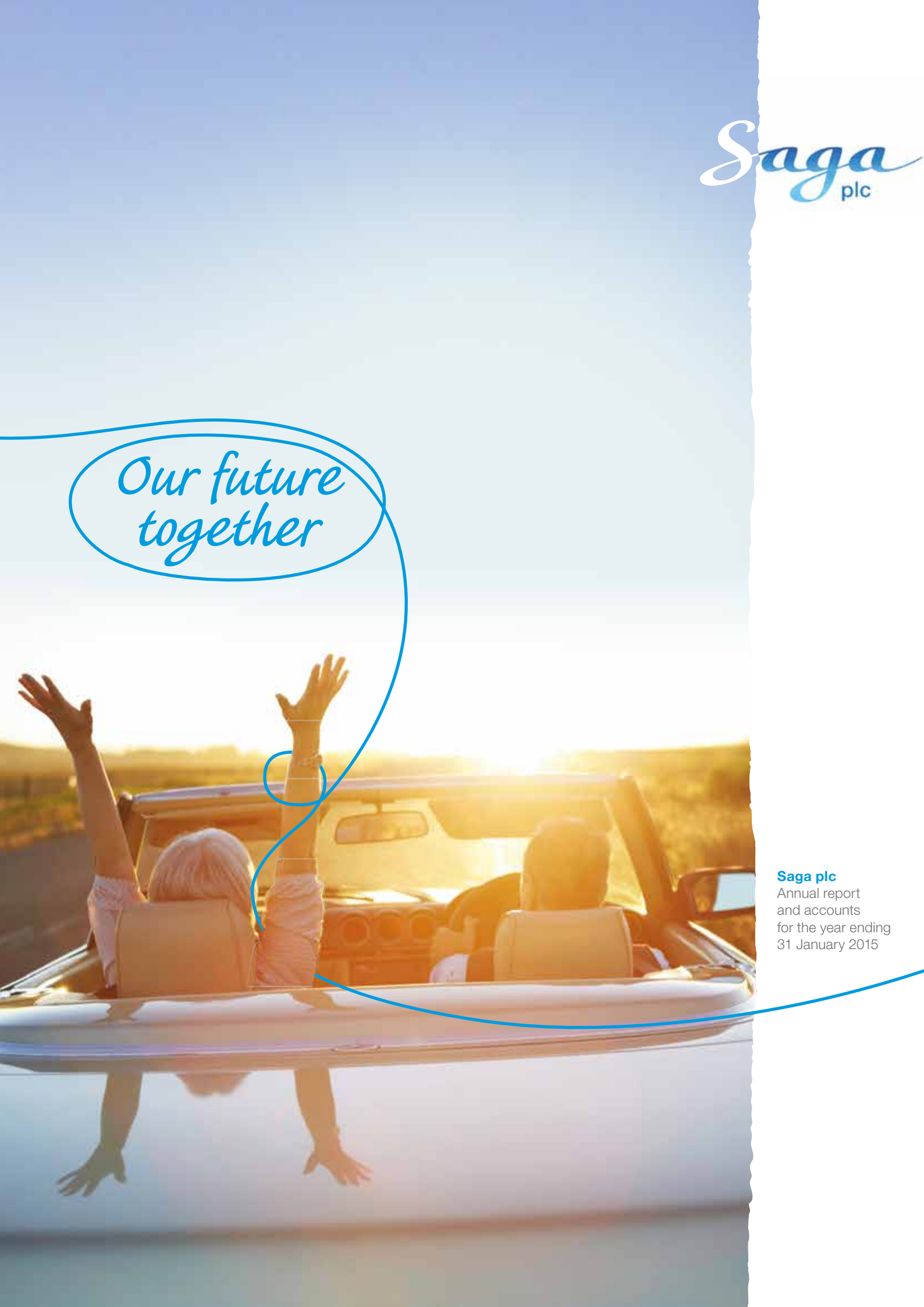


*Our future
together*

Saga plc
Annual report
and accounts
for the year ending
31 January 2015



Welcome to Saga plc's first annual report and accounts

Saga is the leading provider of products and services tailored for UK customers aged 50 and over. We have become the business we are today by communicating closely with our customers, understanding their needs and putting them at the heart of everything we do.

This report gives us the opportunity to demonstrate this approach in our communication with our shareholders. The following pages provide a detailed description of where the business stands today and our strategy for continuing to deliver growth and sustainable value for our shareholders in the long term.

Financial highlights, continuing operations¹

Group Trading EBITDA

£227.4m

from continuing operations
up 6.0%

Like-for-like profit before tax

£195.5m

up 9.6%

Available operating cash flow

£170.9m

72.3% of total Trading EBITDA from continuing and discontinuing operations

Debt ratio

Net debt to EBITDA

2.5x

beating debt reduction target

Pro forma operating earnings per share (basic)

12.6p

up 13.5%

Reported profit before tax from continuing operations

£113.8m

after IPO expenses and one-off cost of new debt facilities

Proposed final dividend per share

4.1p

top of the range detailed at the IPO

Top end of target dividend range increased to

60%

of net income

¹ On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare. Accordingly, this has been treated as a discontinued operation and is not included in the like-for-like analysis. After the associated non-cash write-down, and the result of the discontinued operation, totalling £220.2m, the Group reported a loss after tax of £133.8m for the year.

Operational highlights

Successful IPO with over

200,000

retail investors becoming shareholders **over 80%** of whom are customers

Contactable people

10.8m

on the database
up from 10.4m

Active customers

2.63m

An average number of products held

2.63

Creation of Saga Investment Services

50/50 wealth management joint venture with Tilney Bestinvest

Acquisition of Destinology



How we'll get
where we're going

Strategic Report

Overview

- 02 The Saga difference...
- 04 Our business at a glance
- 06 Executive Chairman's Statement
- 08 Group Chief Executive Officer's Strategic Review

Strategy

- 11 Our target market overview
- 13 Our business model
- 14 Our strategy
- 15 Our strategic priorities
- 18 Our key performance indicators
- 20 Our resources and relationships
- 24 Our principal risks and uncertainties

Performance

- 30 Divisional Review
- 38 Group Chief Financial Officer's Review

Governance

Corporate Governance Statement

- 54 Executive Chairman's Statement
- 56 Compliance Statement
- 58 Leadership
- 60 Board of Directors
- 62 Effectiveness
- 63 Nomination Committee Report
- 64 Accountability
- 67 Audit Committee Report
- 70 Risk Committee Report
- 72 Relations with shareholders

Directors' Remuneration Report

- 73 Annual statement
- 75 At a glance
- 80 Directors' Remuneration Policy
- 90 Annual Report on Remuneration

96 Directors' Report

- 99 Directors' statements

100 Independent auditor's report

Financial statements

- 106 Consolidated income statement
- 107 Consolidated statement of comprehensive income
- 108 Consolidated statement of financial position
- 109 Consolidated statement of changes in equity
- 110 Consolidated statement of cash flows
- 111 Notes to the consolidated financial statements
- 169 Company financial statements
- 170 Notes to the Company financial statements

Additional information

- 174 Shareholder information
- 175 Glossary

Overview

Strategy

Performance

Governance

Financial statements

Additional information



The Saga difference...

We understand our customers because we listen to them. This allows us to develop the products and services they want. We either produce these products and services ourselves or find the best partners to produce them on our behalf. We maintain responsibility for ensuring they are delivered with the very high standards of customer service our customers expect.

Our key strengths

Tailored products and services developed through customer insight and delivered by a trusted brand

By gaining insight into our customers, we are better able to understand them and so identify products to meet their needs – from a new home insurance product to a South American cruise.

We then design and develop tailored products and services, either delivering them ourselves or through third party suppliers.

Customer service and satisfaction at the heart of the business

Our customers expect the best. We know what they consider is excellent service and we aim to deliver it in every case – whether that's an insurance claim, a holiday or care in their home.

Case studies



Call centres

For the staff in Saga's UK call centres, nothing is too much trouble.

The customer is at the heart of Saga's approach. There is no automated call answering system so calls are answered by a real person. Call centre staff are judged on the quality of outcomes for customers rather than the speed of call handling.

Saga's insurance call centres handled over 4.6 million calls in the past year, achieving customer satisfaction ratings of over 90% and reducing complaints by a fifth on the prior year.



Legal services

This is a great example of innovation at work within Saga. We identified that the market for legal services was both fragmented and fitted well with our business model. We developed a bespoke service, tailored to the over 50s' needs. We have identified the best providers in the market and we have received over 10,700 instructions to date.



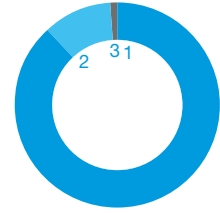
For more information go to page 33

Our business at a glance

Saga has become one of the UK's most trusted businesses by providing customers with excellent products and leading customer service for more than 60 years. We have successfully used our reputation and the brand's strength to broaden our product offering and expand into new areas where we know the Saga approach to quality and service will succeed. From a hotel in Folkestone we have evolved into the leading provider of high-quality insurance, financial services, travel, healthcare and media products. We are the only commercial organisation of scale in the UK that focuses on the fast-growing over 50s market.

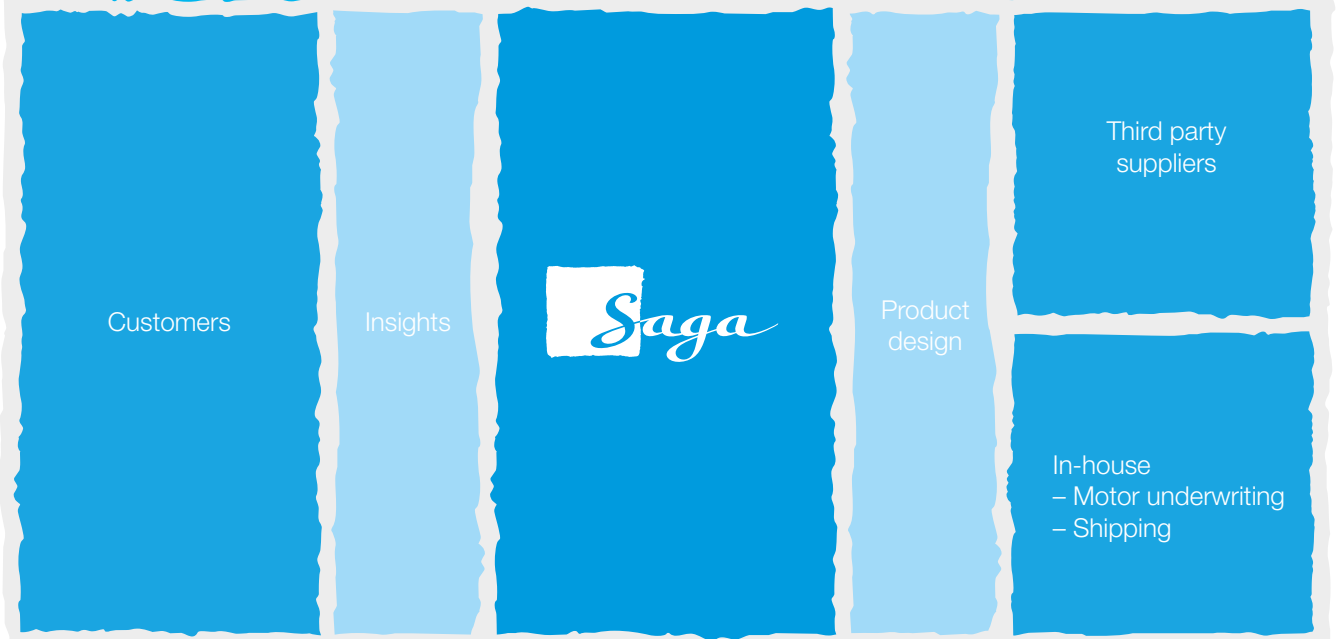
EBITDA by operating segment (continuing operations)

- 1. Financial services – £210.6m
- 2. Travel – £26.0m
- 3. Healthcare – £2.2m



Note: excluding Media and Central Costs

The Saga model



Our strategic priorities

- 1** Expanding our Insurance footprint
- 2** Grow Travel
- 3** Expand Personal Finance
- 4** Make more of our database and digital marketing
- 5** Grow innovation



For more information on KPIs go to pages 18-19



For more information on principal risks and uncertainties go to pages 24-29

Financial Services



Our Financial Services division is the largest part of the Saga Group and, with a focus on customer needs and service, has become a leading provider of Insurance and Personal Finance solutions.

Operations:

- Insurance
- Underwriting
- Personal Finance



For more information go to page 31

Travel



Our high-quality, award-winning Travel business is at the core of Saga and it is from these origins that the business has evolved.

Operations:

- Saga Cruises
- Saga Holidays
- Titan
- Destinology



For more information go to page 33

Media



Saga Media produces the Saga Magazine, the UK's best-selling paid-for monthly magazine (and manages Saga's print and mailing house).

Operations:

- Saga Publishing
- MetroMail



For more information go to page 35

Healthcare Services



Saga is committed to the market for private home healthcare in the UK.

Operations:

- Patricia White's
- Country Cousins
- Saga SOS



For more information go to page 35

Delighted to beat market expectations in our first year as a listed company.

Dear Shareholders,

This is a strong first set of full year results for Saga as a listed company. We have achieved much while setting out our long-term strategy for the business. Importantly we have also delivered growth and performed ahead of market expectations for this year.

I would like to take this opportunity to thank our customers, who are at the heart of everything we do at Saga. We record exceptional customer satisfaction scores because we listen to our customers, take time to understand their unique needs and deliver products and high standards of service that meet their expectations.

Saga standards of customer service are delivered on a day to day basis by our employees and I would like to thank them for all of their hard work. From the excellent people in our UK call centres to the popular teams on our cruise ships, it is our employees that work tirelessly to maintain and protect our trusted brand and deliver the Saga experience to our customers.

Many customers have been with Saga for a long time and have multiple products from us. We do not underestimate our responsibility to ensure that every experience they have with Saga is exceptional. As we look to expand into new areas, we will continue to be led by customer insights.

I would also like to welcome those who have become shareholders in the Group during the year. Over 200,000 retail shareholders elected to become owners of the business during the IPO. I am pleased that the feedback I have been receiving from you is that you share my view of the significant long-term opportunity that Saga represents. We have also been delighted to welcome new institutional shareholders to Saga both through the IPO and through the subsequent placing, resulting in a high-quality and balanced shareholder base with which to take the business forward.

I would like to extend my personal thanks to Lance Batchelor, who took over as Group Chief Executive Officer in the early part of this financial year. Lance came to Saga with an exceptional track record in growing customer-centric

businesses and we are already seeing the benefits of that experience. At the start of 2015, Lance outlined the Group's strategy. The Board believes that this strategy provides a clear plan for growth through clarity about what Saga is and where it plays best, focusing on our core businesses and a commitment to innovation.

I would also like to thank Stuart Howard, our Group Chief Financial Officer, who will retire later this year. Stuart and I have worked together for 15 years growing Saga into the business it is today, and his loyalty and insights have been invaluable to the Group. In wishing Stuart well I would also like to formally welcome his successor, Jonathan Hill, who started with us earlier this month and will now work with Stuart to ensure an orderly handover during 2015.

The Board believes that Saga is well positioned to deliver long-term sustainable returns for our shareholders by delivering consistent profitable growth with a capital efficient model, leading to exceptional cash generation on an ongoing basis. As a result of this, I am delighted to be able to announce in our first year as a listed company that we are recommending a dividend of 4.1p per share. This dividend is pro rata for the proportion of the financial year post IPO and equates to 6.0p per share on an annualised basis. The final dividend will be paid on 30 June 2015, subject to shareholder approval at the AGM, to shareholders on the register on the Record Date of 5 June 2015.

This dividend is at the top end of the forecast range we outlined at the time of the IPO and, in combination with the bonus share scheme, will mean an investment return of over 8%* this year for all eligible retail investors. Additionally, we have announced that the top end of the target dividend range has increased from 50% to 60% of net income.



Andrew Goodsell

Executive Chairman
29 April 2015

* Based on the IPO issue price of 185p per share and the annualised dividend of 6.0p per share.

