (as detailed in Note 30). The value of the security has been increased from being capped at £32.5m, to being capped at £47.5m, under the latest triennial valuation of the scheme as at 31 January 2020, which was completed early in the current year.

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

	2022 £m	2021 £m
Fair value of scheme assets	412.0	411.2
Present value of defined benefit obligation	(410.9)	(415.5)
Defined benefit scheme asset/(liability)	1.1	(4.3)

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

The following table summarises the components of the net benefit expense recognised in the income statement, OCI and amounts recognised in the statement of financial position for the scheme for the year ended 31 January 2022:

	Fair value of scheme assets £m	Defined benefit obligation £m	Defined benefit scheme (liability)/ surplus £m
At 1 February 2021	411.2	(415.5)	(4.3)
Pension cost charge to income statement			
Current service cost paid in cash during the period	-	(3.9)	(3.9)
Non-cash current service cost uplift	-	(1.6)	(1.6)
Total current service cost	-	(5.5)	(5.5)
Past service costs	-	(2.0)	(2.0)
Net interest	5.9	(5.9)	-
Included in income statement	5.9	(13.4)	(7.5)
Benefits paid	(7.5)	7.5	-
Return on plan assets (excluding amounts included in net interest expense)	(5.8)	-	(5.8)
Actuarial changes arising from changes in demographic assumptions	-	(5.3)	(5.3)
Actuarial changes arising from changes in financial assumptions	-	16.2	16.2
Experience adjustments	-	(0.3)	(0.3)
Sub-total included in other comprehensive income	(13.3)	18.1	4.8
Total contributions by employer	8.2	(0.1)	8.1
At 31 January 2022	412.0	(410.9)	1.1

Notes to the financial statements continued

27 Retirement benefit schemes continued

b. Defined benefit plan continued

The following table summarises the components of the net benefit expense recognised in the income statement, OCI and amounts recognised in the statement of financial position for the scheme for the year ended 31 January 2021:

	Fair value of scheme assets £m	Defined benefit obligation £m	Defined benefit scheme liability £m
At 1 February 2020	372.3	(377.8)	(5.5)
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(5.4)	(5.4)
Non-cash current service cost uplift	–	(2.6)	(2.6)
Total current service cost	–	(8.0)	(8.0)
Net interest	6.3	(6.3)	–
Included in income statement	6.3	(14.3)	(8.0)
Benefits paid	(9.6)	9.6	–
Return on plan assets (excluding amounts included in net interest expense)	31.5	–	31.5
Actuarial changes arising from changes in demographic assumptions	–	6.2	6.2
Actuarial changes arising from changes in financial assumptions	–	(24.7)	(24.7)
Experience adjustments	–	(14.2)	(14.2)
Sub-total included in other comprehensive income	21.9	(23.1)	(1.2)
Total contributions by employer	10.7	(0.3)	10.4
At 31 January 2021	411.2	(415.5)	(4.3)

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

	2022 £m	2021 £m
Equities	50.2	51.7
Bonds	159.4	203.0
Property and alternatives	58.4	39.6
Hedge funds	133.5	99.8
Insured annuities	5.3	6.1
Cash and other	5.2	11.0
Total	412.0	411.2

Equities and bonds are all quoted in active markets, whilst property and hedge funds are not. The impact of COVID-19 over the past two years has increased the level of uncertainty and volatility in global financial markets and these continue to react to the pandemic. The COVID-19 pandemic continues to be an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak and related variants. Whilst the ultimate extent of the effect of this on the asset portfolio is not possible to quantify at this time, management has used the latest available fund pricing data to derive the valuations of assets which are not quoted in active markets.

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

	2022	2021
Real rate of increase in salaries	–	2.60%
Real rate of increase of pensions in payment	3.45%	2.70%
Real rate of increase of pensions in deferment	3.30%	2.55%
Discount rate – pensioner	2.20%	1.35%
Discount rate – non-pensioner	2.15%	1.45%
Inflation – pensioner	3.80%	2.80%
Inflation – non-pensioner	3.60%	2.60%
Life expectancy of a member retiring in 20 years' time – Male	27.8 yrs	27.2 yrs
Life expectancy of a member retiring in 20 years' time – Female	29.5 yrs	29.0 yrs

In the current year, management decided to take a more prudent approach to the derivation of the inflation rate assumption, aligning this to the most recent Trustees' valuation by removing the inflation risk premium applied previously. The impact of this change in assumption was a £19.0m uplift in the defined benefit obligation as at 31 January 2022.

Mortality assumptions are set using standard tables based on specific experience, where available, and allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 60 will live on average for a further 26.2 years if they are male and on average for a further 28.0 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2022 and their impact on the scheme liabilities is as follows:

Assumptions Sensitivity	Discount rate		Future inflation		Life expectancy	
	+/- 0.25%		+/- 0.25%		+/- 1 year	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact £m	(23.3)	25.2	11.9	(10.3)	14.4	(14.0)

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

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the prior period.

The expected contribution, in respect of the accrual of benefits, payable to the Saga scheme for the next financial year is £nil and the average duration of the defined benefit plan obligation at the end of the reporting period is 22 to 23 years. Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees and are agreed with the Group, and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan to pay additional contributions above those needed to fund the scheme.

The Group's latest triennial valuation of the Saga Scheme defined benefit plan as at 31 January 2020 was completed during the year. Saga plc, and certain guarantor subsidiaries in the Group, have provided a super security to the Trustees of the Saga Scheme, which ranks before any liabilities under the Group's bank facilities. The value of the security has been increased from being capped at £32.5m, to being capped at £47.5m under the latest triennial valuation. Further to this valuation, a recovery plan is in place for the scheme. Under an agreed deficit recovery plan totalling £39.0m, the Group made an additional payment of £4.2m during the year ended 31 January 2022 and will make annual payments of £5.8m totalling a further £34.8m over the next six financial years, with the last payment being made on 29 February 2027. The total expected contributions in the year ending 31 January 2023 are £5.8m and entirely relate to the £5.8m additional payment.

The Group has also agreed to pay additional amounts into an Escrow account should asset returns fall below an agreed level over set periods of time. Dependent upon the level of return on the scheme's assets between 31 January 2020 and 31 January 2027, any amount in the Escrow account will be released to either the Group or the scheme by 30 June 2027.

The International Financial Reporting Interpretations Committee (IFRIC) has published an interpretation of IAS 19 (IFRIC 14) which is effective for accounting years commencing on or after 1 January 2008. It concerns the treatment of surpluses and the impact of statutory funding requirements. Having taken external legal advice with regard to the rights of the Group under the Trust deeds and rules, management is comfortable that the Group has an unconditional right to a refund of a surplus.

c. Pension consultation

In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. The consultation process concluded during October, 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.

As a result of the Saga Pension Scheme closure, a £2.0m net expense has crystallised in the income statement as a past service cost. This expense was driven by a £2.5m debit from an increase in scheme liabilities due to all members becoming deferred members upon closure. This was offset by a £0.5m credit from the removal of the ill-health benefit post closure.