Andrew Goodsell Executive Chairman



Governance highlights

- It was important for an enhanced governance structure to be established in our first year as a listed Group, so that we had a framework of effective control.
- The Board continues to maintain a dialogue with key investors and will make itself available to shareholders at the Annual General Meeting. The governance process will continue to evolve as the Group takes shape, and to take account of future changes in regulation and best practice.



Go to page 54 for more information on our governance

Why invest?

Strong repeatable business model

We focus on understanding customer needs and developing the best products and services to meet them. This approach has meant we've consistently grown our business over the last 60 years. We aim to still be the best at what we do in another 60 years.



Go to page 13 for more information

Consistent financial delivery and cash generation

Trading EBITDA has increased year on year for the last four years. We turned more than 70% of our EBITDA into cash last year, giving us the flexibility to balance investment in value enhancing growth, repaying debt and returning cash to shareholders.



Go to page 39 for more information

Growth potential in our target market and a great brand

The over 50s demographic holds 68% of the UK's wealth and accounts for about half of all household expenditure. Most importantly it is a growing group. In total there will be 30% more over 50s in 20 years than there are today. One of the most important sectors of this demographic for Saga – the over 75s – is due to grow by 73% in the next 20 years. Add to this Saga's brand awareness of over 96% and the growth potential for the business becomes even more compelling.



Go to pages 11-12 for more information

Opportunities for growth in our core businesses and a commitment to innovation

With only 8.5% market share in the over 50s UK motor and 6.8% in the over 50s UK home insurance markets – the largest parts of the Saga business – significant potential exists in our core businesses. We combine this commitment to expanding the core businesses with a relentless focus on new sectors where we can differentiate our offer, create a market or disrupt the current one.



Go to pages 14-17 for more information

A clear business model, exceptional product offering and the right strategy for growth at the centre of Saga's business.

Overview

I am pleased to report on what has been a momentous year for Saga, our first as a listed company and a year in which we were delighted to welcome many of our loyal customers as new shareholders in the Company.

We have grown Group Trading EBITDA from continuing operations by 6.0% to £227.4m, like-for-like profit before tax by 9.6% to £195.5m and generated £170.9m of available operating cash flow. This has allowed us to reduce our level of net debt to 2.5x EBITDA ahead of schedule and make the recommendation that our first dividend be at the top end of the forecast range we announced on IPO.

When I joined the business last March, I was immediately involved in the IPO, which provided the opportunity to reassess the business and our plans for growth and I spent the following months really getting to know Saga, our customers, staff and products. The strategy review focused on four main areas, allowing us to reach absolute clarity on:

- the Saga business model: what we do well, what we should be doing better and how we ensure that customer insight and customer focus remain at the heart of the business
- where our model works best: where we can operate most effectively, where our customers want us to operate and where we should be operating
- where the businesses' earnings come from
- what we are going to do to drive consistent growth for our shareholders.

The outcome was the refreshing of our corporate strategy, as outlined at our Capital Markets Day in January.

Put simply, the new strategy, which defines our direction for many years to come, is centred on releasing the growth potential in our core businesses of Motor and Home Insurance, Private Medical and Travel Insurance, as well as Saga's respected Travel brands. The growth will come from truly understanding the needs of the UK's over 50s better than anyone else, and designing unique and better services for them. This is something that Saga has done successfully for six decades, using our proprietary database of over 10 million names.

In addition we have some interesting growth opportunities in both wealth management and private home healthcare. These are new areas for Saga and will take a few years to reach scale, but they have great potential.

Our focus is now very much on bringing the strategy to life. That process is still work in progress, and we have set ourselves some challenging targets.

As always, our unrelenting focus remains on ensuring our customers receive a high-quality Saga product, developed by us to meet their specific needs and delivered with market-leading standards of service.



Strategic priorities

We will work to capitalise on the high-quality growth opportunity I have outlined by doing more of what we do best:

1. Expanding our insurance footprint: insurance is the most significant part of the Saga Group and an excellent operation. However, we still have a relatively small share of the over 50s market in the UK and we can expand our footprint by providing insurance products, sourced through a panel of suppliers.
2. Doing more to grow our Travel business: Travel is a core part of Saga and central to the spirit of the brand. However, it is currently relatively small in profit terms and there is significant potential to grow this business.
3. Continuing to expand our high-quality but small Personal Finance offering, for example through our new wealth management joint venture, Saga Investment Services.
4. Continuing to optimise the use of our database: it is an exceptionally valuable tool and has been used very effectively to help build the business we have today. However, we can do more with it. Increased segmentation, digital marketing and distribution will be an ever more important part of our activities to ensure we are providing our customers with the right products at the right time.
5. Putting innovation at the centre of the business: allowing us to develop products and services based on customer insight in areas where our model can operate effectively, such as Legal Services and private home healthcare.



Go to pages 14-17 for more information on our strategy

Group Chief Executive Officer's Strategic Review

continued

The most important factor in ensuring all of this is delivered effectively is the quality of our people. Throughout the business our team is committed to making Saga the best business it can be by focusing on the customer experience. I would like to thank them for all their hard work.

I would also like to highlight some changes that have been made within the senior team.

As announced at our Interim Results, Stuart Howard has decided to retire after 15 years as Group Chief Financial Officer. Jonathan Hill joined on 7 April 2015 as Group CFO Designate. Jonathan was previously Group Finance Director and a member of the plc board of Bovis Homes Group plc. Prior to that, he held various senior roles within TUI Travel and Centrica.

David Slater is moving from the role of CEO of AICL to that of Non-Executive Director on the AICL Board. Subject to regulatory approval, Andrew Button will be promoted to the role of CEO of AICL. Andrew has been with Saga for 14 years, during which time he established and created the AICL actuarial function, which is market-leading and a key part of one of the strongest and most respected underwriting businesses in the UK. I would like to thank David for his tremendous contribution over seven years and I am delighted that the business will continue to benefit from his knowledge and expertise.

Karen Caddick will join Saga as Group HR Director at the end of May 2015. Karen was previously Group HR Director of Millennium & Copthorne Hotels plc. She has also held Group HR Director positions at Morrisons plc, Punch Taverns & Spirit Group plc and The Financial Times.

Conclusion


It has been an exciting and challenging first year as Group CEO during which we completed our long-held ambition to become a public company.

We have developed and started to implement a clear strategy, built on understanding our customers better than anyone else, delivering products and services with exceptional customer service, unlocking long-term sustainable growth through our core business and looking for opportunities to provide new products and services to our customers in areas where our model can operate effectively.

This strategy maintains our focus on a capital efficient, cash generative model. Going forward, we will therefore continue to seek to maximise returns for investors by optimising the balance between investment in value enhancing growth, payment of dividends and debt reduction.

Looking ahead, our refreshed strategy provides us with a clear plan for delivering on our Trading EBITDA growth target of 5% to 7%. The team throughout the business has risen to the challenges I have set them and there is a renewed sense of energy and opportunity to drive our business forward. I am excited by the growth that we are already starting to see in our core businesses and by some of the tangible results we are seeing from our product innovation.

Once again, I would like to thank our customers, shareholders and employees; Saga is a truly special and unique business and one it is a privilege to lead. I look forward to keeping you all updated on our progress.



Lance Batchelor

Group Chief Executive Officer
29 April 2015

Wealth management case study

In January 2015 we announced the launch of Saga Investment Services, a joint venture with Tilney Bestinvest ('TBI'). This joint venture draws upon TBI's investment expertise and our insight about the needs of the nation's over 50s, to deliver a compelling wealth and investment proposition for Saga's customers. It will take the best resources from both companies and target the 10.8 million customers on our database, over 800,000 of whom applied for shares in the Saga IPO, and that we know have an increased need for financial services advice from a fair and trusted source.

TBI has a proven track record and over £9bn of client funds under management. As we developed our partnership it became clear that they are as dedicated as we are to meeting customer needs, and like us they believe that the market is due some real innovation. The chemistry is good between us. TBI is an ideal partner for Saga as it offers the full spectrum of wealth management services from light touch, online, through guidance and through simple advice, and all the way through to tailored 1-1 advice for wealthier and more financially sophisticated customers.

We believe there is real opportunity here and that the pension reforms, which we lobbied hard for on behalf of our customers, will mean that, from April 2015, very large sums of savings will be looking for a home, and many Saga customers will be looking for guidance.

The part of the market we will be targeting is the 'mass affluent' – those with between £30,000 and £250,000 to invest who generally do not have access to a financial adviser and who need a trusted provider to navigate a complicated field.

We are working hard with TBI to deliver truly 'Saga' products for our customers. We both believe there is a real chance to shake up the market, to offer high-quality wealth management services at a fair and transparent price.

The key KPIs for this new joint venture will be funds under management, and customer satisfaction. We are going to take our time, get the proposition right, and we plan to launch in late 2015.

Our target market overview

Our customer

Everything starts and ends here

Saga is the UK's leading provider of products and services tailored to the needs of the over 50s. We provide insurance, travel, personal finance and healthcare services, with insurance and Travel at the core of the business.

Saga's target market, the UK's over 50s population, is one of the fastest growing, most affluent and influential demographics in the UK, with increasingly complex, changing needs due to longer periods in both employment and retirement and increased spending on leisure, culture, food, recreation and health.

Saga's target market is growing firm up at speed. It numbered 22.8 million individuals in 2013 and is forecast to grow by 28%, to approximately 29 million by 2033.

In 2013, this group was equivalent to approximately 36% of the UK's total population, and is forecast to represent approximately 40% of the UK's total population by 2033 (source: ONS). Within the over 50s population, the 65 to 75 and 75 and over segments are expected to increase even faster over the same time period at approximately 34% and 70% respectively.

The UK over 50s hold 68% of the UK's household wealth and account for 48% of all household expenditure in the UK. This is an increase from 41% in 2003, as household expenditure for the over 50s population experienced faster growth relative to the remainder of the total population, while remaining resilient throughout the recent UK economic downturn.

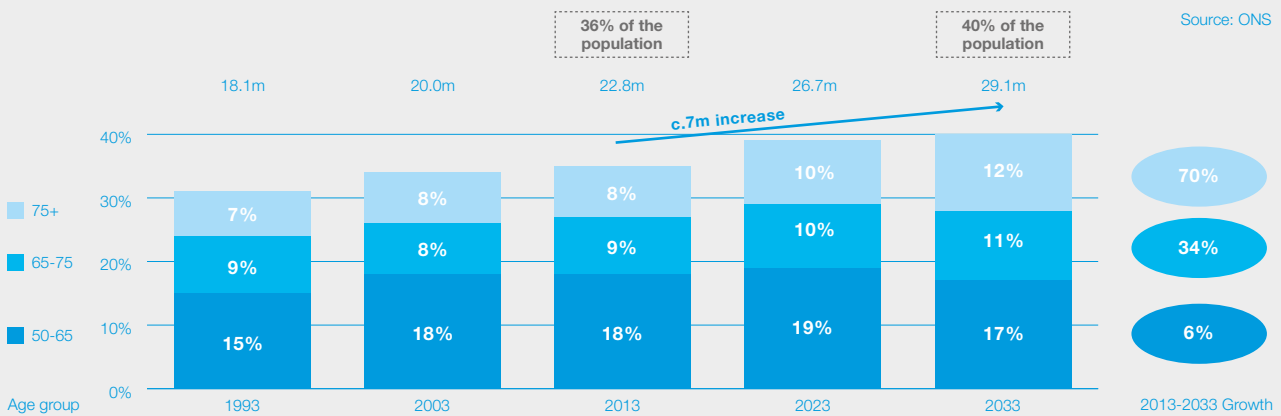
Macro conditions

While the over 50s are by no means immune to macro conditions, as many have large pools of accumulated assets and a higher proportion of fixed income, they are less susceptible to the vagaries of the economic cycle. This is especially likely to be the case for the ABC1 households, which make up the majority of the Saga database.

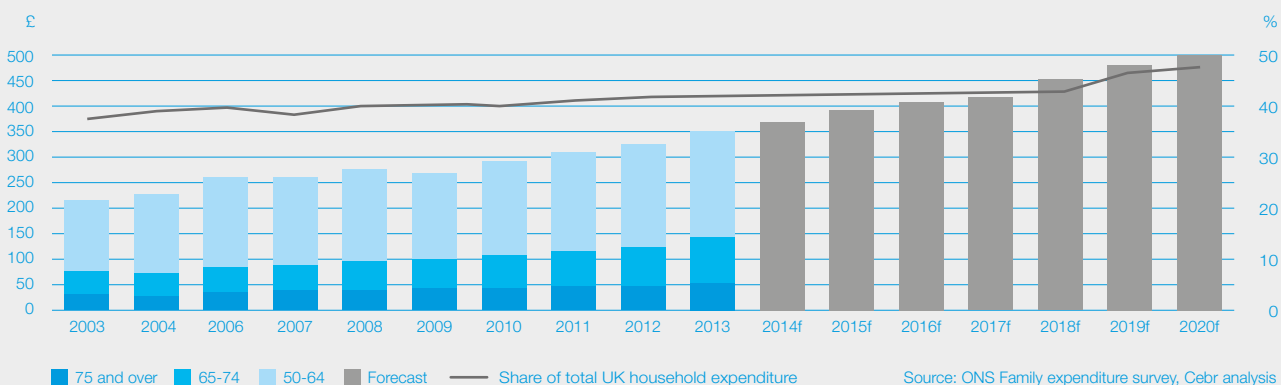
There are a number of factors which can add to this position:

- Relatively secure incomes
- Low or non-existent debt levels
- Fewer fixed costs
- Younger members of the cohort benefit from wealth transfer as they inherit from the older ones
- Post-retirement income reforms are providing more flexibility and are helping to counter the possibility of a drawn out period of high inflation eroding the value of fixed incomes, especially from annuities.

Over 22 million people aged 50 and over in the UK expected to grow a further 28% by 2033



Household expenditure of over 50s households (£bn) and as a share of total UK household expenditure



Saga plc

Annual report and accounts for the year ending 31 January 2015

That being said, our customers, although mainly UK based, are not completely immune to changes in the global economy.

Our core businesses are correlated with the economic cycle and we can see our customers' behaviour change as a result of these effects. In a downturn, the insurance sector tends to experience elevated incidences of claims, as well as changes in accident rates. If the downturn is prolonged, consumers can choose to reduce their insurance cover or purchases, defer buying or stop buying some insurance products altogether. As travel is discretionary in nature, consumers travel less, purchase lower priced holiday packages and cruises, or stop purchasing holiday packages and cruises completely.

On the other hand, during times of economic upturn, there will be more demand for discretionary insurance products such as home, private medical and travel insurances, and for enhanced levels of cover. A similar effect is seen in travel, with consumers more likely to travel more often and on higher priced holidays and cruises.

Regulatory and political change

The over 50s are an important segment of the population for politicians because they are a highly influential and politically engaged group. Approximately 66% of business owners are over 50 and more than 70% of over 55s voted in the last general election.

This is generally advantageous for Saga, as the recent reforms to the post-retirement savings market illustrate, in that politicians have recognised the importance of the over 50s in their thinking. Liberalisation can enhance the potential of the over 50s market in terms of consumption and investment demand.

Saga as a regulated business

Saga operates in regulated sectors. This regulation can change, driven by a number of factors including responding to economic, environmental and world events, but also political requirements and thinking, both in Europe and the UK.

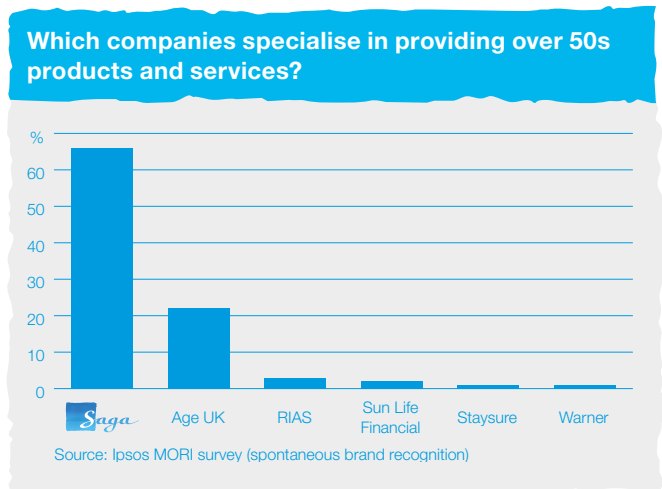
Within this context, we maintain good relationships with the regulators and government bodies, and maintain a regular dialogue to ensure we understand how regulatory and political changes will affect our customers and business.