Notes to the financial statements continued

28 Insurance contract liabilities and reinsurance assets

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

	2022 £m	2021 £m
Gross		
Claims outstanding	292.8	329.5
Provision for unearned premiums	93.9	96.8
Total gross liabilities	386.7	426.3
	2022 £m	2021 £m
Recoverable from reinsurers		
Claims outstanding	59.1	65.2
Provision for unearned premiums	6.3	6.4
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	65.4	71.6
Amounts recoverable under funds-withheld quota share agreements recognised within trade payables:		
– Claims outstanding	133.0	147.1
– Provision for unearned premiums	50.7	55.9
Total reinsurers' share of insurance liabilities after funds-withheld quota share	249.1	274.6
Analysed as:		
Claims outstanding	192.1	212.3
Provision for unearned premiums	57.0	62.3
Total reinsurers' share of insurance liabilities after funds-withheld quota share	249.1	274.6
	2022 £m	2021 £m
Net		
Claims outstanding	233.7	264.3
Provision for unearned premiums	87.6	90.4
Total net insurance liabilities	321.3	354.7
Amounts recoverable under funds-withheld quota share agreements recognised within trade payables:		
– Claims outstanding	(133.0)	(147.1)
– Provision for unearned premiums	(50.7)	(55.9)
Total net insurance liabilities after funds-withheld quota share	137.6	151.7
Analysed as:		
Claims outstanding	100.7	117.2
Provision for unearned premiums	36.9	34.5
Total net insurance liabilities after funds-withheld quota share	137.6	151.7

	2022 £m	2021 £m
Reconciliation of movements in claims outstanding		
Gross claims outstanding at 1 February	329.5	352.1 ¹¹
Less: reinsurance claims outstanding	(212.3)	(203.0) ¹¹
Net claims outstanding at 1 February	117.2	149.1
Gross claims incurred	94.6	117.6 ¹¹
Less: reinsurance recoveries	(63.3)	(99.4) ¹¹
Net claims incurred	31.3	18.2
Gross claims paid	(131.3)	(140.2)
Less: received from reinsurance	83.5	90.1
Net claims paid	(47.8)	(50.1)
Gross claims outstanding at 31 January	292.8	329.5
Less: reinsurance claims outstanding	(192.1)	(212.3)
Net claims outstanding at 31 January	100.7	117.2
Reconciliation of movements in the provision for net unearned premiums		
Gross unearned premiums at 1 February	96.8	105.3
Less: unearned reinsurance premiums	(62.3)	(70.8)
Net unearned premiums at 1 February	34.5	34.5
Gross premiums written	200.1	213.2
Less: outward reinsurance premium	(118.5)	(134.3)
Net premiums written	81.6	78.9
Gross premiums earned	(203.0)	(221.7)
Less reinsurance premium earned	123.8	142.8
Net premiums earned (Note 3a)	(79.2)	(78.9)
Gross unearned premiums at 31 January	93.9	96.8
Less: unearned reinsurance premiums	(57.0)	(62.3)
Net unearned premiums at 31 January	36.9	34.5

The net cost of purchasing reinsurance in 2022 was £7.7m (2021: £7.8m).

The insurance liabilities presented here, and on the face of the Group's statement of financial position, are based on an Ogden discount rate of -0.25%.

a) Discounting

Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of -1.5% (2021: -1.5%) representing the Group's view on long-term carer wage inflation, less the expected return on holding the invested financial assets associated with these claims.

The value of claims outstanding before discounting was £330.8m (2021: £390.7m) gross of reinsurance and £109.2m (2021: £133.4m) net of reinsurance.

The period between the statement of financial position date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 38 years (2021: 37 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2021: 2.0%).

¹¹ Gross claims incurred and reinsurers' share of claims incurred for the year ended 31 January 2021 have been restated due to an incorrect allocation between these classifications. Gross claims incurred have decreased by £13.8m and reinsurers' share of claims incurred has decreased by £13.8m. As a result of these changes, gross claims outstanding at 1 February 2020 have increased by £13.8m and reinsurance claims outstanding at 1 February 2020 have increased by £13.8m.

Notes to the financial statements continued**28 Insurance contract liabilities and reinsurance assets** continued**b) Analysis of claims incurred: claims development tables**

The following tables detail the Group's initial estimate of ultimate gross and net claims incurred over the past 10 years and the re-estimation at subsequent financial period ends.

The following table (re-presented) analyses the gross incurred claims (before deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												Gross claims out-standing
Analysis of claims incurred	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m	Claims paid £m	£m
Accident year													
2013 and earlier	279.0	(48.7)	(51.7)	(43.5)	(51.0)	(28.2)	(15.7)	(11.9)	(9.7)	(1.5)	n/a	n/a	35.2
2014		287.1	(15.1)	(21.6)	(14.3)	(8.4)	(9.8)	(3.2)	(3.7)	(0.2)	210.8	(196.2)	14.6
2015			231.6	12.9	(12.2)	(14.0)	(16.5)	(8.6)	(8.5)	(1.2)	183.5	(178.0)	5.5
2016				250.0	2.2	(11.0)	(33.1)	(7.3)	(1.9)	(9.7)	189.2	(171.6)	17.6
2017					204.2	(1.7)	(13.7)	(9.5)	(14.6)	(2.2)	162.5	(154.6)	7.9
2018						196.9	5.4	(10.9)	(10.8)	(7.0)	173.6	(157.3)	16.3
2019							185.4	4.5	(1.5)	(9.6)	178.8	(140.0)	38.8
2020								182.4	9.1	(9.9)	181.6	(142.4)	39.2
2021									142.9	(15.0)	127.9	(84.8)	43.1
2022										136.6	136.6	(69.9)	66.7
	279.0	238.4	164.8	197.8	128.9	133.6	102.0	135.5	101.3	80.3			284.9
Claims handling costs	17.5	17.2	18.0	21.4	20.6	20.8	18.0	16.7	16.3	14.3			7.9
	296.5	255.6	182.8	219.2	149.5	154.4	120.0	152.2	117.6	94.6			292.8

Favourable claims development over the year has resulted in a £56.3m (2021: £41.7m (re-presented)) reduction in the gross claims incurred in respect of prior years.

The analysis of gross incurred claims (before deducting reinsurance recoveries) on an accident year basis above has been re-presented due to errors in the allocation of claims across accident years, gross claims incurred in respect of PPOs and claims handling costs in the table previously reported for the year ended 31 January 2021.

Due to the value of individual PPO claims incurred, these are fully recoverable under excess of loss reinsurance and therefore this amendment has had no impact on net assets or net claims incurred in each financial year. For the financial year ended 31 January 2021, gross claims incurred have decreased by £13.8m, with a corresponding decrease to the reinsurers' share of gross claims incurred.