The competition for customers

Market share is modest, but Saga is in pole position

Over its 60 year history, Saga has built up a trusted brand and superior customer knowledge of the over 50s market in the UK. This focus means that Saga is already the market leader in the over 50s segment; however, Saga's relative market share is low.

Given the prospective increase in our customer base and our strategy for growth, we believe Saga is in a strong position to grow its market share in our core businesses and continue to explore new areas in which customers will trust Saga to deliver and which are suited to the Saga business model.



Note: Question asked: Which, if any, companies or organisations can you think of that specialise in providing products and services for people aged 50 and over?

Saga, selected market shares in the over 50s segment

Business area	Market share of over 50s
Motor insurance	8.5%*
Home insurance	6.8%*
Private medical insurance	7.8%**
Travel insurance	5.5%***

Source:

* GfK NOP at 31 August 2014.

** TGI, Laing Buisson and company data at 31 December 2013.

***TGI and company data at 30 June 2014.

Our business model

At the heart of our business model is our ability to listen and gather insight about our customers to create products and services that fulfil their needs. This ability, in combination with the trusted Saga brand, our access to customers through our unique database and our relentless focus on customer service, sits at the heart of what we do.

Once we have designed and tested these products and services, we decide how best to source them for our customers. In practice a majority will be provided by the leading providers in a chosen market. When we assess the best possible partners to supply products and services, we compare them for service and value. Over time we can move if more appropriate, or better, partners become available. Our partners work with us in this way because it is a mutually advantageous relationship – they benefit from our brand, customer knowledge and access to a very attractive market. Saga, and its customers, benefit from their expertise and resources. This also means that we maintain responsibility for delivery and continue to own the relationship with our customers, ensuring we can manage the customer experience at all times.

This approach also gives us flexibility and speed. When we identify a new and interesting category, we enter that market with an exceptionally high-quality product quickly and at low cost and low risk to Saga.

Our business model is most effective when:

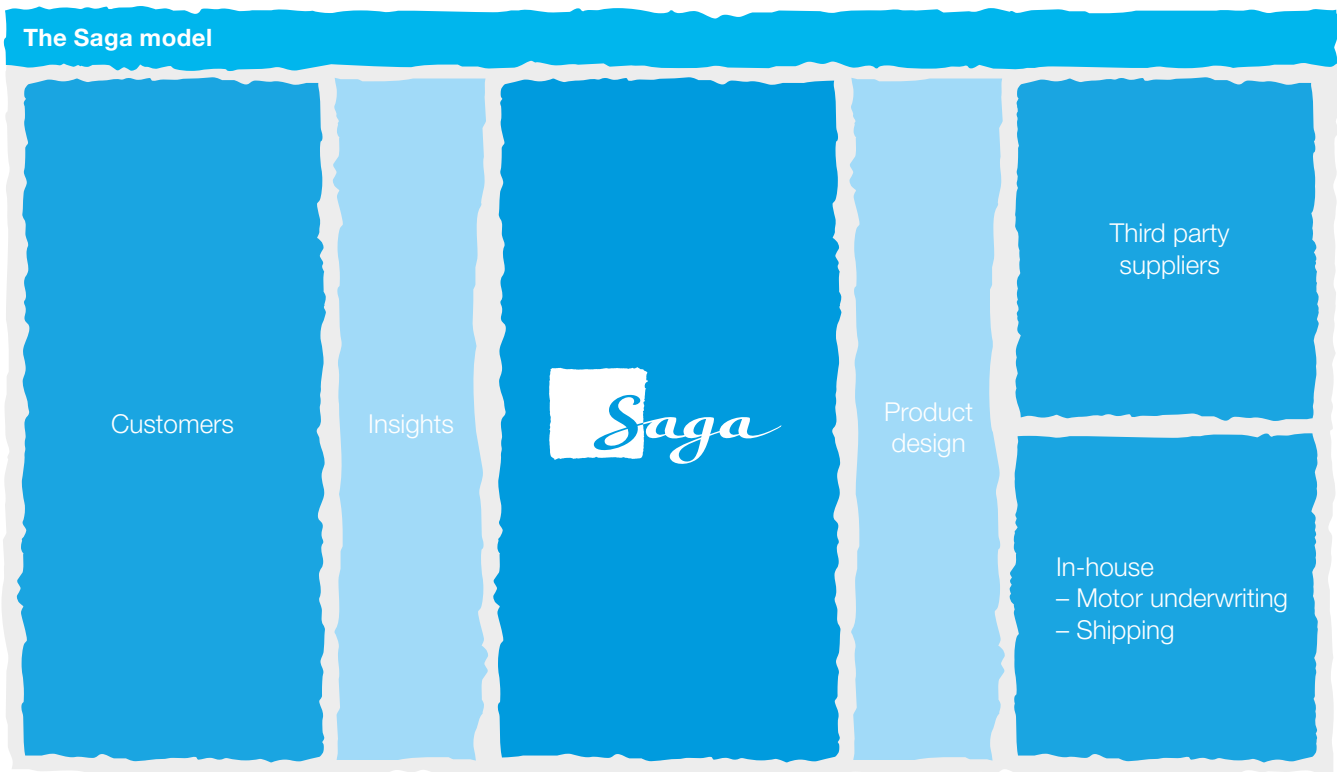
- a trusted brand is important, permitting us to provide a premium product at a fair price
- our superior customer knowledge gives us a competitive edge
- we can differentiate our offer. We do not sell ‘me too’ products in any market that we operate
- service levels play a key role. We want our customers to have outstanding service and to recognise it when they do
- cross-selling opportunities can flow from the initial relationship.

Our model is robust and has demonstrated over time that it can grow, even in the face of the many economic challenges of the past ten years. It gives us protection against a number of risks: we have multiple earnings streams, allowing us to shift investment and returns; our target market is growing, our customer base is loyal and resilient and is largely spending money it has already earned; and we have a capital efficient structure which means that a vast majority of the EBITDA we generate turns into cash.

We deploy this cash through re-investment in growth, enhancing our technology and services, rewarding our employees and providing a progressive return to our shareholders.



Go to pages 24-29 for more information on the key risks and uncertainties to our business model



Our focus and strategy

To operate where our model works best, providing products and services directly to our target market. We aim to deliver balanced and profitable growth, measured by EBITDA and Operating EPS, on a capital efficient and cash generative basis thereby supporting a progressive dividend policy and ensuring long-term value for shareholders.

To capitalise on the high-quality growth opportunity in our core businesses. We believe we can achieve growth through doing more of what we do best:

1. Expanding our insurance footprint: insurance is the most significant part of the Saga Group and an excellent operation. However, we still have a relatively small share of the over 50s market in the UK and we can expand our footprint by providing insurance products, sourced through a panel of suppliers.
2. Doing more to grow our Travel business: Travel is a core part of Saga and central to the spirit of the brand. However, it is currently relatively small in profit terms and there is significant potential to grow this business.
3. Continuing to expand our high-quality but small Personal Finance offering, for example through our new wealth management joint venture, Saga Investment Services.
4. Continuing to optimise the use of our database: it is an exceptionally valuable tool and has been used very effectively to help build the business we have today. However, we can do more with it. Increased segmentation, digital marketing and distribution will be an ever more important part of our activities to ensure we are providing our customers with the right products at the right time.
5. Putting innovation at the centre of the business: allowing us to develop products and services based on customer insight in areas where our model can operate effectively, such as Legal Services and private home healthcare.

Our strategic priorities

1

Expanding our Insurance footprint

2

Grow Travel

3

Expand Personal Finance

4

Make more of our database and digital marketing

5

Grow innovation



For more information on KPIs go to pages 18-19



For more information on principal risks and uncertainties go to pages 24-29

1 Expanding our Insurance footprint



There is an opportunity for us to grow our market share by broadening our offer, particular in the motor market. This will be achieved through the creation of a motor insurance panel, allowing us to source other providers of underwriting.

Historically, our potential to grow our share in the UK motor market has been constrained by the fact that we have underwritten the majority of the policies we provide and 73% of those customers that receive a quote for motor insurance sit beyond the tight specific expertise of AICL, our in-house underwriting business, and do not convert to a policy.

We are not moving out of underwriting. AICL is an excellent underwriter and an important part of the Group. However, introducing a motor insurance panel, in the same way we have done in our Home Insurance business, will allow us to increase our offer to customers by accessing different providers of underwriting – broadening the cross-section of our target market we can provide solutions to without increasing the Group's risk appetite or use of capital.



[Go to pages 31-32 for more information](#)

2 Grow Travel



Travel is at the core of our business. It provides a unique opportunity for us to meet our customers and deliver a personal service in a way that few, if any, of our competitors in other sectors can even dream of.

We have an attractive proposition to a key market segment based on a tour operating model with high levels of customer satisfaction and repeat business. So we have set ourselves a tough goal of doubling EBITDA within the five years from January 2014; challenging, but possible.

This growth will come from refreshing the existing offering by using our improved segmentation to help design products we can sell to specific target groups and increasing our opportunities to put these products in front of customers through new routes to market and digital marketing techniques.



[Go to pages 33-34 for more information](#)

3 Expand Personal Finance



Saga's target market of the over 50s currently holds 68% of all household wealth in the UK. This fact, combined with the changes in annuity and pension policies brought into effect in April 2015, means consumers are looking for guidance, advice and clarity on financial matters.

Following the turbulence of recent years in the financial services sector, many consumers do not trust the majority of the brands in the space, and some brands have chosen to withdraw altogether.

With the largest dedicated database of names and perhaps the most trusted brand associated with great service, our customers tell us that they would welcome Saga doing more in this sector.



[Go to page 32 for more information](#)

4 Make more of our database and digital marketing



We are continually enhancing our understanding of our customers to find ways to provide our customers with the products and services they want. In terms of how this is done, it includes an enhanced, and revised, segmentation project that is well under way and is helping us to understand what drives our customers.

We are focused on digital marketing across the Group. We have a rich source of information with the database and a target demographic that is, and becoming more so, highly digitally active.

We are looking at adjoining and cross-selling opportunities to understand where we can get the most out of what we already have. We interact directly with our customers to build strong relationships and understand their wants and needs.

Our dedicated data analytics team model customer preferences, which helps drive the Group's pricing and marketing strategies and helps ensure the most appropriate products and services are offered to our customers at the right time.

Altogether this adds up to an increased understanding of the large and growing database so it can be even more important to us than it is at present.



[Go to page 22](#)

5 Grow innovation



We are committed to fostering an environment that allows innovation and creativity to flourish.

We have set up a dedicated innovation team and a framework that allows them to take insights from the database to find new areas where our model may be effective. The team can pilot new ideas on a small scale, in a real world environment, quickly and at low cost as we have seen with our ongoing pilots in the private home healthcare market.

While some of these pilots will never progress beyond that stage, we are confident some will go on to make a meaningful contribution to the Group in the long term.



[Go to pages 36-37 for more information](#)

Our way ahead

Our strategy is intended to deliver long-term shareholder value through short and medium-term benefits and goals.

With this in mind, we want to share our view of where we believe we will be in five years' time:

- We have retained our capital efficient business model and our excellent cash flows to maximise returns for our shareholders.
- Our excellent insurance offer will be bigger with an increased market footprint.
- We will have grown our Travel business, which plays a central role in the Saga brand.
- We will have expanded into new areas and some of these will be making material contributions to earnings, such as Saga Investment Services our wealth management joint venture.
- We will continue to be committed to the private home healthcare market.
- Our culture will continue to foster and reward innovation across the business.

Our key performance indicators

We use several key performance indicators (KPIs) to track and measure the financial and operating performance of our business against our strategy and to enable our shareholders to clearly see how we perform against our strategy.

The usage of key performance indicators varies by operation. These measures are derived from the Group's internal operating and financial systems. Because some measures are not determined in accordance with generally accepted accounting principles, they may not be comparable with other similarly titled measures of performance of other companies.

Group Trading EBITDA

£227.4m

Performance

Group Trading EBITDA up by 6.0%.

Definition

Earnings before interest payable, tax, depreciation and amortisation, profit or loss on disposal of non-current assets, exceptional expenses and fair value gains or losses on derivative financial instruments.

Pro forma operating earnings per share

12.6p

Performance

Up 13.5%.

Definition

Earnings per share presented to exclude non-recurring exceptional items and by measuring prior to net fair value gains and losses on derivatives, but including pro forma adjustments for interest charges and plc costs to allow comparison between the periods on a like-for-like basis.

Earnings per share from continuing operations (basic)

8.6p

Performance

Down 46.3% as a result of the exceptional expenses and new interest costs incurred in the period.

Definition

Profit after tax from continuing operations attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period.

Like-for-like profit

£195.5m

Performance

Up 9.6%.

Definition

Profit from continuing operations, which is shown before tax, one-off IPO expenses, new debt costs and derivative fair value gains and losses.



Go to the financial review on pages 38-53 for more information

Available operating cash flow

£170.9m

Performance

A strong cash flow performance, with 72.3% of Trading EBITDA becoming available operating cash flow. A reduction of 13.1% against last year as a greater proportion of the Group's Trading EBITDA has been achieved within the restricted businesses within Financial Services and Travel, coupled with increased capital investment in IT systems in the Insurance business.

Definition

Net cash flow from operating activities after capital expenditure but before tax and interest paid and exceptional expenses during the period, which is available to be used by the Group as it chooses and is not subject to regulatory restriction.

Debt ratio

2.5x

Performance

Strong profit delivery and continued high levels of cash conversion meant the Group beat its target reduction of the net debt to Trading EBITDA ratio of 0.5% per year.

Definition

The ratio of bank debt net of available cash to Trading EBITDA.

Active customers

2.63m

Performance

Broadly stable during the year.

Definition

Active customers in the twelve months to 31 January 2015.

Average number of products held

2.63

Performance

Down by 2.7% (2014: 2.71) as a result of a reduction in the number of ancillary products sold in the Motor Insurance division.

Definition

Average number of Saga products held by each active customer as at 31 January 2015.

Our values are who we are and how we work - they are brought to life every day by our people.



Go to pages 24-29 for more information on the key risks and uncertainties to our resources, relationships and responsibilities



Our resources and relationships

There are a number of key assets, beyond the financial, which are vital to the functioning of our business model and the delivery of our strategy.

Brand

Saga is the leading provider of products and services tailored for customers over the age of 50 in the UK. Our brand has been carefully developed over the past 60 years and is now one of the most recognised and trusted brands among UK consumers aged over 50. We are synonymous in the UK with the over 50s market and are recognised for our high-quality products and services, expertise in serving our target demographic and excellence in customer service.

Saga's brand recognition and excellence in customer service have enabled us to expand our product offering successfully, achieve high levels of repeat business and acquire new customers without needing to rely heavily on costly third party advertising.

The unique model that we operate, with a business centred around the power of the Saga brand and multi-product provision, rather than on a single product segment, has allowed us to achieve sustainable growth, delivering robust performance in recent years.

People

Saga continues to grow due to the talent and focus our people have for delivering great products and excellence in customer service.

Our employee policies are designed to maximise employee retention and develop our people. This starts by recruiting the right people for the right roles and we have invested heavily in strengths-based recruitment and training in our contact centres. This activity was reflected in our turnover rates.

To help our employees make the most of their existing skills, as well as to acquire new skills, we run the Saga Learning Academy. The Saga Learning Academy makes available a wide range of facilities and resources to all employees. Learning Academy sites provide a quiet space for learning, reading or studying. The scheme offers access to over 250 e-learning courses covering a number of topics, including communication, leadership, human resources, management, customer service, sales, marketing, negotiation, project management, health and safety, team building, typing, languages, first aid and software courses.

In order to further develop our people and recognise and reward talent we have a robust performance management system in place, which is designed to drive the right behaviours and bring our brand values to life in the way that we work.

We also believe in communicating at all levels within the Company using multiple channels, including face-to-face meetings, videos, global emails and newsletters. We operate an open and safe environment where people are encouraged to talk to us, for example, through our open door policy and whistleblowing arrangements.

Gender diversity as at 31 January 2015

	Male		Female		Total
	Actual	%	Actual	%	
Board	9	90%	1	10%	10
Senior Managers	89	68%	42	32%	131
Employees	1,672	43%	2,217	57%	3,889

Board

Directors of the plc including Executive and Non-Executive

Senior Managers

All divisional board Directors (including divisional CEOs) and employees with some strategic input and influence (excluding Board)

Employees

All Saga employees (including those in points 1 & 2)

We are committed to ensuring we provide full and fair consideration to applications for employment from people with disabilities, as well as supporting employees who become disabled during their employment. We adapt the working environment and, where we can, offer flexible working practices to ensure the retention of our employees, no matter what their personal circumstances. At recruitment we make adjustments to facilitate applications and the selection process and provide guidance and, where necessary, additional training for interviewees.

Human rights

Saga has a responsibility to conduct business in an ethical and transparent way. Saga adheres to a set of business principles including a commitment to internationally proclaimed human rights standards.

The Group has in place internal policies to support recognised human rights principles. These include policies on non-discrimination, health and safety, anti-bribery and environmental issues. The Group also maintains a zero tolerance approach to bribery and corruption.

Our Supplier Code of Conduct sets out the minimum standards we expect from our partners and suppliers and their employees, contractors, agents and subsidiaries when working on our behalf. The code covers human rights and labour laws, support for local communities and environmental impacts, as well as bribery and corruption.

Health and safety

Saga is committed to protecting the health, safety and welfare of employees, customers and anyone affected by our operations. As such, we aim to develop a positive health and safety culture and continuously improve health and safety performance.

We are aware of our obligations, and are fully dedicated to meeting those obligations through the development of suitable policies and procedures.

Beyond this, everyone in Saga has a personal responsibility for health and safety and for performing the activities they undertake in a safe manner.

Community and social

Saga has a very strong presence in Kent and East Sussex being a major employer in Thanet, Folkestone and Hastings. We recognise our responsibilities to the communities from which we draw potential recruits and upon which the successful delivery of our brand rests.

One aspect of this is the maintenance of strong links with local schools and colleges. For example, we invite schools to put forward students to join Saga's annual work experience programme.

We also aim to be a good neighbour to local residents and play our part in supporting community initiatives – for example, donating funds to secure the future of Hastings Pier and support for the Folkestone Airshow and Deal Sea Scouts.

The Saga brand transcends the commercial sphere and has a strong social and campaigning aspect – giving voice to the concerns of the nation's over 50s. This is achieved through the research, public policy and news stories generated by our communications team. Being a trusted voice means that Saga is able to be heard in the media and is also welcomed by policy makers who seek our views when crafting and developing policy. Examples of how Saga has influenced public policy can be seen in the new pension freedoms, changes to the ISA regime and the cross-party support for pensioner benefits.

Our charity work includes two Saga charities. The Saga Respite for Carers Trust provides carers aged 50 and over with a much needed holiday away from their caring responsibilities whilst paying for the care for their loved one. The Saga Charitable Trust benefits under-privileged communities in developing countries visited by Saga customers. The charity invests in sustainable projects which empower and support local communities, as well as provide increased opportunities for those communities to benefit from tourism. The operating costs of both charities are met by Saga. In addition, funds are raised through activities supported by customers and by Saga employees.

We were also one of the inaugural signatories of the Ministry of Defence's Corporate Covenant, launched at 10 Downing Street, which outlines our commitment to members of the regular and reserve forces, their partners and families.

Supplier partnerships

These relationships are fundamental to our business model. We work very closely with our suppliers to deliver the products and services to the standard our customers expect of us.

Once we have designed and tested products and services, we decide how best to source them for our customers, in-house or from a third party.

However, we are not a commission-based business. We design bespoke products ourselves then look for the best possible partners to supply them, comparing them for service and value. Over time we can move if more appropriate, or better, partners become available. Our partners work with us in this way because it is a mutually advantageous relationship – they benefit from our brand, customer knowledge and access to an attractive target market. Saga, and its customers, benefit from our partners' expertise and resources. This also means that we maintain responsibility for delivery and continue to own the relationship with our customers, ensuring we can manage the customer experience at all times.

Database and technology

Our multiple customer interactions across a broad range of products and services over many years have enabled us to develop a sophisticated proprietary Group Marketing Database.

This database now contains highly relevant data for 10.8 million people, and 8.8 million households, covering over 50% of over 50s households and over 60% of over 50s ABC1 households in the UK.

Saga has a consistent focus on data collection and we are constantly re-confirming the data we gather through over 128 million interactions per year. By selling products and services directly to customers, we capture information about our customers at every point of contact and build a view of the customer, including their multi-level preferences and changes in behaviour over time.

Our data analysts are then able to perform sophisticated analysis such as customer segmentation and propensity modelling, resulting in targeted marketing, in order to introduce appropriate products and services to customers in a highly efficient manner with relatively low customer acquisition costs. Importantly, our database is exclusive to us: we do not share the information with third parties for marketing purposes.

Our main IT systems are developed, supported and maintained in-house, as many of the systems are a key source of our competitive advantage.

Most of our operating systems are adapted to each business segment, so application support is administered by decentralised segment-specific support functions. In contrast, most of our IT infrastructure, such as telephony switches, data networks and server rooms, are maintained by centralised support functions.

Data security and the threat of cybercrime are key issues and these are covered in the Principal Risks and Uncertainties chapter on pages 24-29.

Ships

Our ships are important assets in their own right, and are subject to an ongoing programme of refurbishment and refits to maintain a standard of performance in line with safety requirements and our customers' expectations of them and us.

Beyond this, though, they are also an embodiment of the Saga brand and an opportunity for us to interact with customers in a way that few, if any, of our financial services competitors can emulate. With this in mind they operate with one of the highest staff to passenger ratios of any cruise line, to ensure that service, health and safety are second to none.

Environment

The Group is sensitive to its environmental impact and aims to operate in a manner that minimises negative impact, such as waste sent to landfill, and invests in activities which have a positive impact on the environment, such as improved energy efficiency. We strive for continuous improvement of our operations to reduce any potential impact our business may have on the environment. Saga promotes green travel options and has a network of Saga minibuses that take people to and from its sites, and we also promote a cycle to work scheme.

Greenhouse gas emissions

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. During the 2014 financial year, Saga plc emitted a total of 111,773 tCO₂e from fuel combustion (Scope 1 direct) and electricity purchased for our own use (Scope 2 energy indirect). We have also chosen to voluntarily report Scope 3 emissions arising from our business travel.

The table below shows our tCO₂e emissions for the year ended 31 January 2015:

(tCO ₂ e)	2014/15
Combustion of fuel and operation of facilities (Scope 1)	104,734
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	7,038
Total Scope 1 and 2	111,772
OPTION 1: tCO ₂ e per employee FTE	20.9
OPTION 2: tCO ₂ e per employee	5.5
OPTION 3: tCO ₂ e per employee*	18.6

* Based on headcount data. Excludes carers, representatives, ship crew and Destinology.

Methodology

We quantify and report our organisational greenhouse gas emissions according to the GHG Protocol and have utilised the UK Government 2014 Conversion Factors for Company Reporting in order to calculate CO₂ equivalent emissions from corresponding activity data. We have also taken certain data used for compliance with the CRC Energy Efficiency Scheme.

In order to improve monitoring and management of our carbon impact, we established a global carbon data programme during 2014 in collaboration with Carbon Credentials. This will improve oversight around our energy consumption and increased the quality and availability of performance information for decision making.

Reporting boundaries and limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 5% for GHG reporting purposes. As a result, emissions from diesel combustion within building generators are reasonably estimated to contribute less than 5% of our total footprint and have been excluded from our disclosure.

The GHG sources that constitute our operational boundary for the 2014 reporting period 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

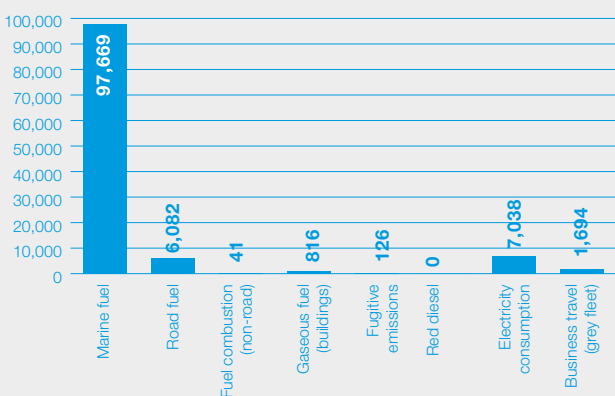
Scope 3: business travel

Assumptions and estimations

Pro rata estimations are used where there is missing data, using a calculation that accounts for the amount of days missing from within the financial year (01/02/2014-31/01/2015) and applying an average volume from the data provided.

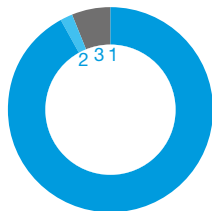
Where the fuel type and vehicle types are not known, an average business travel car size is applied and the emissions factor for unknown fuel is used to calculate emissions.

Emissions by GHG source (tCO₂e)

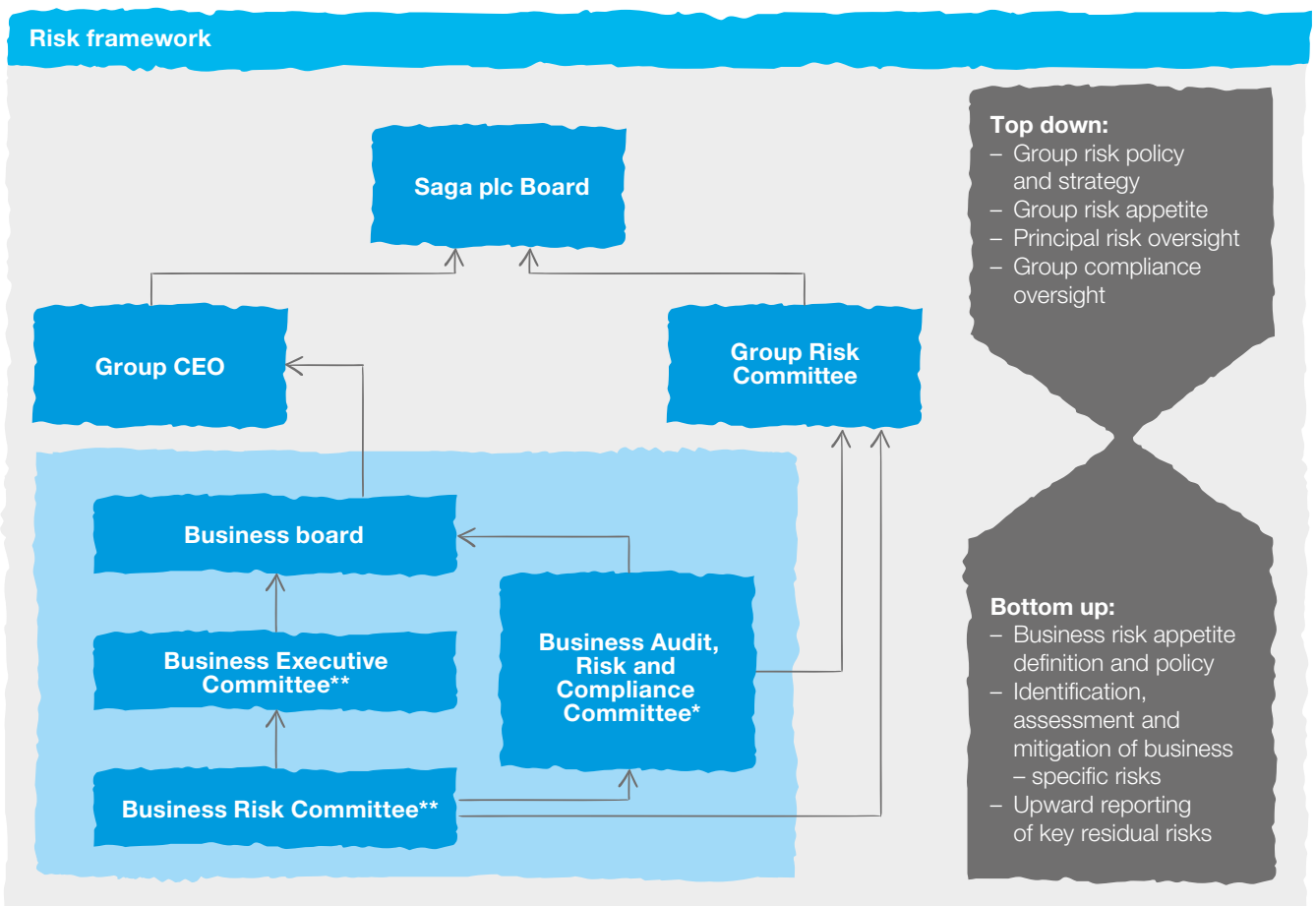


Total emissions (tCO₂e)

- 1. Scope 1 – 92%
- 2. Scope 2 – 2%
- 3. Scope 3 – 6%



Achieving the optimum balance between risk and reward.



* The Audit, Risk and Compliance Committee (ARCC) operates for all Financial Conduct Authority (FCA) regulated entities. The Committee is led by the Non-Executive Directors of the relevant business and provides an additional forum for independent oversight of key business risks.

** The majority of businesses in Saga have separate Risk and Executive Committees. For those that do not have these committees, risk is reviewed solely at board level.

Risk governance

The Board has ultimate responsibility for Saga's approach to risk management. This responsibility specifically includes ensuring an effective risk assessment and management system is in place; agreeing the principal risks and uncertainties the business should accept in pursuit of its strategic objectives; ensuring a suitable risk culture is embedded throughout Saga; and regularly assessing the effectiveness of the Group's risk management systems, including essential levels of internal and external risk communication. Our approach and these processes are set out in more detail in the Accountability section of our Corporate Governance Statement on pages 64-66 of this annual report.

The Board believes that enhanced sustainability and shareholder value will come through achieving the optimum balance between risk and reward. Saga's four divisions face a range of risks and uncertainties that could impact their strategic objectives, some common to the Saga Group as a whole and others unique to the particular business or operation. It is therefore imperative to have a risk management policy and framework capable of assessing and monitoring these risks and uncertainties individually and in aggregate against an agreed risk appetite to ensure management within agreed tolerances.

Risk appetite

The Board defines risk appetite as the amount and sources of risk which it is seeking, willing to accept and looking to avoid in pursuit of its objectives over a set period of time. The following qualitative risk tolerances have been agreed:

Risk category	Saga risk appetite
Credit	Low
Liquidity	Low
Insurance	Medium to high*
Market	Medium
Strategic	Medium to high
Mergers and Acquisitions**	Medium**
Operational	Medium

* Saga's strategy is to significantly expand its footprint in insurance via broked services.

** Saga is keen to explore Merger and Acquisition (M&A) opportunities with significant growth potential and its tolerance to risk in this area is Medium. The Board will consider and agree the quantitative risk tolerance for each M&A opportunity as it arises.

There are three specific operational risks which the Board has defined lower qualitative risk appetites and tolerances for:

Brand/Reputation: Saga recognises that its continued success depends on maintenance of its brand and reputation for quality service. Saga, therefore, has zero appetite and a very low tolerance for brand and reputation risks and will look wherever possible to eliminate them.

Health and safety: Saga has zero appetite and a very low tolerance for health and safety risks and will do all that is reasonably practicable to prevent personal injury and danger to the health of our employees, customers and others who may be affected by our activities.

Regulation: Saga recognises regulatory compliance as essential and therefore has zero appetite and a very low tolerance for risks that could prevent such compliance being achieved.