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

[illegible]

The following table (re-presented) analyses the net incurred claims (after deducting reinsurance recoveries) on an accident year basis:

Analysis of claims incurred	Financial year ended 31 January										Total £m	Claims paid £m	Net claims outstanding £m
	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 ¹² £m	2020 ¹² £m	2021 ¹² £m	2022 £m			
Accident year													
2013 and earlier	269.6	(57.0)	(43.1)	(49.4)	(42.9)	(25.5)	(17.2)	(10.4)	(7.3)	(2.3)	n/a	n/a	14.8
2014		276.8	(14.7)	(23.4)	(11.0)	(9.8)	(10.9)	(2.6)	(3.8)	–	200.6	(192.7)	7.9
2015			219.1	5.3	(9.2)	(11.1)	(16.4)	(5.0)	(7.9)	(1.0)	173.8	(168.7)	5.1
2016				220.9	3.2	(15.1)	(22.5)	(9.1)	(5.8)	(4.6)	167.0	(159.4)	7.6
2017					94.0	1.5	(3.8)	(1.9)	(3.6)	(0.5)	85.7	(77.1)	8.6
2018						78.8	(0.8)	(1.6)	(2.7)	(1.7)	72.0	(67.2)	4.8
2019							72.3	(0.2)	(0.1)	(2.0)	70.0	(58.9)	11.1
2020								55.9	0.6	(1.4)	55.1	(48.1)	7.0
2021									41.8	(4.9)	36.9	(28.2)	8.7
2022										43.7	43.7	(26.5)	17.2
	269.6	219.8	161.3	153.4	34.1	18.8	0.7	25.1	11.2	25.3			92.8
Claims handling costs	17.4	17.2	18.0	21.5	11.5	10.5	8.9	5.7 ¹³	7.0 ¹³	6.0			7.9
	287.0	237.0	179.3	174.9	45.6	29.3	9.6	30.8	18.2	31.3			100.7

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

	Financial year ended 31 January									
	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Accident year										
2013	76%	72%	67%	62%	58%	56%	55%	54%	53%	53%
2014		75%	71%	65%	62%	59%	56%	55%	54%	54%
2015			67%	69%	66%	63%	58%	56%	54%	53%
2016				70%	71%	66%	59%	56%	54%	53%
2017					56%	56%	54%	53%	51%	51%
2018						66%	65%	64%	62%	60%
2019							71%	71%	71%	69%
2020								63%	64%	62%
2021									53%	47%
2022										55%

Favourable claims development over the year has resulted in a £18.4m (2021: £30.6m) reduction in the net claims incurred in respect of prior years.

12 Net claims incurred by financial year have been amended and re-presented due to an incorrect allocation of claims across accident years

13 Claims handling costs for financial years ended 31 January 2020 and 31 January 2021 have been amended to correctly incorporate claims handling costs borne by companies across the Group

Notes to the financial statements continued

29 Contract liabilities

	2022 £m	2021 £m
Deferred revenue (Note 3b)	114.6	82.2
	114.6	82.2
Current	113.0	66.9
Non-current	1.6	15.3
	114.6	82.2

Deferred revenue comprises amounts received within the Travel segment for holidays and cruises with departure dates after the reporting date, and insurance premiums and sales revenues received in the Insurance segment in respect of insurance policies which commence after the reporting date, and represents the performance obligations not yet satisfied as at 31 January 2022. Contract liabilities have increased on the prior year due to the partial reversal in the current year of the adverse impact of the COVID-19 pandemic on the Travel business which occurred in the year ended 31 January 2021.

30 Loans and borrowings

	2022 £m	2021 £m
Bonds	400.0	250.0
Bank loan	-	70.0
Ship loans	515.6	515.6
Revolving credit facility	-	-
Accrued interest payable	5.9	8.3
	921.5	843.9
Less: deferred issue costs	(25.0)	(26.8)
	896.5	817.1

Term loan, RCF and bonds

As at 31 January 2021, the Group's financing facilities consisted of a £250.0m seven-year senior unsecured bond (repayable May 2024), a £200.0m five-year term loan facility (repayable May 2023) and a £100.0m five-year RCF (expiry in May 2023). The bond is listed on the Irish Stock Exchange.

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

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

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

In addition, the following amendments were also made:

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

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

The Group adopted 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' during the year (Note 2.5). In the UK, LIBOR was replaced by SONIA from the end of 2021. The Group took the decision to transition to SONIA from LIBOR at the time it reached agreement with its banks to amend the covenants on its RCF (see above). Subsequent to these amendments being adopted, 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.

At 31 January 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 £100.0m five-year RCF (expiry in May 2025). The bonds are listed on the Irish Stock Exchange.

At 31 January 2022, the Group had drawn £nil of its £100.0m RCF and since the May 2017 refinancing, the £200.0m five-year term loan has been repaid in full.

Accrued interest payable on the Group's term loan, RCF and bonds at 31 January 2022 is £2.8m (2021: £5.1m).

Cruise ship loans

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

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

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

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

- all principal payments to 31 March 2022 (£51.8m) are deferred and repaid over five years;
- all financial covenants until 31 March 2022 are waived;
- dividends remain restricted while the deferred principal is outstanding; and
- the Group is now subject to a minimum liquidity requirement of £40.0 million, which can be met through either cash or undrawn and committed facilities.

After the year end, the Group concluded discussions with its 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.

Please refer to Note 2.1 for further detail.

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 on the Group's cruise ship debt deferrals was incurred at a variable rate of LIBOR plus a bank margin. As noted above, the Group adopted 'Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' during the year (Note 2.5). In the UK, LIBOR was replaced by SONIA from the end of 2021. Subsequent to these amendments being adopted, interest payable on the Group's cruise ship debt deferrals is incurred at a variable rate of SONIA plus a bank margin. Amendments to the cruise ship debt facilities were executed in December 2021.

Accrued interest payable on the Group's Cruise ship loans at 31 January 2022 is £3.1m (2021: £3.2m).

Total debt and finance costs

At 31 January 2022, debt issue costs were £25.0m (2021: £26.8m). The movement in the year represents an increase following the issuance of the 2026 bond in July 2021, being more than offset by expense amortisation for the period.

During the year, the Group charged £37.4m (2021: £29.4m) to the income statement in respect of fees and interest associated with the bonds, term loan, ship loans and RCF. In addition, finance costs recognised in the income statement include £0.7m (2021: £0.8m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £2.7m (2021: £nil). The Group has complied with the financial covenants of its borrowing facilities during the current year and prior year.

Notes to the financial statements continued

31 Provisions

	PMI £m	Other £m	Total £m
At 1 February 2020	3.7	4.0	7.7
Utilised during the year	(2.8)	(1.2)	(4.0)
Released unutilised during the year	–	(1.1)	(1.1)
Charge for the year	4.0	5.1	9.1
At 31 January 2021	4.9	6.8	11.7
Utilised during the year	(4.8)	(8.5)	(13.3)
Released unutilised during the year	–	(0.4)	(0.4)
Charge for the year	0.7	8.0	8.7
At 31 January 2022	0.8	5.9	6.7
	PMI £m	Other £m	Total £m
Current	0.8	5.6	6.4
Non-current	–	0.3	0.3
At 31 January 2022	0.8	5.9	6.7
	PMI £m	Other £m	Total £m
Current	4.9	6.2	11.1
Non-current	–	0.6	0.6
At 31 January 2021	4.9	6.8	11.7

The COVID-19 pandemic continues to lead to a high level of disruption to private medical inpatient appointments, with appointments and operations initially being delayed and rescheduled. In the current year, a provision has been recognised relating to the underwriting performance of the private medical insurance (PMI) product due to the higher level of claims incurred during the year and the liability to the underwriter that this gives rise to. In the prior year, delayed appointments had a favourable impact on the underwriting performance of PMI, resulting in a profit share due from the underwriter. Due to the Group's public commitment to not profit from the impacts of COVID-19, a provision to offset this profit share was made during the prior year.

Other provisions primarily comprise: provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date or as a result of being cancelled during the statutory cooling-off period after the reporting date; credit hire and repair claims handling and litigation costs on income booked as at the reporting date; fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date; customer remediation relating to areas where there is likely to be a requirement to remedy various errors that have had an adverse impact on customer outcomes; and an employer liability provision relating to various Group-related, self-funded insurance arrangements.

All provisions are expected to be fully utilised over the next 12 months with the exception of the fleet insurance, credit hire and repair claims handling and litigation costs, and employer liability provisions. The timing of fleet insurance costs is uncertain and will depend upon the nature of each incident. The costs of debt recovery on credit hire and repair claims handling and litigation costs are uncertain and will depend upon the nature and timing of each claim. The settlement cash outflows from the employer liability provision depend on the timing of the settlement of claims.

These items are reviewed and updated annually.

32 Reconciliation of liabilities arising from financing activities

The following tables analyse the cash and non-cash movements for liabilities arising from financing activities:

	2021 £m	Cash flows £m	Non-cash changes		2022 £m
			New leases and lease modifications (Note 18) £m	Other £m	
Lease liabilities (Note 37)	4.4	(3.6)	33.5	-	34.3
Bank loans (Note 30)	70.0	(70.0)	-	-	-
Ship loans (Note 30)	515.6	-	-	-	515.6
Bonds (Note 30)	250.0	150.0	-	-	400.0
Deferred issue costs (Note 30)	(26.8)	(6.8)	-	8.6	(25.0)

	2020 £m	Cash flows £m	Non-cash changes		2021 £m
			New leases and lease modifications (Note 18) £m	Other £m	
Lease liabilities (Note 37)	28.6	(4.0)	(20.2)	-	4.4
Bank loans (Note 30)	140.0	(70.0)	-	-	70.0
Ship loans (Note 30)	234.8	280.8	-	-	515.6
Revolving credit facility (Note 30)	10.0	(10.0)	-	-	-
Bonds (Note 30)	250.0	-	-	-	250.0
Deferred issue costs (Note 30)	(14.2)	(17.4)	-	4.8	(26.8)

Included within 'Other' is the amortisation of deferred issue costs of £8.6m (2021: £4.8m).

Cash flows relating to bank loans comprise repayment of borrowings of £70.0m (2021: £70.0m).

In the current year, cash flows relating to bonds comprise proceeds from borrowings of £250.0m, relating to a new five-year senior unsecured bond, less repayment of borrowings of £100.0m, relating to the existing seven-year senior unsecured 2024 bond.

In the prior year, cash flows relating to ship loans comprise proceeds from borrowings of £280.8m.

In the prior year, cash flows relating to the RCF comprise proceeds from borrowings of £50.0m less repayment of borrowings of £60.0m.

Accrued interest payable on the loans, RCF and bonds above is disclosed in Note 30.

Notes to the financial statements continued

33 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £m
Allotted, called up and fully paid			
At 1 February 2020	1,122,003,328	0.01	11.2
Issue of shares – 5 October 2020			
First Firm Placing	224,400,000	0.01	2.2
Second Firm Placing	124,183,026	0.01	1.2
Placing and Open Offer	623,335,182	0.01	6.3
	971,918,208	0.01	9.7
Sub-total before share consolidation	2,093,921,536	0.01	20.9
Share consolidation – 13 October 2020	(1,954,326,767)		
Issue of shares – 18 November 2020	507,458	0.15	0.1
At 31 January 2021	140,102,227	0.15	21.0
Issue of shares – 12 November 2021	235,044	0.15	0.1
At 31 January 2022	140,337,271	0.15	21.1

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

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

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

Under the Firm Placing and Open Offer, on 5 October 2020 the Company issued 971,918,208 new ordinary shares, raising £150.3m of funds which were utilised to repay part of the Group's term loan and repay in full the drawn RCF, with the balance of the proceeds raised increasing Available Cash¹⁴. The issue was fully subscribed.

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

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

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

On 12 November 2021, Saga plc issued 235,044 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an EBT to satisfy employee incentive arrangements.

34 Reserves

Share-based payment reserve

Prior to vesting, the share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. More detail is provided in Note 36.

Fair value reserve

The fair value reserve comprises the unrealised gains or losses of FVOCI assets pending subsequent recognition in profit or loss once the investment is derecognised.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in: (a) profit or loss as the hedged cash flows or items affect profit or loss; or (b) the statement of financial position as the hedged cash flows or items affect property, plant and equipment.

35 Capital management

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

For the purposes of the Group's capital management, capital comprises total equity of £652.9m (2021: £680.7m) as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

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

The Group's regulated Underwriting business is based in Gibraltar and regulated by the FSC. The Underwriting business is required to ensure that it has a sufficient level of capitalisation in accordance with Solvency II.

The Group (and its subsidiaries) has complied with externally-imposed capital requirements during the year. (The amounts set out in the following three paragraphs are provisional and unaudited.)

The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2022, having previously received approval from the FSC for the Undertaking of Specific Parameters when applying the standard formula to measure capital requirements for this business under Solvency II rules. Under Solvency II, AICL remained well capitalised, and at 31 January 2022 available capital was £115.1m against a Solvency Capital Requirement of £54.1m, giving 213% coverage. As at 31 January 2021, available capital was £123.9m against a Solvency Capital Requirement of £77.0m, giving 161% coverage.

The Group's regulated Insurance distribution business is based in the UK and regulated by the FCA. Due to the nature of the business, the capital requirements are significantly less than the Underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 2.4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of capital in respect of the insurance distribution business. The Minimum Regulatory Capital requirement of this business at 31 January 2022 was £11.7m (2021: £5.3m).

The regulated Travel businesses are required to comply with a main test based on liquidity. The CAA liquidity test is a requirement to hold at least 70% of advanced customer receipts in cash on the last day of each month. The Group monitors its compliance with this test on a monthly basis including forward-looking compliance using budgets and forecasts. As at 31 January 2022 and 31 January 2021, the Travel businesses had sufficient coverage against this covenant.