Separate risk appetite statements and risk tolerance thresholds have also been created for each business in Saga, customised to their business needs and complementary to the Group's tolerances.

Risk appetite statements and risk tolerances are central to our decision making processes and are a point of reference for all significant investment decisions.

Areas of key concern

The table below lists the areas of key concern faced by us, and how we perceive they have changed over the last year:

Areas of key concern	Risk category	Saga risk appetite	Risk in operating environment	Considerations
IT systems and processes	Operational	Medium	High	Sustaining our advantage across the digital arena is vital for our efficiency, customer relationships and growth. Without system resilience we cannot provide expected customer service. Without digital innovation we risk becoming obsolete in our product offerings
Cybercrime	Operational	Medium	High	Our battle to defeat cybercriminals is an ever escalating arms race. Failure to protect our systems and data could lead to an unacceptable fall in customer service standards and risk to the brand
Database	Operational	Medium	Medium	Our database is a key engine for growth and needs to be nurtured and protected. The risk of data theft is increasing as cybercriminals become ever more sophisticated and determined
People	Operational	Medium	Medium	Continual enhancement of our people resources and skills is essential for brand and business enhancement. The competition for personnel is increasing so there is a need to improve our attraction and retention skills to ensure we have the right people to meet customer expectations
Operational efficiency	Operational	Medium	High	We are looking to enhance our customer service through operational efficiency and innovation. There is significant competition in our various markets so change must be handled quickly and effectively if we are to grow in line with profit expectations
Business interruption	Operational	Medium	Medium	We rely on our assets and infrastructure to deliver efficiently and profitably. We operate in potentially high-risks areas such as shipping where only the highest governance standards will suffice

Areas of key concern	Risk category	Saga risk appetite	Risk in operating environment	Considerations
External regulatory landscape/ political change	Regulation	Very low	Medium	As a highly regulated group of businesses, with a complex, demanding customer base, changes in regulation have the power to affect our profitability both positively and negatively. The impending UK election and the ongoing Eurozone complications may well bring about unexpected regulatory change which we will need to anticipate and adapt to in order to meet customer expectations
Counterparty	Operational	Medium	Medium	We rely on a range of partners to deliver our products for us efficiently, safely and profitably. Our reliance on external parties will increase with our joint venture with TBI and development of our third party charter services in Travel
Insurance landscape	Insurance	Medium to high	Medium	We are affected by the general state of the insurance market in terms of pricing. We are reliant on the success of both our own products and those of our suppliers to provide the right products at the right price for our customers
Customer interaction/ service	Operational	Medium	Medium	We operate in a clearly defined customer target sector and we are well placed to continue to grow in this area. We must, however, ensure we continue to exceed the expectations of a financially stable, but complex, demanding and potentially vulnerable population grouping
Conduct	Regulation	Very low	Low	Customers are at the heart of everything we do. Our particular customer base has unique needs which must be incorporated into our entire range of products and services. Failure to achieve this may well result in fines, loss of reputation and ultimately significant brand damage
Macroeconomic climate	Operational	Medium	Medium	Our target customer base is fast growing, largely affluent and stable. It is, therefore, more insulated than other demographic areas but still influenced by macroeconomic changes. The ongoing Eurozone complications may well impact our customers' ability and desire to purchase our current product range

Current principal risks and uncertainties faced by the business

The table below lists the areas of key concern faced by us:

Our primary strategic objective is to operate where our model works best by focusing on our Strategic Priorities:

1. Expand our footprint in Insurance
2. Grow our Travel business
3. Expand our Personal Finance offering
4. Make more of our database
5. Continue to drive innovation

Principal risk or uncertainty	Strategic priorities linkage	Specific concerns	Response/Mitigation
IT systems and processes	① ② ③ ④ ⑤	Failure of our core IT systems to deliver required performance stability and resilience	We have allocated specific investment for IT infrastructure refresh, and strengthened our core IT team and processes
		Inability to develop digital offerings sufficient to drive innovation and growth	Significant investment in digital innovations at Group level
Cybercrime	① ② ③ ④ ⑤	Increased frequency of cyber attacks	Cyber awareness training has been reinforced and is in the process of roll out across the Group
		Cyber attack via unpatched/legacy systems	We have created a 24/7 patching regime to protect our systems
Database	④	Breach/loss of sensitive data assets	Significant investment is budgeted for improving information security countermeasures in 2015. External review/benchmarking of information security plans will be undertaken in 2015
		Breach of data protection legislation	We have dedicated data protection resources, processes and systems in place to ensure data is stored securely and handled correctly. We have contingency processes in place in the unlikely event of a data breach
People	① ② ③ ④ ⑤	Our culture does not deliver the Saga brand we aspire to	We are refining our leadership development programme to ensure we have the management team in place to deliver against our objectives
		We do not attract and/or retain the right people to achieve our objectives	We conduct regular employee surveys in order to monitor and manage issues to ensure that we retain and motivate our people
Operational efficiency	① ② ③	Failure to accrue expected benefits from operational initiatives	Operational initiatives are reviewed at all governance and trading meetings and mitigating steps taken where appropriate
Business interruption	① ② ③ ⑤	Loss arising from shipping technical failure or maritime incident	We have developed a 'beyond compliance' maintenance programme covering all aspects of our ships overseen at Group level and reported weekly via our governance structure
		Loss of key operational premises	Fully developed business continuity plans in force for key sites, regularly tested and audited

Current principal risks and uncertainties faced by the business

Principal risk or uncertainty	Strategic priorities linkage	Specific concerns	Response/Mitigation
External regulatory landscape/ political change	1 2 3 4 5	Breach of regulation governing our operations	Dedicated compliance teams are embedded in all regulated businesses responsible for auditing and monitoring compliance performance. Teams exist at Group level to ensure Group compliance with key legislation such as the Health and Safety at Work Act
		Inability to respond to regulatory change affecting our business	Saga has a diversified business model to lessen the potential impact of changes affecting one product or service. Emerging and horizon compliance risks are tracked by the dedicated business compliance teams and raised at all governance forums
		Political changes negatively impact our business models	Political policy is constantly monitored for impact and active lobbying is undertaken to influence proposed change wherever possible
Counterparty	1 2 3	Financial failure of key partner	We have agreed selection and monitoring processes in place for all key partners/suppliers
		Inability of key partner to provide appropriate service leading to reputational damage	Saga controls its third party supply quality through internal and external audits, customer 'moments of truth' surveys and customer complaint review
Insurance landscape	1 3 4 5	Inability to compete with insurance competitors	Saga manages the broking and underwriting processes, thereby allowing competition on price where appropriate
		Rates in the motor insurance market do not increase as expected	Introduction of a motor panel arrangement, increasing competitiveness and reducing risk; enhancing AICL's response to claims experience
Conduct/ customers	1 2 3 4 5	Our behaviour results in poor/unacceptable outcomes for customers	Saga's governance structure is built on the premise of customer dedication with daily consideration of customer satisfaction throughout the organisation
Macroeconomic climate	1 2 3 4 5	Changes in the macroeconomic climate impact our customers' inclination/capability to purchase our products and services	The impact of external economic factors on costs and customer demand are closely monitored throughout the Group and necessary changes are made in products and services regularly to compensate

*Strong performance
in our first year as
a public company.*



Financial Services at a glance

Financial Services is Saga's largest business segment and has been operating for over 25 years.

Trading EBITDA

£210.6m

Up 7.4%

Total policies sold

Total core

2,679k

Down 0.7%

Total add-ons

1,999k

Down 10.0%

Motor Insurance

Alongside many of our peers, we have continued to experience challenging conditions in the motor market. Prices stabilised in the second half of 2014 but since then, there have been no meaningful signs of any price increases. We have built our strategy for the future on the premise that these market conditions will prevail but, should that prove to be overly pessimistic, we are very well placed to capitalise on any improvement.

After a period during which the core motor book reduced in size as a result of our decision not to chase policy numbers in unfavourable market conditions, I am pleased to report that core policy numbers for the period are up 1.5% on last year. This has been achieved through a renewed focus on retention, targeting our marketing efforts and resources on maintaining the size of the overall book.

Over the past ten years, we have chosen to underwrite the majority of our core motor policies ourselves. We have done this very successfully and it has been highly profitable for us. However, our underwriting vehicle, AICL, has been deliberately highly risk averse. As a result of this, we do not convert the majority of the enquiries we receive on an annual basis for motor insurance, despite them coming from 'Saga customers'. As a result we still have a relatively small market share of around 8.5%* of the over 50s motor insurance market in the UK and we have constrained our ability to grow this.

As highlighted, the Group is committed to growth whilst maintaining a capital efficient and cash generative operating model. We are therefore in the process of building a panel within our Motor Insurance business that will allow us to provide insurance products to more customers by utilising other sources of underwriting, capitalising on the power of our brand and market position but without needing to commit more of our own capital. We also believe that this is an extremely attractive proposition for insurers joining the panel. Not only do they gain access to a large pool of potential customers, but also access to select data which can have significant pricing and proprietary value.

We already operate very effectively with this structure in our Home Insurance business and, although we are still in the early stages of development, we are seeing strong demand from underwriters to be part of the motor panel and the indicative prices they are providing are very encouraging. We will be providing further updates on our progress during the course of this year.

We announced earlier this year that we plan to acquire, subject to regulatory approval, Bennetts, the UK's leading motorbike insurance provider. Upon completion we will add over 200,000 motorbike insurance policies to the 18,000 we already provided under the Saga brand.

In many ways this proposed acquisition encapsulates our strategy: a growing UK insurance broker with a market-leading brand, and where the combined customer base offers great potential for both Saga and Bennetts. 77% of Bennetts' customers are over 40, 43% are over 50 and it is a growth market with nearly a third of all spending on motorcycling activities in 2014 coming from those over 50. This is predominantly characterised by the second-time-around biker who, with disposable income available, is able to indulge in their passion for biking. Additionally, a large proportion of Bennetts' customers have cars and we can now provide Bennetts with access to 10.8 million potential new customers by using the Saga database.

Bennetts is the leading brand in the motorbike market in the UK and will continue to trade under its own name in the same way that has proved so effective with other brands within the Group, such as Titan in our Travel business.

Motor policies sold

Motor core

1,077k

Up 1.5%

Motor add-ons

1,407k

Down 13.8%

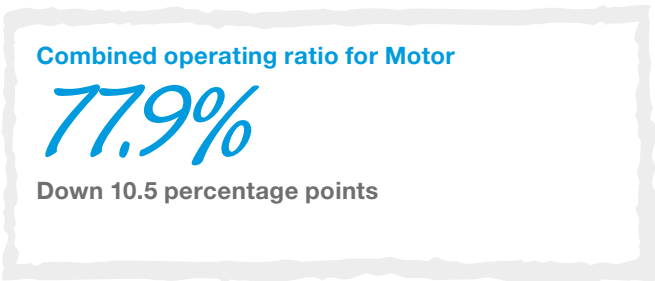
* GfK NOP at 31 August 2014.

Underwriting

The Group has always taken a deliberately prudent approach to underwriting and reserving. As a result, our underwriting business, AICL, is very well capitalised. At 31 January 2015, we held solvency capital of £161.m, resulting in a Solvency I coverage ratio of 277%, which is well above the 200% minimum margin required by the regulator.

With regards to the potential impact of Solvency II, as we have stated before, our indicative results indicate that Solvency II will not require us to make any additional future capital injections into AICL.

Reserve releases were £57.8m in the period, compared with £57.0m in the prior year, without any erosion in the strength of our reserves. This is a result of our prudent approach to risk in challenging market conditions and a favourable development in our claims experience.



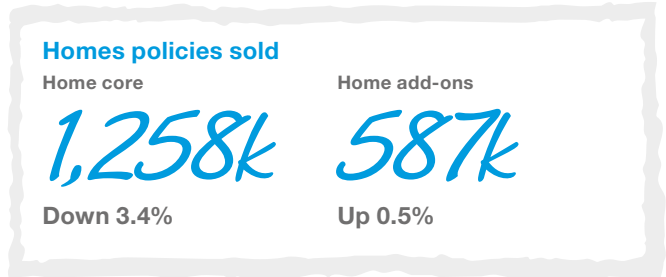
Home Insurance

The market for home insurance continues to be highly competitive and we have seen market rates fall by 5.7% over the twelve months to January 2015.

We operate a panel of 16 insurers in the home market. AICL sits on that panel, but the risk it underwrites is 99% co-insured and 1% reinsured, meaning we take no underwriting risk. The panel continues to become ever more efficient, with an increasing number of underwriters bringing a wide range of different areas of expertise as well as increasingly competing with each other for the business. This, in combination with our provision of proprietary predictive data from our database to the panel (the 'Saga factor'), has led to a reduction in the net rate at which we can source underwriting for these policies by 11.6% over the year, 5.9 percentage points more than market rates have fallen.

We can therefore manage our approach proactively, either investing in growing our policy numbers by passing the savings on to the customer or retaining a greater margin.

Moving forward, we will continue to build and refine the panel and believe we can grow market share from a relatively low base of 6.8% of the UK's over 50s.



Other Financial Services

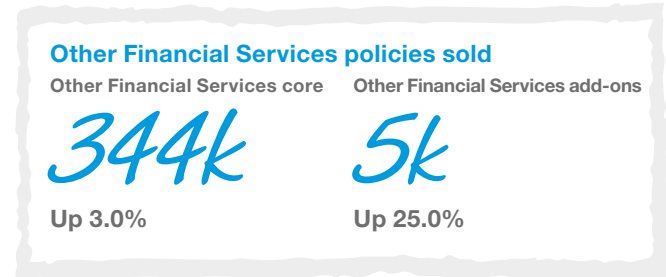
Within Other Financial Services we have continued to deliver consistently strong growth. Our activities here are driven by Private Medical Insurance ('PMI') and Travel Insurance, which, in combination, account for 65% of our Trading EBITDA in this segment.

Again, we predominantly focus on building products based on customer insight and ensuring the customer experience, sourcing the best possible third-party provider for product.

PMI remains an important area for us and we continue to grow policy numbers in a declining market by finding new routes to market for our product.

Our Travel Insurance product, which is separate to the travel insurance included in our Travel products, has performed exceptionally strongly in the past year. This is a very important source of income for us but, equally as important, has become a key tool in the acquisition of new names onto the database, adding 137,000 names during the period.

Finally, our high-quality Personal Finance business continues to make progress alongside the progress we have made in launching Saga Investment Services, our wealth management joint venture. During the year we opened an additional 66,000 new savings accounts, provided 158,000 Saga Credit Cards on which £221m was spent last year and delivered 108,000 share trades.



Legal Services

During the year we launched a new product, Saga Legal Services. Its development is a stand-out example of innovation at work within Saga and the highly effective use of the business model and the brand. We identified that the market for legal services, such as probate, wills and conveyancing, is fragmented, with no trusted dominant national brand. Additionally, it is a marketplace where Saga can differentiate its offer; service levels play a key role, our customer knowledge gives us a competitive advantage and cross-selling opportunities can flow from an initial relationship.

We therefore developed a range of products based on customer feedback and found a market-leading supplier. Saga Legal Services was launched as a pilot offering, testing the products in a real world environment and backed with a small amount of marketing. The success of the initial pilot, which attracted 36,000 quotes and 8,500 instructions, led to enhanced marketing support with the launch of a television advertising campaign in February 2015. Early signs are that this has had a very positive impact and we have now had 45,000 quote enquiries and over 10,700 instructions since launch.

Our insurance business is making good early progress on delivering the strategy outlined in January of this year. We are on track to introduce the motor panel, helping us to deliver a broader range of products to customers we could not historically serve. We are targeting an increased market share in our Home Insurance business, driven by the flexibility provided to us by the panel we already have in place. We will continue to look for opportunities to expand our product offering to solve customer needs, maximise our use of digital channels and continue our ongoing drive for efficiencies throughout the business.

Outlook

Trading across the insurance businesses has started strongly and is in line with our expectations.

The UK motor and home markets remain highly competitive and we have seen rates continue to be flat in early 2015. The launch of our Motor Insurance broking panel later this year will allow us to offer even more competitive rates to customers, as we have achieved with our Home Insurance panel, and further grow our market share. We expect continued strong profitability in the year ahead.

Our proactive management of the home insurance panel and our use of shared proprietary packaged data with the panel, the Saga Factor, leave us well placed to capitalise on our pricing advantage for our customers in a competitive marketplace. We have an encouraging start to year although competitive pressures remain.

Performance in Other Financial Services continues to be strong, driven by the success of Travel Insurance and Private Medical Insurance. We expect a continued robust operating performance.

Travel at a glance

Saga has operated its travel business for over 60 years. Travel is considered to be the centre of the Saga brand and provides positive brand associations for the other products and services offered by Saga.

Trading EBITDA

£26.0m

Up 29.4%

Number of passengers

172k

Holiday passengers
Up 11.0%

336k

Ship passenger days
Up 6.7%

Travel

We have an excellent, highly regarded travel business that includes our tour operator businesses, Saga Holidays, Titan and Destinology (which we acquired during the year) and our Cruising business which comprises of two ships, the Saga Sapphire and the Saga Pearl II.

Travel is central to the history of the Saga Group, a key element of our DNA and vitally important to our brand with high levels of customer satisfaction and 80% repeat business. This excellence was recognised again during the year, when Saga, Titan and Destinology won a record 46 awards at the industry 'Oscars' the British Travel Awards, making us the most successful and most admired travel organisation in the UK.

However, in the past few years the team was consciously given a remit to limit risk rather than focus on significant growth, meaning Travel makes a relatively small financial contribution to the Group as a whole.

With our renewed focus on growth throughout our core businesses, this has changed and the Travel team, under the leadership of Andrew Strong, has been challenged to grow the business.

We have announced a strong start today with the Travel business enjoying an excellent year from a financial and operational perspective. Both our tour operating and Cruising businesses expanded. Overall revenues of £381.3m grew by 15.2% and Trading EBITDA of £26.0m by 29.4%. We took just under 200,000 customers on a holiday or cruise in the last year.

Tour operating

We are passionate about our Saga holiday brands, and our research shows there is significant additional demand within these businesses where our customers want us to take them further afield and on more adventurous holidays.

In July, Saga Holidays successfully launched third party cruise products to complement our existing cruise business. This part of the business is progressing well and we have taken over 2,000 customer bookings on this type of cruise since we started. Pleasingly, 74% have never cruised with us before. This is also a further strong example of our model in action: using first-class third party providers we can offer a broader range of products to our current customer base, while introducing new customers to the Saga experience.

In October we launched the sale of Saga Holidays products through third party travel agents. As over 50% of our core customer demographic will book their holiday through a travel agent, this additional distribution channel will drive further bookings growth for the future.

During the year we have also upgraded our Saga Holidays website to improve the customer journey across PC, tablet and mobile. Nearly 27,000 browsers have registered with us through our website in the past five months. To complement this we have further developed our contact centre capabilities offering more flexibility to our customers around choice of airport departure.

Cruising

Cruising is a vital part of our Travel offering through our two ships, the Saga Sapphire and Saga Pearl II. This gives us an opportunity for customers to live in our brand for weeks, and even months, at a time, trusting us with their wellbeing and treating us as a home away from home, is one of the most exciting and unique aspects of this business.

We continue to make the investment required in our cruise offering to enhance the customer experience and maintain the high levels of customer satisfaction that we see already. A major refit of the Sapphire was successfully completed in December 2014, enhancing our service capability and proposition on board. Load factors were 85% (2014: 77%) across both ships and the number of shipping days at 336,000 was an increase of 6.7% against last year.

Looking forward, the team will continue to deliver on its strategy for growth, including:

- continuing to increase and improve the range of products offered to our customers through all of our holiday brands
- delivering an enhanced service proposition, including investment in our representatives in resorts and in optimising the journey for customers, integrating service across customer channels
- the continuation of the digital transformation throughout the Travel business to enhance the customer journey and develop on a multi-channel approach to our customer interactions.

Outlook

Trading across the Travel businesses has started strongly and we expect positive growth across all business lines.



Healthcare at a glance

Saga's Healthcare Services segment provides private home healthcare.

Trading EBITDA
Continuing

£2.2m

Discontinued

£9.0m

Healthcare Services

We remain absolutely committed to continuing to explore the market for private home healthcare where we can build a relationship directly with the customer. This year we have split out the private pay care businesses that previously sat within the Allied business – Patricia White's, Country Cousins and Saga SOS – and put them under the control of a dedicated management team that is also managing our recently announced agreement with Spire Hospitals and our private home healthcare pilot which is now in market and making good progress.

While the contribution of our ongoing Healthcare Services operations to the bottom line, with Trading EBITDA of £2.2m, was relatively modest last year and will continue to be so in the short to medium term, we are excited by the long-term prospects in this area. The domiciliary care market in the UK remains highly fragmented and, after assessing our accumulated learnings from running Allied, we see a significant opportunity for a trusted brand offering a convenient, private, digital focused service to our target demographic on a national scale.

However, we have decided that the public healthcare part of the Allied business, where Saga has no direct relationship with the consumer, does not fit with the Saga business model. We therefore announced our decision to divest the parts of Allied Healthcare that focus on the provision of domiciliary care to local authorities and the NHS.

This part of Allied is the leading provider of domiciliary care in the UK, employing more than 15,000 carers, looking after the frail and elderly at home. In the past 2-3 years, it has developed the very highest standards of clinical care and quality oversight of any such company, continues to win new contracts from local authorities and the NHS and drive efficiencies through the business. As a result of this it increased its Trading EBITDA in the last twelve months to £9.0m (2014: £7.9m), despite a 9.8% decline in revenues.

Given this decision, we have written down the value of this part of the Healthcare business and, together with the other charges in respect of the discontinued business, this has given rise to a total charge of £220.2m. These operations will be reported as discontinued going forward. We have appointed advisers to facilitate the sale and we will keep the market updated on progress.

Media at a glance

The Group's Media and Central Costs segment includes Saga Publishing, which produces and markets Saga Magazine, and MetroMail, Saga's own print and mailing house.

Media

For three decades, Saga Magazine has played a vital role connecting millions of Saga customers with content designed to enrich their lives. As the UK's best selling paid-for monthly magazine, Saga Magazine remains an integral part of our brand story and Saga's heritage, and a unique way for Saga to engage with more than a million people each month. At the end of 2014, Saga Magazine celebrated its 30th anniversary, a testament to its relevance and longevity.

As our customers increasingly migrate to mobile, digital and online platforms for content consumption and purchasing, our Publishing business is accelerating its move to deliver a digital and mobile-first approach to content, to ensure we remain as relevant to our audience as we were 30 years ago.

Saga Publishing aims to generate the content that fuels our customers' thirst for life and be the number one source of information, advice and entertainment to help Saga customers navigate life's complex choices and decisions.

Our Publishing business is placing content at the heart of our customer relationships, using content to build customer journeys that bridge across all parts of the Saga Group. Our aim is to create seamless content and commercial journeys for our audience that support the Group's wider business objectives.

To meet our digital, business and customer challenges, our publishing team has been restructured with centralised production, marketing and commercial teams supporting dedicated digital and print teams, creating engaging content across all platforms. A new leadership team has been put in place to transform Saga Publishing into a digital-first business, capitalising on commercial partnerships, platforms and opportunities that digital engagement offers.

Saga Magazine also aims to reinforce its relevance, and become a true advocate of the issues facing the UK's over 50s. With a customer-centric view of the world, Saga Magazine will look to effect positive change to improve the lives of its audience.

Thirty years ago, the then-revolutionary idea of using content to engage customers helped create the enviable relationship that we possess with our audience. The same holds true today, and Saga Publishing is ensuring it continues to produce a vibrant and relevant magazine and digital content that has a clear role in inspiring our audience and broadcasting the Group's wider commercial offerings.

Saga plc

Annual report and accounts
for the year ending 31 January 2015

Innovation at a glance

Putting innovation at the centre of the business.

New opportunities

While we are clear that our core businesses will be the key drivers of the growth targeted in the Group’s strategy, we continue to identify and pilot new opportunities that we think are the right fit for our business model, can provide attractive future growth potential and, most importantly, generate exceptional customer satisfaction feedback.

Personal Finance

Personal Finance, which includes the recently announced creation of Saga Investment Services, the 50/50 wealth management joint venture with Tilney Bestinvest, represents a particularly exciting opportunity.

The over 50s in the UK hold 68% of the nation’s wealth. The changes to the rules in relation to pensions, combined with the fact that the changing regulatory environment (RDR1 and RDR2) has led to many existing providers withdrawing

from the marketplace, creates an opportunity for a new provider with a customer-centric approach and a trusted brand.

We have chosen a partner who shares our absolute commitment to the customer and, while it is early days, we are in the process of configuring a best-in-class set of products which we hope to be able to offer to customers towards the end of the year.

Retirement villages

Another area we have highlighted our interest in is retirement villages. These are extremely popular in other parts of the world but are yet to gain significant traction in the UK. We have partnered with Rangeford, a developer of retirement villages, to market Wadswick Green, their new village in Corsham, Wiltshire.

We believe that we can add significant value via our marketing expertise, insight and customer relationships and we are continuing to evaluate the potential to offer ongoing services across the areas we already specialise in through our Travel and Healthcare businesses.

The Saga opportunity: ideas generation – illustrative examples

Segment	Opportunity	Segment	Opportunity	Segment	Opportunity
Housing Costs £31.9bn	Retirement villages, home modification for independent living, mortgages	Vehicle Purchase £11.2bn	Saga cars, mobility services	Takeaways £5.3bn	Ready meals, nutrition advice
Energy Costs £16.8bn	Energy supply/ switching for seniors	Health £5.7bn	Saga private healthcare	Transport Fares £5.0bn	Off peak rail travel services
Holidays Abroad £14.9bn	Already operating in this segment; overseas retirement communities	Garden & Pet Equipment £7.2bn	Two biggest hobbies on the Saga database, online catalogues	UK Holidays £4.5bn	UK short break holidays
Wealth £14.0bn	Single wealth management platform	Telephone Services £5.9bn	Saga MVNO, smartphone with specialised content services	Sport & Leisure £3.2bn	Fitness classes
Insurance £11.7bn	Already operating in this segment	Maintenance & Repair £5.4bn	Saga trusted tradesmen	Internet £1.6bn	Digital switching services

Innovation case studies

Our pilot projects are longer-term initiatives and here are three examples.

Retirement villages alongside our partner Rangeford homes. They build the homes and we find the customers. It is early stages still but progressing well and we are learning quickly about how we can move into this fascinating space, offer Saga standards of service and make a profit.



Healthcare Our private home healthcare pilot is now under way. Over the coming months we will carefully scale it up, while we refine the pricing and consumer offer. We know that there is a real unmet need in the market for high-quality, technologically-enabled care in the home. However, we will either do it right or not at all, so we will take our time. We have signed a deal with Spire Hospitals to trial a 'home from hospital service', helping their patients resettle at home after a hospital stay.

Legal services This is a great example of innovation at work within Saga. We identified that the market for legal services was both fragmented and fitted well with our business model. We developed a bespoke service, tailored to the over 50s' needs. We have identified the best providers in the market and we have now had over 10,700 instructions to date. This has now moved beyond the pilot stage, being supported by television advertising and will increase in profile in the coming months.



Stuart Howard Group Chief Financial Officer



Trading EBITDA

Up 6.0%

£227.4m

Available operating cash flow

£170.9m

Group overview

The Group has delivered strong financial performance in its first year as a public company, delivering 9.6% growth in like-for-like profit before tax from continuing operations, which is shown before tax, one-off IPO and financing costs, new interest and debt service costs, and net fair value gains and losses on derivatives. The Group has achieved a pro forma operating earnings per share of 12.6p. Available cash conversion has remained strong, enabling the Board to propose a dividend of 4.1p per share, at the top end of the payout range communicated at the time of the IPO.

On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare. Accordingly, this has been treated as a discontinued operation and is not included in the like-for-like analysis.

Group P&L	12m to Jan 2015	Growth	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment ¹
Revenue	£900.5m	0.6%	£895.4m	£944.0m	(£48.6m)
Trading EBITDA	£227.4m	6.0%	£214.5m	£226.2m	(£11.7m)
<i>Trading EBITDA % (of gross revenue)</i>	21.3%	0.6%	20.7%		
Depreciation/loss on disposal	(£17.3m)		(£20.1m)	(£27.3m)	£7.2m
Amortisation	(£11.7m)		(£10.7m)	(£10.7m)	£0.0m
Interest on available cash	£0.0m		£1.1m	n/a	£1.1m
Operating profit	£198.4m	7.4%	£184.8m	£188.2m	(£3.4m)
<i>Operating profit %</i>	22.0%	1.4%	20.6%		
Exceptional expenses	(£2.4m)		(£6.4m)	(£6.4m)	£0.0m
Net finance costs (pension scheme)	(£0.5m)		(£0.1m)	(£0.1m)	£0.0m
Like-for-like profit before tax	£195.5m	9.6%	£178.3m	£181.7m	(£3.4m)
Net fair value gains/(losses) on derivatives	£2.9m		(£10.4m)	(£10.4m)	£0.0m
IPO expenses and new debt costs					
IPO expenses	(£50.0m)		£0.0m	£0.0m	£0.0m
Interest on debt and borrowings	(£34.6m)		£0.0m	£0.0m	£0.0m
Profit before tax from continuing operations (reported)	£113.8m	(32.2%)	£167.9m	£171.3m	(£3.4m)
Loss after tax for the year from discontinued operations	(£220.2m)	1,130.2%	(£17.9m)	(£18.3m)	£0.4m
Tax expense	(£27.4m)	(36.9%)	(£43.4m)	(£43.4m)	£0.0m
(Loss)/profit after tax	(£133.8m)	(225.5%)	£106.6m	£109.6m	(£3.0m)
Basic earnings per share					
Pro forma operating earnings per share	12.6p	13.5%	11.1p		
Earnings per share from continuing operations	8.6p	(46.3%)	16.0p		
(Loss)/earnings per share	(13.4p)	(198.5%)	13.6p		

Segmental performance summary		12m to Jan 2015	Growth	12m to Jan 2014	12m to Jan 2014	
					Reported	Adjustment ¹
Revenue	Motor Insurance	£312.0m	(12.2%)	£355.2m	£355.2m	£0.0m
	Home Insurance	£91.8m	1.4%	£90.5m	£90.5m	£0.0m
	Other Financial Services	£94.3m	(2.7%)	£96.9m	£96.9m	£0.0m
		£498.1m	(8.2%)	£542.6m	£542.6m	£0.0m
	Travel	£381.3m	15.2%	£331.0m	£379.6m	(£48.6m)
	Healthcare Services	£4.3m	(8.5%)	£4.7m	£4.7m	£0.0m
	Media and Central Costs	£16.8m	(1.8%)	£17.1m	£17.1m	£0.0m
		£900.5m	0.6%	£895.4m	£944.0m	(£48.6m)
Trading EBITDA	Motor Insurance	£104.2m	8.9%	£95.7m	£96.7m	(£1.0m)
	Home Insurance	£64.5m	2.2%	£63.1m	£63.1m	£0.0m
	Other Financial Services	£41.9m	12.3%	£37.3m	£37.3m	£0.0m
		£210.6m	7.4%	£196.1m	£197.1m	(£1.0m)
	Travel	£26.0m	29.4%	£20.1m	£27.8m	(£7.7m)
	Healthcare Services	£2.2m	(18.5%)	£2.7m	£2.7m	£0.0m
	Media and Central Costs	(£11.4m)	159.1%	(£4.4m)	(£1.4m)	(£3.0m)
		£227.4m	6.0%	£214.5m	£226.2m	(£11.7m)

Revenue

During the financial year ended 31 January 2015, the Group generated total revenue from continuing operations of £900.5m (2014: £895.4m), which was up 0.6%. Financial Services revenue was £498.1m, which was down £44.5m (8.2%) reflecting the general reduction in motor market premiums. Travel revenue increased by £50.3m (15.2%) to £381.3m, with growth from both Holidays and Cruising; the acquisition of Destinology contributed £26.2m (52.1%) of the total Travel revenue increase.