Notes to the financial statements continued

36 Share-based payments

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

a. Share options and Free Shares offer granted at the time of the IPO

- On 29 May 2014, nil cost options over 13,132,410 shares were granted to certain Directors and employees with no exercise price and no service or performance vesting conditions. There are no cash settlement alternatives.
- Eligible customers and employees who acquired their shares under the Customer or Employee Offers in the Prospectus received one bonus share for every 20 shares they acquired and held continuously for one year to 29 May 2015. As these were bonus shares, there was no exercise price and no cash settlement alternative.

b. Restricted Share Plan (RSP)

- The RSP is a discretionary executive share plan under which the Board may grant options over shares in Saga plc.
- On 9 April 2021, nil cost options over 713,343 shares were issued under the RSP to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

c. Long-term incentive plan (LTIP)

- The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc.
- Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, earnings per share, and 50% linked to a market vesting condition, total shareholder return (TSR).
- From 1 February 2017 to 31 January 2018, these options were 60% linked to non-market vesting conditions (30% linked to basic earnings per share and 30% linked to organic earnings per share) and 40% linked to a market vesting condition, TSR.
- From 1 February 2018, these options were 60% linked to non-market vesting conditions (30% linked to organic earnings per share and 30% linked to return on capital employed (ROCE)) and 40% linked to a market vesting condition, TSR.
- From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.

d. Deferred Bonus Plan (DBP)

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

e. Other share options

- On 2 December 2015, nil cost options over 99,552 shares were issued to the Chief Marketing Officer at the time which were to vest on the second anniversary of his appointment, subject to continuing employment. Following the cessation of his employment, the vesting period was extended to 1 May 2020.

f. Employee Free Shares

- On 16 November 2021, 212,326 shares were awarded to eligible employees on the seventh anniversary of the IPO and allocated at nil cost; these shares become beneficially owned over a three-year period from allocation, subject to continuing service.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. With the exception of share options granted at the time of the IPO, if an employee ceases to be employed by the Group, the option rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

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

	IPO options	RSP	LTIP	DBP	Other options	Employee Free Shares	Total
At 1 February 2021	8,437	812,967	841,235	130,740	6,636	409,929	2,209,944
Granted	-	713,343	-	236,815	-	212,326	1,162,484
Forfeited	-	(163,972)	(221,230)	-	(6,636)	(37,256)	(429,094)
Exercised	-	-	(1,802)	(2,053)	-	(24,433)	(28,288)
At 31 January 2022	8,437	1,362,338	618,203	365,502	-	560,566	2,915,046
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Exercisable at 31 January 2022	8,437	-	9,783	3,115	-	71,034	92,369
Average remaining contractual life	0.0 years	1.9 years	0.7 years	1.8 years	0.0 years	1.8 years	1.4 years
Average fair value at grant	£27.75	£3.25	£6.96	£4.10	£30.33	£6.09	£5.14

The average fair values at grant date have been restated to reflect the impact of the share consolidation.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 January 2022 was £3.85 (2021: £2.42).

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

	RSP	DBP	Employee Free Shares
Model used	Black-Scholes	Black-Scholes	Black-Scholes
Expected life of share option	3 years	3 years	3 years
Weighted average share price (£)	£3.86	£3.71	£2.87

As at 31 January 2022, the Group did not hold any liability in relation to cash-settled share-based remuneration that had vested by the end of the year.

As only limited historical data for the Group's share price is available, the Group has estimated the Company's share price volatility as an average of the volatilities of its TSR comparator group over a historical period commensurate with the expected life of the award immediately prior to the date of the grant.

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

The total amount charged to the income statement in the year ended 31 January 2022 is £3.4m (2021: £2.4m). This has been charged to administrative and selling expenses.

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

Notes to the financial statements continued

37 Commitments and contingencies

a) Lease commitments

The Group leases various river cruise ships, offices, warehouses, equipment and vehicles. The contract lengths of the leases vary considerably and may include extension or termination options. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option are included in the measurement of the lease liability. Future minimum lease payments under lease contracts, together with the present values of the net minimum lease payments, are as follows:

	2022 £m	2021 £m
Within one year	5.4	2.3
Between one and five years	19.5	2.2
After five years	18.0	0.1
Total minimum lease payments	42.9	4.6
Less amounts representing finance charges	(7.6)	(0.2)
Present value of minimum lease payments	35.3	4.4

Please refer to Note 18 for further details on modification of lease terms during the prior year.

As at 31 January 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 £42.5m (2021: £92.7m). As at 31 January 2021, these lease commitments relate to the river cruise vessels, Spirit of the Rhine and Spirit of the Danube. As at 31 January 2022, these lease commitments relate to the river cruise vessel, Spirit of the Danube.

b) Commitments

As at 31 January 2022, the capital amount contracted for, but not provided for, in the financial statements in respect of property, plant and equipment, amounted to £nil (2021: £nil).

c) Contingent liabilities

The CAA and ABTA regulate the Group's UK Tour Operations business. ABTA requires the Group to put in place bonds to provide customer protection. At 31 January 2022, the Group had £19.4m (2021: £21.0m) of tour operating-related bonds in place.

38 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. Immediately before the classification of the properties to be held for sale, their recoverable amounts were ascertained and this resulted in an impairment charge of £4.5m being recognised against the Group's freehold land and buildings assets (Note 17a). 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. These properties are presented within the Insurance segment of the Group, and as at 31 January 2021 were being actively marketed and the disposals were expected to be completed within 12 months of the end of the financial year. No gains or losses were recognised with respect to the properties.

During the year, the Group declassified one of the properties classified as held for sale at 31 January 2021, to property, plant and equipment since it was no longer being actively marketed for disposal. The carrying value of this property as at 31 January 2021 was £3.0m. Other than this one property, there have been no changes in relation to the Group's intention to sell any of the properties classified as held for sale at 31 January 2021, and so the held for sale designation is considered to remain appropriate for the remaining properties as at 31 January 2022.

During the year, 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.

Management conducted an impairment review of the freehold property assets held for sale as at 31 January 2022. In relation to these freehold properties, value-in-use continued to be negligible and so the Group obtained updated market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £1.0m should be recognised against the Group's property assets held for sale as at 31 January 2022. As at 31 January 2022, the carrying values of the properties classified as held for sale, totalling £12.9m, are representative of either each property's fair value or historic cost, whichever is lower.

39 Subsidiaries

The entities listed below are subsidiaries of the Company or Group. All of the undertakings are wholly owned and included within the consolidated financial statements. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, United Kingdom. The registered office address of Acromas Insurance Company Limited is 57/63 Line Wall Road, Gibraltar. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The registered office address of Saffron Maritime Limited is Aspire Corporate Services Limited, PO Box 191, Elizabeth House, Ruettes Brayes, St Peter Port, Guernsey, GY1 4HW.