Trading EBITDA

The Group delivered a £12.9m (6.0%) increase in Trading EBITDA from continuing operations to £227.4m (2014: £214.5m). The Financial Services and Travel businesses saw increases in Trading EBITDA of £14.5m (7.4%) and £5.9m (29.4%) respectively, although this was partially offset by a £7.0m increase in Media and Central Costs, driven by higher central administrative costs as a result of becoming a plc.

Trading EBITDA as a percentage of gross revenue (which represents total sales to customers and includes the third-party element of premiums not underwritten by the Group) was 21.3%.

Operating profit

At the operating profit level, the Group delivered a £13.6m (7.4%) increase to £198.4m (2014: £184.8m).

This was in line with Trading EBITDA combined with lower depreciation and loss on disposal costs, which were down £2.8m and were offset against a £1.0m increase in amortisation.

Like-for-like profit before tax

The Group did not exist in a comparable form in the prior year, and therefore like-for-like profit before tax has been included to facilitate meaningful year-on-year comparison. Like-for-like profit before tax from continuing operations is shown before tax, one-off costs associated with the IPO and the issuance of the Group's own debt facilities, interest and service costs associated with this debt for which there is no comparative cost, and net fair value gains and losses on derivatives.

The increase in operating profit together with lower exceptional expenses, which were down £4.0m due to lower restructuring costs, has flowed through to like-for-like profit before tax, which was £17.2m (9.6%) higher at £195.5m.

Profit before tax

Profit before tax from continuing operations on a statutory reporting basis was £113.8m. This was £54.1m lower than the previous year (2014: £167.9m) reflecting the £17.2m increase in like-for-like profit before tax and a £13.3m favourable movement on derivative financial instrument gains and losses year-on-year, offset by £50.0m of one-off exceptional expenses incurred as a result of the flotation of the Group and interest on debt and borrowings of £34.6m for which there was no comparable charge in the previous year.

¹ Adjustments have been made to the comparative period to enable like-for-like comparison between the two periods.

For revenue, adjustments relate to the Travel business and reflect the retirement of one of the Group's ships, the Saga Ruby, and the cessation of some small Holidays businesses.

For operating profit, adjustments reflect the retirement of the Saga Ruby and the ceased Holidays businesses, together with the removal of a one-off benefit within the Media and Central Costs segment in respect of a deferred grant and a one-off release of accruals within the Motor Insurance segment.

The favourable year-on-year movement in derivative gains and losses reflects a net loss in the prior year of £10.4m moving to a net gain in the current year. These gains and losses arise on the Group's currency and fuel hedging activity, which the Group excludes from Trading EBITDA due to their distorting impact as the derivatives move in and out of the money over the period through to delivery date.

Whilst the Group has always maintained a comprehensive economic hedging strategy for currency, fuel oil and interest rate risk, the conversion to IFRS during the IPO process prohibited the retrospective application of hedge accounting. The Group implemented hedge accounting for the majority of its new foreign exchange derivatives with effect from 1 February 2014, and for a proportion of its new fuel oil derivatives with effect from 1 August 2014. Therefore, the volatility associated with the movement in derivative fair values is expected to reduce in future years.

Finance charges

During the year, total interest on debt and borrowings of £34.6m was charged to the Income Statement. There was no equivalent cost in the previous year for the Group's debt financing. The charge of £34.6m comprises £12.1m of one-off expenses, namely costs incurred on issue of £5.9m and costs expensed on repayment of £550.0m of principal of £6.2m, and ongoing debt service costs of £22.5m, comprising the amortisation of the remaining costs over the life of the debt of £2.4m and other ongoing fees and interest paid and accrued of £20.1m.

Tax expense

The Group's tax expense of £27.4m reduced by £16.0m from the previous year. This reflects the tax deductions for allowable IPO expenses and the finance cost of the new debt, together with a reduction in the corporation tax rate.

Earnings per share

The Group's basic loss per share for the financial year ending 31 January 2015 was 13.4p.

However, given the exceptional expenses and new interest costs incurred in the period, it is more meaningful to consider post-tax operating earnings per share on a pro forma basis to enable a like-for-like comparison across periods.

To do this, an interest charge has been made to reflect a cost for the £1.25bn of debt which was provided to the Group via intercompany loans by an intermediate parent company up until 25 April 2014. The charge has been calculated using the rate specified in the Group's Senior Facilities Agreement for a level of debt of £1.25bn.

A charge has also been made to the additional costs incurred in connection with being a plc which were not incurred as a private company. These costs include the costs of additional senior staff, notably the new Group Chief Executive Officer, Non-Executive Directors and Investor Relations function, together with additional costs associated with the regulatory requirements. The charge has been made to include a full year of these costs in both periods.

Basic post-tax pro forma operating earnings per share from continuing operations for the year was 12.6p (2014: 11.1p), which is an increase of 13.5%.

Reconciliation of like-for-like profit before tax to post-tax pro forma operating earnings	12m to Jan 2015	<i>Growth</i>	12m to Jan 2014
Like-for-like profit before tax	£195.5m	9.6%	£178.3m
Adjustments:			
Exceptional expenses	£2.4m		£6.4m
Ongoing debt service costs	(£22.5m)		£0.0m
	(£20.1m)		£6.4m
Pro forma adjustments:			
Interest charge	(£14.1m)		(£61.3m)
Plc costs	(£1.8m)		(£4.5m)
Tax effect of adjustments	£3.4m		£16.0m
	(£12.5m)		(£49.8m)
Tax expense	(£36.9m)		(£46.5m)
Post-tax pro forma operating earnings	£126.0m	42.5%	£88.4m
Pro forma operating earnings per share	12.6p	13.5%	11.1p

Dividends

Strong profit delivery and continued high levels of cash conversion have enabled the Group to beat its target reduction of the net debt to Trading EBITDA ratio of 0.5 times per year. The ratio reduced by 0.6 times to 2.5 times during the nine months from the IPO to the end of the financial year, which has allowed the Board to propose a dividend of 4.1p per share. This dividend is at the top end of the payout range detailed in the Prospectus, and reflects the period following the flotation.

This dividend will be paid on 30 June 2015 to holders of ordinary shares on the register at the close of business on 5 June 2015.

Cash flow and liquidity

The Group maintained a strong cash flow performance in the year to 31 January 2015, achieving an available operating cash flow of £170.9m, or 72.3% of Trading EBITDA. This reduced by £25.8m (13.1%) on the previous year, as a greater proportion of Trading EBITDA came from the restricted trading businesses within Financial Services and Travel in the financial year to 31 January 2015 when compared with the previous year, which will flow through to available cash in the following year, coupled with increased capital investment in IT systems in the Insurance business.

	12m to Jan 2015	Growth	12m to Jan 2014
Trading EBITDA			
From continuing businesses	£227.4m	6.0%	£214.5m
From discontinued businesses	£9.0m	13.9%	£7.9m
Total	£236.4m	6.3%	£222.4m
Less Trading EBITDA from restricted businesses	(£78.8m)	83.7%	(£42.9m)
Working capital and non-cash items (including dividends paid from underwriting vehicle and Travel business)	£30.1m	8.3%	£27.8m
Capital expenditure funded with available cash	(£16.8m)	58.5%	(£10.6m)
Available operating cash flow	£170.9m	(13.1%)	£196.7m
<i>Available operating cash flow %</i>	<i>72.3%</i>	<i>(16.1%)</i>	<i>88.4%</i>

The acquisition of Destinology on 13 August 2014 was funded by cash held by the Travel division which is not available to be used by the Group for purposes outside of the Travel division. As a consequence, the release of the Travel division's surplus cash to the rest of the Group was reduced by £5.5m.

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

	12m to Jan 2015	12m to Jan 2014
Net cash flows from operating activities (reported)	£155.3m	£174.1m
Exclude cash impact of:		
Trading of restricted divisions	(£53.2m)	(£48.4m)
Cash released from restricted divisions	£26.5m	£9.0m
Exceptional expenses	£7.2m	£15.6m
Interest paid	£19.7m	£0.0m
Debt issue costs	£22.6m	£0.0m
	£22.8m	(£23.8m)
Capital expenditure funded from available cash	(£16.8m)	(£10.6m)
Exclude 'non-operating' interest and tax cash flows	£9.6m	£57.0m
Available operating cash flow	£170.9m	£196.7m

Financing

On 25 April 2014, the Group raised new financing of £1.25bn, and later utilised the £550.0m of proceeds raised via the IPO to repay the gross debt down to £700.0m. The debt matures in 2019. Interest is incurred at a variable rate of LIBOR plus 2.25%.

To protect the Group from significant LIBOR increases, instruments are in place which cover £510.0m of the debt and cap LIBOR at 3.0% until June 2016.

The Group has access to a revolving credit facility of £150.0m on a next day basis. This amount has not been drawn in cash although the Group has used £31.0m of it to secure various regulatory bonds and other guarantees.

The pro forma starting net debt to Trading EBITDA ratio for the Group, which has been adjusted to treat all IPO and refinancing costs as paid at that date, was 3.1 times. Since then, cash generation and Trading EBITDA growth has reduced this ratio by 0.6 times to 2.5 times as at 31 January 2015.

Pensions

The Group operates three funded defined benefit schemes. The Saga Pension Scheme ('Saga scheme') is open to new members who accrue benefits on a career average salary basis. The two remaining schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ('Nestor schemes') are closed and have very few active members.

Over the year, the total deficit on an IAS 19 basis for all three schemes increased by £30.8m to £55.1m (2014: £24.3m). This has been driven by a £77.6m increase in the present value of the total defined benefit obligations to £321.4m (2014: £243.8m), offset by a £46.8m increase in the fair value of the scheme assets to £266.3m (2014: £219.5m). The significant increase in the present value of future obligations has been driven by the dramatic fall in gilt yields seen at the end of 2014, leading to a reduction in the discount rate applied to value future liabilities.

By scheme, the deficit at 31 January 2015 comprises £40.4m on the Saga scheme and £14.7m on the Nestor schemes. The Nestor scheme liability has been included in liabilities held for sale.

Actuarial valuations for funding purposes were performed on the Nestor Healthcare Group Retirement Benefits Scheme as at 5 April 2012, and on the Healthcall Group Limited Pension Scheme as at 31 October 2012. Following these valuations, recovery plans were put in place for these schemes, costing £3.4m annually.

During the year a funding valuation was performed for the Saga scheme as at 31 January 2014 which showed a deficit of £15.6m at that date. Further to this valuation, the Group has agreed a recovery plan for the Saga scheme under which it will contribute an additional £2.0m per year for ten years, commencing in February 2015.

At 31 January 2015	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£212.3m	£54.0m	£266.3m
Present value of defined benefit obligation	(£252.7m)	(£68.7m)	(£321.4m)
Defined benefit scheme liability	(£40.4m)	(£14.7m)	(£55.1m)

At 31 January 2014	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£171.2m	£48.3m	£219.5m
Present value of defined benefit obligation	(£186.1m)	(£57.7m)	(£243.8m)
Defined benefit scheme liability	(£14.9m)	(£9.4m)	(£24.3m)

Significant balance sheet movements not considered elsewhere

Total assets and liabilities have reduced by £1,163.1m and £1,027.4m respectively over the year, which reflects the repayment or cancellation of balances with parent undertakings in preparation for the listing of the Group on the London Stock Exchange and the write-down of the goodwill associated with the Allied Healthcare business.

The repayment or cancellation of balances with parent undertakings reduced total assets by £1,030.7m and reduced total liabilities by £1,779.9m. Total liabilities then increased by £700.0m following the drawing of the Group's own debt facilities to replace those previously provided by an intermediate parent via the repaid liabilities – the outstanding bank debt liability net of unamortised costs at 31 January 2015 is £692.2m.

Goodwill has reduced by £164.8m to £1,471.4m. This reduction reflects a £177.8m write-down as part of the classification of the Allied Healthcare business as held for sale, partially offset by £13.0m additional goodwill arising on the acquisition of Destinology. The classification of the Allied Healthcare business as held for sale also required the write-down of intangible fixed assets by £19.9m, offset by those acquired with Destinology totalling £20.8m. Overall, other intangible fixed assets have reduced by £12.6m to £34.8m driven by the amortisation charge for the year.

The classification of Allied Healthcare as held for sale also accounts for £52.6m of the reduction in trade receivables (down £52.7m to £163.7m), as these receivables at 31 January 2015 of £40.4m are included within the total assets held for sale of £47.7m.

Financial Services

Financial Services revenue has fallen by £44.5m (8.2%) to £498.1m over the course of the year. This is almost entirely driven by the Motor Insurance business where revenues are down £43.2m as a result of the continued reduction in average premiums within the motor market.

Core policies are broadly flat year-on-year (down 0.7% to 2,679k) although add-on policies have fallen by 10.0% to 1,999k following the implementation of regulatory changes across the industry over the sale of add-ons.

Despite the reduction in revenue, the Financial Services businesses have delivered a £14.5m (7.4%) increase in Trading EBITDA to £210.6m. This has been driven by a very strong underwriting ('UW') performance on the Group's core underwritten Motor business – up £19.8m to £78.5m for the year (2014: £58.7m) – offset by a £7.8m decrease in Motor ancillaries, as detailed in the following Motor Insurance section.

	12m to Jan 2015				Growth	12m to Jan 2014			
	Core UW	Ancillary	Broking/ Other	Total Financial Services		Core UW	Ancillary	Broking/ Other ²	Total Financial Services
Gross revenue	£280.7m	£51.2m	£334.5m	£666.4m	(2.4%)	£318.5m	£58.6m	£305.8m	£682.9m
Revenue	£280.7m	£51.0m	£166.4m	£498.1m	(8.2%)	£318.5m	£58.4m	£165.7m	£542.6m
Gross profit	£109.6m	£43.6m	£140.3m	£293.5m	4.3%	£89.3m	£51.2m	£140.8m	£281.3m
<i>Gross profit %</i>	39.0%	85.2%	41.9%	44.0%	2.8%	28.0%	87.4%	46.0%	41.2%
Operating expenses	(£44.2m)	(£9.0m)	(£55.8m)	(£109.0m)	1.2%	(£45.7m)	(£8.4m)	(£53.6m)	(£107.7m)
Investment return	£17.1m	£0.2m	£0.0m	£17.3m	13.1%	£15.1m	£0.2m	£0.0m	£15.3m
Joint venture	£0.0m	£0.0m	£1.2m	£1.2m	100.0%	£0.0m	£0.0m	£0.0m	£0.0m
Operating profit	£82.5m	£34.8m	£85.7m	£203.0m	7.5%	£58.7m	£43.0m	£87.2m	£188.9m
<i>Operating profit %</i>	29.4%	68.0%	25.6%	30.5%	2.8%	18.4%	73.4%	28.5%	27.7%
Add back depreciation and amortisation	£3.6m	£0.4m	£3.6m	£7.6m	5.6%	£4.1m	£0.3m	£2.8m	£7.2m
Trading EBITDA	£86.1m	£35.2m	£89.3m	£210.6m	7.4%	£62.8m	£43.3m	£90.0m	£196.1m
<i>Trading EBITDA %</i>	30.7%	68.8%	26.7%	31.6%	2.9%	19.7%	73.9%	29.4%	28.7%
Number of policies sold:									
– core	981k	22k	1,676k	2,679k	(0.7%)	1,014k	4k	1,679k	2,697k
– add-ons	n/a	1,911k	88k	1,999k	(10.0%)	n/a	2,142k	79k	2,221k
	981k	1,933k	1,764k	4,678k	(4.9%)	1,014k	2,146k	1,758k	4,918k
Gross written premiums	£241.6m	£60.0m	£306.0m	£607.6m	(5.3%)	£270.5m	£61.9m	£309.2m	£641.6m

² Adjustments have been made to the comparative period to enable a like-for-like comparison between the two periods, by removing a one-off release of £1.0m of accruals from operating expenses.