Company name	Country of registration	Nature of business
Saga Personal Finance Limited	England	Delivery of regulated investment products
Saga Services Limited	England	Regulated Insurance distribution
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
CHMC Limited ¹⁵	England	Motor accident management
PEC Services Limited ¹⁵	England	Repairer of automotive vehicles
ST&H Limited	England	Tour operating
Titan Transport (UK) Limited	England	Tour operating
Titan Travel (UK) Limited	England	Tour operating
Titan Travel Group Limited	England	Tour operating
Titan Transport Limited (formerly Saga Transport Limited)	England	Tour operating
Saga Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saga Crewing Services Limited	England	Cruising
Saffron Maritime Limited	Guernsey	Cruising
MetroMail Limited ¹⁵	England	Mailing house
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited ¹⁵	England	Publishing
Saga Membership Limited ¹⁵	England	Customer loyalty scheme
Driveline Group Limited	England	Holding company
CHMC Holdings Limited	England	Holding company
Saga Group Limited	England	Holding company
Saga Leisure Limited	England	Holding company
ST&H Group Limited	England	Holding company
Confident Services Limited	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Enbrook Cruises Limited	England	Dormant company
Saga Cruises I Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Healthcare Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Properties Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit of Adventure Limited	England	Dormant company
ST&H Transport Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

¹⁵ These subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 January 2022. As required, Saga plc, the ultimate parent undertaking and controlling party of the Group, guarantees all outstanding liabilities to which these subsidiary companies are subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against Saga plc as the ultimate parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities

Notes to the financial statements continued

40 Related party transactions

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

As explained in Note 30, in June 2021, the Group announced a number of financing transactions intended to improve its financial flexibility by increasing available liquidity, extending debt maturities and providing greater headroom against covenants. Following the completion of these transactions, the working capital facility agreement with Roger De Haan was subsequently cancelled with effect from July 2021.

41 Events after the reporting period

After the year end, the Group concluded discussions with its 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.

Please refer to Note 30 for further details relating to the Group's cruise ship debt facilities.

Company financial statements of Saga plc

Balance sheet

	Note	2022 £m	2021 £m
Non-current assets			
Investment in subsidiaries	2	552.3	552.3
Current assets			
Debtors – amounts falling due after more than one year	3	501.8	412.5
Debtors – amounts falling due within one year	3	3.0	2.2
Cash and short-term deposits		38.0	0.1
		542.8	414.8
Creditors – amounts falling due within one year	4	(3.9)	(4.8)
Net current assets		538.9	410.0
Creditors – amounts falling due after more than one year	5	(396.2)	(248.9)
Net assets		695.0	713.4
Capital and reserves			
Called up share capital	6	21.1	21.0
Share premium account		648.3	648.3
Profit and loss reserve		18.1	38.2
Share-based payment reserve		7.5	5.9
Total shareholders' funds		695.0	713.4

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the Act). The loss included in the financial statements of the Company, determined in accordance with the Act, was £21.9m (2021: £14.2m).

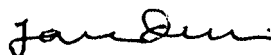
Company number: 08804263

The Notes on pages 195-200 form an integral part of these financial statements.

Signed for and on behalf of the Board on 22 March 2022 by



E A Sutherland
Group Chief Executive Officer



J B Quin
Group Chief Financial Officer

Company financial statements of Saga plc

Statement of changes in equity

	Called up share capital £m	Share premium account £m	Retained earnings £m	Share-based payment reserve £m	Total equity £m
At 1 February 2020	11.2	519.3	48.8	8.0	587.3
Loss for the financial year	–	–	(14.2)	–	(14.2)
Dividends paid	–	–	(0.1)	–	(0.1)
Issue of share capital (Note 6)	9.8	140.6	–	–	150.4
Transaction costs associated with issue of share capital	–	(11.6)	–	–	(11.6)
Share-based payment charge	–	–	–	2.3	2.3
Exercise of share options	–	–	3.7	(4.4)	(0.7)
At 31 January 2021	21.0	648.3	38.2	5.9	713.4
Loss for the financial year	–	–	(21.9)	–	(21.9)
Issue of share capital (Note 6)	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	18.1	7.5	695.0

The Notes on pages 195-200 form an integral part of these financial statements.

Notes to the Company financial statements

1.1 Accounting policies

a) Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 (the Act) and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, and are prepared on a going concern basis (please refer to Note 2.1 of the Saga plc consolidated accounts on pages 126-127 for an assessment of the going concern basis for the Group and the Company).

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2022.

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

- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment'.

b) Investments in subsidiaries

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

c) Debtors

Trade and other debtors are initially recognised at fair value and, where the time value of money is material, subsequently measured at amortised cost using the effective interest rate (EIR) method. Provision for impairment is made using the simplified approach set out in IFRS 9, whereby no credit loss allowance is recognised on initial recognition, and then at each subsequent reporting date the loss allowance will be the present value of the expected cash flow shortfalls over the remaining life of the debtors (i.e. lifetime expected credit losses (ECLs)). Balances are written off when the probability of recovery is assessed as being remote.

Amounts due from Group undertakings are classified as debtors. They have no fixed date of payment and are payable on demand. The amounts due from Group undertakings are disclosed at amortised cost.

d) Deferred tax

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

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

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

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

Notes to the Company financial statements continued

1.1 Accounting policies continued

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

e) Share-based payments

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

Fair values of share-based payment transactions are calculated using Black-Scholes modelling techniques.

In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

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

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

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

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

f) Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics.

The Company measures all financial assets at fair value at each reporting date, other than those instruments measured at amortised cost.

The Company's financial assets at amortised cost include amounts due from Group undertakings. The Company does not hold any financial assets classified as FVOCI or FVTPL.

Financial assets at amortised cost

Initial recognition and measurement

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

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

Subsequent measurement

These assets are subsequently measured at amortised cost using the EIR method. The amortised cost is reduced by impairment losses (see (ii) below). Impairment losses are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

Derecognition

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

ii) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to 12-month ECLs, except for trade receivables and contract assets that result from transactions within the scope of IFRS 15.

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition.

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

The Company's financial liabilities comprise loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

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

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

g) Audit remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

1.2 Significant accounting judgements, estimates and assumptions

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

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
1.1b	Investment in subsidiaries impairment testing	The Company determines whether investment in subsidiaries needs to be impaired when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value.
Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in Note 2 on page 198.		

Notes to the Company financial statements continued

2 Investment in subsidiaries

	£m
Cost	
At 1 February 2020	4,132.7
At 31 January 2021 and 31 January 2022	4,132.7
Amounts provided for	
At 1 February 2020	3,580.4
At 31 January 2021 and 31 January 2022	3,580.4
Net book value	
At 31 January 2022	552.3
At 31 January 2021	552.3

See Note 39 to the consolidated financial statements for a list of the Company's investments.

Management has tested the investment in subsidiaries balance for impairment at 31 January 2022 due to the net assets of the Company being in excess of its market capitalisation; thus constituting an indicator of impairment. The impairment test compares the recoverable amount of investment to its carrying value.

The recoverable amount of the investment has been determined based on a sum-of-the-parts valuation, by deriving a value-in-use for each of the Group's businesses, using cash flow projections from the Group's Board-approved five-year plan to 2026/27. Terminal values have been included using 2.0% as the expected long-term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate derived from the Group's weighted average cost of capital, and risk adjusted for each of the Group's businesses based on relative industry betas and cost of debt levels. The recoverable amount is the value-in-use, being the sum of the value-in-use of the Group's cash generating units and the present value of central costs less the market value of external debt and the net assets of the Company (excluding the carrying value of the investment in subsidiaries).

In the current year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in headroom of £487.7m in a central scenario. When considering an array of stress tests to the Group's projected cash flows in line with the reasonable worst-case (RWC) assumptions outlined in Note 2.1 of the Saga plc consolidated accounts on pages 126-127, combined with a lower terminal growth rate of 1.5%, the level of headroom reduced to £129.1m. Management therefore concluded that it is not necessary to impair the investment in subsidiaries, nor would it be appropriate to reverse any impairment already recognised in previous years at this point.

The surplus calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2022 and its impact on the headroom against the carrying value of investment in subsidiaries is as follows:

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £m	-1.0ppt £m	+1.0ppt £m	-1.0ppt £m
Impact	(220.7)	286.4	221.3	(171.2)

3 Debtors

	2022 £m	2021 £m
Amounts falling due after more than one year		
Amounts due from Group undertakings	501.8	412.5
	501.8	412.5
	2022 £m	2021 £m
Amounts falling due within one year		
Deferred tax asset	1.7	1.0
Other debtors	1.3	1.2
	3.0	2.2

4 Creditors – amounts falling due in less than one year

	2022 £m	2021 £m
Other creditors	2.0	3.0
Accrued interest payable	1.9	1.8
	3.9	4.8

5 Creditors – amounts falling due in more than one year

	2022 £m	2021 £m
Bonds	400.0	250.0
Unamortised issue costs	(3.8)	(1.1)
	396.2	248.9

Please refer to Note 30 of the Saga plc consolidated accounts on pages 182-183 for further details relating to the bonds.

6 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £m
Allotted, called up and fully paid			
At 1 February 2020	1,122,003,328	0.01	11.2
Issue of shares – 5 October 2020			
First Firm Placing	224,400,000	0.01	2.2
Second Firm Placing	124,183,026	0.01	1.2
Placing and Open Offer	623,335,182	0.01	6.3
	971,918,208	0.01	9.7
Sub-total before share consolidation	2,093,921,536	0.01	20.9
Share consolidation – 13 October 2020	(1,954,326,767)		
Issue of shares – 18 November 2020	507,458	0.15	0.1
At 31 January 2021	140,102,227	0.15	21.0
Issue of shares – 12 November 2021	235,044	0.15	0.1
At 31 January 2022	140,337,271	0.15	21.1

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

Under the Firm Placing and Open Offer, on 5 October 2020 the Company issued 971,918,208 new ordinary shares, raising £150.3m of funds which were utilised to repay part of the Group's term loan and repay in full the drawn revolving credit facility, with the balance of the proceeds raised increasing Available Cash¹⁶. The issue was fully subscribed.

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

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

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

On 12 November 2021, Saga plc issued 235,044 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an EBT to satisfy employee incentive arrangements.

Please refer to Note 33 of the Saga plc consolidated accounts on page 186 for further details on the movements in share capital during the prior year.

Notes to the Company financial statements continued

7 Commitments

The Company has provided guarantees for the Group's bonds, term loan, ship debt, RCF and bank overdraft (please refer to Notes 25 and 30 of the Saga plc consolidated accounts on pages 174, and 182-183, respectively for further details).

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 (Loss)/Profit Before Tax

Underlying (Loss)/Profit Before Tax represents the 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 gains on river cruise ship leases, costs incurred for ship debt holiday and restructuring costs. It is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 36.

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

Trading EBITDA/Adjusted Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the amortisation of acquired intangibles, non-trading costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16 and the Trading EBITDA relating to the two 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 (Loss)/Profit Before Tax within the Group Chief Financial Officer's Review on page 47. Underlying (Loss)/Profit Before Tax is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 38.

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

Underlying Basic (Loss)/Earnings Per Share

Underlying Basic (Loss)/Earnings Per Share represents basic loss per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the 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 and restructuring costs. This measure is reconciled to the statutory basic loss per share in Note 12 to the accounts on page 153.

This measure is linked to the Group's key performance indicator Underlying (Loss)/Profit Before Tax and represents what management considers to be the underlying shareholder value generated in the year.

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 25 to the accounts on page 174.

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 from operating activities within the Group Chief Financial Officer's Review on page 47.

Adjusted Net Debt

Adjusted Net Debt is the sum of the carrying values of the Group's debt facilities less the amount of Available Cash it holds but excludes the ship debt and the Cruise business Available Cash. It is linked to the 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 49.

Glossary

ABTA (Association of British Travel Agents) the trade association for tour operators and travel agents in the UK

Accident year the financial year in which an insurance loss occurs

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

AGM (Annual General Meeting) to be held at 11.00am on 5 July 2022 at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE

AICL (Acromas Insurance Company Limited) the Group's underwriting business

ATOL (Air Travel Organiser's Licence) government-run financial protection scheme operated by the Civil Aviation Authority

Beta measures the market risk of the Company excluding the impact of debt

Board Saga plc Board of Directors

CAA (Civil Aviation Authority) one of the bodies that regulates the Group's Travel business, responsible for the management of the Air Travel Organisers Licence (ATOL) scheme

CDP (Carbon Disclosure Project) charity that manages companies' disclosure of their environmental impacts

CEO (Chief Executive Officer) Euan Sutherland for the 2021/22 financial year

CFO (Chief Financial Officer) James Quin for the 2021/22 financial year

CGU (cash generating unit) group of assets that generate cash inflows

CIIA (Chartered Institute of Internal Auditors) body representing internal auditors in the UK

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

Claims reserves accounting provisions that have been set to meet outstanding insurance claims, incurred but not reported and associated claims handling costs

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

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

Company Saga plc

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

Core policy an insurance policy that is actively marketed and sold on its own, irrespective of any add-ons purchased

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

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

DBP (Deferred Bonus Plan) reward scheme used to incentivise colleagues over the longer term, ensuring alignment with Company goals

DE&I (diversity, equity and inclusion) the agenda under which Saga is committed to creating an inclusive culture where all colleagues can bring their full and authentic selves to work

Discontinued operations operations divested or those that have been classified as held for sale

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

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

Earnings per share represents underlying shareholder value generated in a given period

EBITDA earnings before interest, tax, depreciation and amortisation of acquired intangibles, non-trading costs and impairments

EBT (Employee Benefit Trust) trust established to hold assets to provide benefits for employees

ECL (expected credit loss) impairment model applied to financial assets

EIR (effective interest rate) method used to calculate interest paid and payable

ELT (Executive Leadership Team) the first layer of management below Board level

EQA (External Quality Assessment) an assessment carried out by PwC under the Chartered Institute of Internal Auditors Standards

ESG (Environmental, Social and Governance) central factors in measuring the sustainability and societal impact of the business

Executive Director of Saga plc (unless otherwise stated)

Expense ratio the ratio of expenses incurred to underwrite insurance (numerator) to the revenue earned by Acromas Insurance Company Limited (AICL) (denominator) in a given period

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

FRC (Financial Reporting Council) the independent body that regulates auditors, accountants and actuaries in the UK

FRS (Financial Reporting Standard) accounting standards issued by the International Financial Reporting Standards Foundation

FSC (Financial Services Commission) regulator for the non-bank financial services sector and global business

FTO (Federation of Tour Operators) body that regulates the Group's Tour Operations business

FVOCI (fair value through other comprehensive income) one of three classification categories for financial assets under IFRS 9

FVTPL (fair value through profit and loss) one of three classification categories for financial assets under IFRS 9

GAAP (Generally Accepted Accounting Principles) a common set of accounting principles, standards and procedures issued by the Financial Accounting Standards Board

GFSC (Gibraltar Financial Services Commission) independent Gibraltar body that regulates the Group's Underwriting business

GHG (greenhouse gas) a type of gas for which Saga provides annual reporting on its emissions

Group the Saga plc group

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

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

IAS (International Accounting Standards) accounting standards issued by the International Accounting Standards Committee

IATA (International Air Transport Associations) trade association of the world's airlines

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

IBOR (inter-bank offered rate) a group of widely accepted interest rate benchmarks

IFRS (International Financial Reporting Standards) accounting standards issued by the International Accounting Standards Board

Interest cover the ratio of total net cash interest to Adjusted Trading EBITDA

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

IPT (insurance premium tax) tax payable on general insurance premiums in the UK

IR (Investor Relations) team responsible for facilitating communication between Saga plc and its shareholders

KPI (key performance indicator) quantifiable measure used to evaluate performance

Leverage ratio the ratio of Adjusted Net Debt to Adjusted Trading EBITDA

LIBOR (London inter-bank offered rate) benchmark interest rate estimated from London banks

Listing Rules a set of mandatory regulations of the UK Financial Conduct Authority applicable to a company listed on the London Stock Exchange

Load factor the total number of Cruise passengers booked in proportion to the total cruise ship capacity

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

LSE (London Stock Exchange) the stock exchange upon which Saga plc is listed

LTIP (long-term incentive plan) reward scheme used to incentivise colleagues over the longer term, ensuring alignment with Company goals

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

MCA (Maritime and Coastguard Agency) executive agency of the UK working to prevent the loss of lives

Mental Health First Aider a specialist group of first aiders within Saga plc, focused on mental health

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

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

Net interest expense finance costs less finance income

NPS (net promoter score) represents the willingness of customers to recommend Saga products and services to others

OCI (other comprehensive income) revenues, expenses, gains and losses under International Financial Reporting Standards that are excluded from the income statement

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

Open Offer the offer that took place in October 2020 as part of the capital raise, allowing qualifying shareholders to subscribe for new shares at a ratio of five new shares for every nine existing shares held

PBT (profit before tax) one of the Group's primary key performance indicators

Per diem the total amount of Cruise revenue earned per passenger per day

PMI (private medical insurance) one of the products offered within the Groups Retail Broking business

Policies in force the number of core insurance policies in force at any given time

PPO (periodic payment order) a court order prescribing settlement of an insurance claim through regular payments

PRUs (principal risks and uncertainties) the most significant risks threatening Saga plc

RCF (revolving credit facility) the facility that Saga has in place with its lending banks, allowing draw down of funds up to £100m

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

ROCE (return on capital employed) a financial ratio used as a performance condition under the legacy long-term incentive plan

RSP (Restricted Share Plan) share scheme, and corresponding share awards used to incentivise colleagues over the longer term, ensuring alignment with Company goals

RWC (reasonable worst-case) the Group's severe, but plausible, downside scenario

Shareholder Reference a unique reference code issued to investors of Saga plc

SIP (Share Incentive Plan) a plan available to all colleagues allowing them to purchase shares in Saga plc through a monthly payroll deduction

SLT (Senior Leadership Team) the second layer of management below Board level

SMT (Saga Management Team) the third layer of management below Board level

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

SONIA (Sterling Overnight Index Average) a replacement for the London inter-bank offered rate, introduced in the UK in 2021

Speak Up a policy which allows colleagues to raise any matters of concern within the workplace

SSL (Saga Services Limited) the Group's Retail Broking Business

tCO₂e tonnes of carbon dioxide equivalent, a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO₂

Tell Euan About a communications forum allowing colleagues to interact with the Group Chief Executive Officer

TOM (target operating model) description of the desired operating model for Saga plc

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

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

Working@Saga a collaborative initiative to design, refit and repurpose our office space to support new ways of working

Shareholder information

Financial calendar

2022 Annual General Meeting – 5 July 2022

Shareholder information online

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

You can change your communication preference using Equiniti (EQ)'s Shareview Portfolio (accessed via www.sagashareholder.co.uk) or by contacting EQ. To register, you will need your Shareholder Reference and Activation Code. You can find your Activation Code on the introductory communications from EQ and your Shareholder Reference can be found on most documentation, including your share certificate.

You can also manage your shareholding online via Shareview Portfolio. It is free to use, secure, easy to administer and allows you to update your UK bank account details, send your voting instructions in advance of general meetings, keep your contact details up to date and buy and sell shares easily.

Shareholder fraud

Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If any such unsolicited communication is received, please check that the company or person contacting you is properly authorised by the Financial Conduct Authority (FCA) before getting involved. Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way, you may lose your money. For more information, or if you are approached by fraudsters, please visit the FCA website (www.fca.org.uk/consumers/scams), where you can report and find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 1116768. If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

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customer@equiniti.com

Information for shareholders

Information for shareholders is provided on the internet as part of the Group's corporate website (www.corporate.saga.co.uk/investors).

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Registered in England. Company Number: 08804263

Corporate websites

Information made available on the Group's websites does not, and is not intended to, form part of this Annual Report and Accounts.

Forward-looking statements

This Annual Report and Accounts contains certain forward-looking statements with respect to Saga's expectations, including strategy, management objectives, future developments and financial position and performance. These statements are subject to assumptions, risks and uncertainties, many of which relate to factors that are beyond Saga's ability to control and which could cause actual results and performance to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made are based upon the knowledge and information available to Directors on the date of this Annual Report and Accounts and are subject to change without notice. Shareholders are cautioned not to place undue reliance on the forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit estimate or forecast.

This publication is produced by a CarbonNeutral® company and Carbon Balanced with World Land Trust.

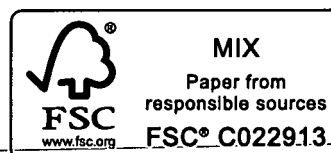
Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO₂ and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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