Individual analysis of the Motor Insurance, Home Insurance and Other Financial Services businesses is provided on the following pages.

Motor Insurance

The reduction in average premiums within the motor market over the course of 2013 has continued this year, driven by reductions in claims costs and competitive pricing from a number of insurers. Despite this, the Group has grown the volume of its core Motor policies by 1.5% to 1,077k policies.

The Group's careful pricing strategy has delivered a relative reduction in claims costs compared with revenue, which, coupled with a consistent level of reserve releases, has driven a strong growth in Trading EBITDA.

	12m to Jan 2015				Growth	12m to Jan 2014			
	Core UW	Ancillary	Broking/ Other	Total Motor		Core UW	Ancillary	Broking/ Other ³	Total Motor
Gross revenue	£240.8m	£35.4m	£65.1m	£341.3m	(5.9%)	£275.9m	£42.1m	£44.6m	£362.6m
Revenue	£240.8m	£35.2m	£36.0m	£312.0m	(12.2%)	£275.9m	£41.9m	£37.4m	£355.2m
Gross profit	£101.7m	£31.1m	£11.1m	£143.9m	5.6%	£84.7m	£38.5m	£13.1m	£136.3m
Gross profit %	42.2%	87.9%	17.1%	42.2%	4.6%	30.7%	91.4%	29.4%	37.6%
Operating expenses	(£42.2m)	(£8.2m)	(£8.7m)	(£59.1m)	0.0%	(£44.0m)	(£7.8m)	(£7.3m)	(£59.1m)
Investment return	£15.6m	£0.0m	£0.0m	£15.6m	10.6%	£14.1m	£0.0m	£0.0m	£14.1m
Operating profit	£75.1m	£22.9m	£2.4m	£100.4m	10.0%	£54.8m	£30.7m	£5.8m	£91.3m
Operating profit %	31.2%	64.7%	3.7%	29.4%	4.2%	19.9%	72.9%	13.0%	25.2%
Add back depreciation and amortisation	£3.4m	£0.0m	£0.4m	£3.8m	(13.6%)	£3.9m	£0.0m	£0.5m	£4.4m
Trading EBITDA	£78.5m	£22.9m	£2.8m	£104.2m	8.9%	£58.7m	£30.7m	£6.3m	£95.7m
Trading EBITDA %	32.6%	64.7%	4.3%	30.5%	4.1%	21.3%	72.9%	14.1%	26.4%
Number of policies sold:									
– core	947k	22k	108k	1,077k	1.5%	978k	4k	79k	1,061k
– add-ons	n/a	1,324k	83k	1,407k	(13.8%)	n/a	1,558k	75k	1,633k
	947k	1,346k	191k	2,484k	(7.8%)	978k	1,562k	154k	2,694k
Gross written premiums	£235.0m	£37.9m	£32.0m	£304.9m	(8.7%)	£263.3m	£41.6m	£29.0m	£333.9m

³ Adjustments have been made to the comparative period to enable a like-for-like comparison between the two periods, by removing a one-off release of £1.0m of accruals from operating expenses.

Revenue

The Motor Insurance business generated revenue of £312.0m, £43.2m (12.2%) lower than the previous year (2014: £355.2m).

Revenue from core underwriting reduced by £35.1m (12.7%) driven by the impact of lower claims costs and market conditions on average premiums, and a small reduction (3.2%) in the number of core Motor policies underwritten by the Group. This reduction in policies was more than offset by a 56.6% increase in broker and ancillary core policies, resulting in an overall increase in core policies of 1.5%.

Ancillary revenue was down £6.7m (16.0%), which was primarily due to a 234k (15.0%) reduction in add-on policy sales as a result of enhanced operational controls introduced during the course of 2013 following the implementation of regulatory changes across the industry over the sale of add-ons.

Revenue from broking and other activities was down 3.7% to £36.0m driven by lower average premiums, which have been partially offset by a 37k (24.0%) increase in policies sold.

Gross profit

Motor Insurance as a whole generated gross profit of £143.9m, which was £7.6m (5.6%) higher than the previous year (2014: £136.3m).

Gross profit from the core underwritten Motor business increased by £17.0m, driven by a 12.7 percentage point improvement in the reported loss ratio. This was due to a significant improvement in claims experience driving a marked decrease in current year claims costs (down 22.7% to £180.0m) and a consistent level of reserve releases.

The reduction in claims costs reflects the 12.5% reduction in premium (item A in the following table), improved risk selection and favourable claims experience, mainly in relation to bodily injury claims.

Claims handling costs for the Motor core underwriting business were largely flat against the previous year, and total expenses were down £1.8m (4.1%); however, net earned premiums reduced at a greater rate (12.5%) leading to an increase in the expense ratio of 2.2 percentage points.

The net result was a 10.5 percentage point improvement in the reported combined operating ratio year-on-year to 77.9%.

Ancillary gross profit was down £7.4m (19.2%) as a result of lower add-on sales, and gross profit from broking and other activities was down £2.0m (15.3%).

Operating profit and Trading EBITDA

The business delivered operating profit of £100.4m and Trading EBITDA of £104.2m, which were up £9.1m (10.0%) and £8.5m (8.9%) respectively year-on-year.

Operating profit from core underwriting was up £20.3m (37.0%), as the improvement in gross profit flowed through to the bottom line, coupled with a £1.8m (4.1%) reduction in operating expenses in line with volumes and a £1.5m (10.6%) increase in investment returns.

The reduction in ancillary gross profit flowed through to operating profit, which was down £7.8m (25.4%).

Similarly, the reduction in gross profit from broking and other activities flowed through to operating profit, which was down £3.4m (58.6%).

		12m to Jan 2015	Growth	12m to Jan 2014
Motor core underwriting P&L				
Net earned premium	A	£232.8m	(12.5%)	£266.1m
Instalment income		£3.6m	(25.0%)	£4.8m
Other income		£4.4m	(12.0%)	£5.0m
Revenue		£240.8m	(12.7%)	£275.9m
Claims costs	B	(£180.0m)	(22.7%)	(£232.8m)
Reserve releases	C	£52.6m	(1.7%)	£53.5m
Claims handling	D	(£11.7m)	(1.7%)	(£11.9m)
Total cost of sales	E	(£139.1m)	(27.2%)	(£191.2m)
Gross profit		£101.7m	20.1%	£84.7m
Total expenses	F	(£42.2m)	(4.1%)	(£44.0m)
Investment return		£15.6m	10.6%	£14.1m
Operating profit		£75.1m	37.0%	£54.8m
Add back depreciation and amortisation		£3.4m	(12.8%)	£3.9m
Trading EBITDA		£78.5m	33.7%	£58.7m
Reported loss ratio	(B+C)/A	54.7%	12.7%	67.4%
Expense ratio	(D+F)/A	23.2%	(2.2%)	21.0%
Reported combined operating ratio	(E+F)/A	77.9%	10.5%	88.4%
Pure combined operating ratio	(B+D+F)/A	100.5%	8.0%	108.5%

Home Insurance

The home insurance industry saw a fall in average market premiums over the course of 2013/14, particularly for buildings cover, as favourable weather conditions led to lower claims costs. However, average net rates provided by the Group's panel of home insurers fell faster than the market, and the Group was able to pass on these net rate reductions to its customers thereby improving its competitive position whilst maintaining overall profitability.

	12m to Jan 2015			Growth	12m to Jan 2014		
	Ancillary UW	Core Broking/ Co-insured	Total Home		Ancillary UW	Core Broking/ Co-insured	Total Home
Gross revenue	£15.8m	£157.7m	£173.5m	(12.3%)	£16.5m	£181.3m	£197.8m
Revenue	£15.8m	£76.0m	£91.8m	1.4%	£16.5m	£74.0m	£90.5m
Gross profit	£12.5m	£74.8m	£87.3m	1.4%	£12.7m	£73.4m	£86.1m
Gross profit %	79.1%	47.4%	50.3%	6.8%	77.0%	40.5%	43.5%
Operating expenses	(£0.8m)	(£24.6m)	(£25.4m)	1.6%	(£0.6m)	(£24.4m)	(£25.0m)
Investment return	£0.2m	£0.0m	£0.2m	0.0%	£0.2m	£0.0m	£0.2m
Operating profit	£11.9m	£50.2m	£62.1m	1.3%	£12.3m	£49.0m	£61.3m
Operating profit %	75.3%	31.8%	35.8%	4.8%	74.5%	27.0%	31.0%
Add back depreciation and amortisation	£0.4m	£2.0m	£2.4m	33.3%	£0.3m	£1.5m	£1.8m
Trading EBITDA	£12.3m	£52.2m	£64.5m	2.2%	£12.6m	£50.5m	£63.1m
Trading EBITDA %	77.8%	33.1%	37.2%	5.3%	76.4%	27.9%	31.9%
Number of policies sold:							
– core	n/a	1,258k	1,258k	(3.4%)	n/a	1,302k	1,302k
– add-ons	587k	n/a	587k	0.5%	584k	n/a	584k
	587k	1,258k	1,845k	(2.2%)	584k	1,302k	1,886k
Gross written premiums	£22.1m	£159.9m	£182.0m	(6.9%)	£20.3m	£175.2m	£195.5m

Revenue

The Home Insurance business generated revenue of £91.8m, an increase of £1.3m (1.4%) on the previous year (2014: £90.5m).

Revenue from the core Home product, which is underwritten by a panel of third party insurers, was up £2.0m (2.7%) from £74.0m to £76.0m. Lower net rates from the panel led to a reduction in gross written premiums charged to the customer, which were down £15.3m (8.7%) year-on-year.

Revenue from the ancillary products that are underwritten by the Group was down marginally by £0.7m (4.2%) from £16.5m to £15.8m.

Gross profit

Overall, Home Insurance generated gross profit of £87.3m, which was up £1.2m (1.4%) year-on-year.

Claims handling costs have increased by £0.8m as a result of the Group selling a greater share of its Home policies through its co-insurance arrangement, where policies are administered within the Group but are underwritten by the New India Assurance Company Ltd. However, this has been matched by higher reserve releases resulting in cost of sales being largely flat at £4.5m and allowing the upside on revenue to flow through to gross profit.

Operating profit and Trading EBITDA

The business delivered operating profit of £62.1m and Trading EBITDA of £64.5m from its Home Insurance trading, which were up £0.8m (1.3%) and £1.4m (2.2%) respectively year-on-year.

Other Financial Services

Trading in Other Financial Services has been solid, with increases in Travel Insurance sales, growth in the return from our Saga Law joint venture and increases in profit from the underwriting of third party products all contributing to an uplift in operating profit and Trading EBITDA.

	12m to Jan 2015			Growth	12m to Jan 2014		
	Core UW	Core Broking/ Other	Total Other Financial Services		Core UW	Core Broking/ Other	Total Other Financial Services
Gross revenue	£39.9m	£111.7m	£151.6m	23.8%	£42.6m	£79.9m	£122.5m
Revenue	£39.9m	£54.4m	£94.3m	(2.7%)	£42.6m	£54.3m	£96.9m
Gross profit	£7.9m	£54.4m	£62.3m	5.8%	£4.6m	£54.3m	£58.9m
Gross profit %	19.8%	48.7%	41.1%	(7.0%)	10.8%	68.0%	48.1%
Operating expenses	(£2.0m)	(£22.5m)	(£24.5m)	3.8%	(£1.7m)	(£21.9m)	(£23.6m)
Investment return	£1.5m	£0.0m	£1.5m	50.0%	£1.0m	£0.0m	£1.0m
Joint venture	£0.0m	£1.2m	£1.2m	100.0%	£0.0m	£0.0m	£0.0m
Operating profit	£7.4m	£33.1m	£40.5m	11.6%	£3.9m	£32.4m	£36.3m
Operating profit %	18.5%	29.6%	26.7%	(2.9%)	9.2%	40.6%	29.6%
Add back depreciation and amortisation	£0.2m	£1.2m	£1.4m	40.0%	£0.2m	£0.8m	£1.0m
Trading EBITDA	£7.6m	£34.3m	£41.9m	12.3%	£4.1m	£33.2m	£37.3m
Trading EBITDA %	19.0%	30.7%	27.6%	(2.8%)	9.6%	41.6%	30.4%
Number of policies sold:							
– core	34k	310k	344k	3.0%	36k	298k	334k
– add-ons	n/a	5k	5k	25.0%	n/a	4k	4k
	34k	315k	349k	3.3%	36k	302k	338k
Gross written premiums	£6.6m	£114.1m	£120.7m	7.6%	£7.2m	£105.0m	£112.2m
Number of Personal Finance customers	n/a	0.3m	0.3m	0.0%	n/a	0.3m	0.3m

Revenue

Other Financial Services generated revenue of £94.3m, which was down £2.6m (2.7%) on the previous year (2014: £96.9m).

Revenue from broking and non-insurance trading was broadly flat year-on-year at £54.4m. Broking policies sold were up 13k (4.3%) and broking gross written premiums were up £9.1m (8.7%) due to increased Travel Insurance sales and a greater proportion of annual travel policies being sold, which carry a higher premium than single trip policies. This resulted in higher commission revenue from the Travel Insurance product, which was offset by lower commission on non-insurance products.

Core underwriting activity generated revenue of £39.9m, a reduction of £2.7m (6.3%) on the previous year. This was due to lower premiums being earned on third party insurance underwritten by the Group.

Gross profit

Gross profit of £62.3m generated across Other Financial Services as a whole increased by £3.4m (5.8%) on the previous year (2014: £58.9m).

Gross profit from broking and non-insurance trading activity was broadly flat in line with revenue, as this tranche of business has no cost of sales.

Gross profit from core underwriting activity was up £3.3m (71.7%) due to higher reserve releases.

Operating profit and Trading EBITDA

The Group delivered operating profit of £40.5m and Trading EBITDA of £41.9m in its Other Financial Services business, which were up £4.2m (11.6%) and £4.6m (12.3%) respectively against the previous year.

Growth in our Saga Law joint venture delivered a net return of £1.2m. This was offset against an increase in operating expenses, resulting in a £0.7m (2.2%) year-on-year improvement in operating profit from broking and non-insurance trading as a whole. £0.4m of the increase in operating expenses was due to an increase in depreciation costs, and therefore Trading EBITDA increased by £1.1m (3.3%) year-on-year.

The increase in gross profit from core underwriting activity flowed through to the bottom line, with operating profit and Trading EBITDA up £3.5m (89.7%) and £3.5m (85.4%) respectively.

Saga plc

Annual report and accounts for the year ending 31 January 2015

Insurance underwriting Reserving

The Group's prudent approach to underwriting and reserving has facilitated reserve releases in most financial years. Reserves are regularly assessed by the Group's internal actuarial team and are reviewed annually by external professional actuaries. Due to the uncertainties associated with claims reserves including the length of time required to settle certain claims, the Group deems it appropriate to maintain margin for a period of time to allow actual experience to develop. When it is appropriate to do so, any surplus margin is released and realised in the Group's Trading EBITDA.

Favourable claims development experience at the end of 2013 and throughout the twelve months to 31 January 2015 has resulted in prior year claims reserves totalling £57.8m being released during the year. This release is in line with the previous year.

The Group's total insurance contract liabilities net of reinsurance assets has reduced by £24.5m over the year from £665.8m as at 31 January 2014 to £641.3m as at 31 January 2015, driven primarily by a £24.0m reduction in IBNR claims reserves.

	12m to Jan 2015	Growth	12m to Jan 2014
Motor Insurance:			
Core UW	£52.6m	(1.7%)	£53.5m
Ancillary	£0.6m	(40.0%)	£1.0m
Home Insurance	£53.2m	(2.4%)	£54.5m
Other insurance	£1.6m	77.8%	£0.9m
	£3.0m	87.5%	£1.6m
Total	£57.8m	1.4%	£57.0m

Analysis of insurance contract liabilities at 31 January 2015 and 31 January 2014 is as follows:

	12m to Jan 2015			12m to Jan 2014		
	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
Insurance contract liabilities						
Reported claims	£330.6m	(£45.9m)	£284.7m	£324.2m	(£45.5m)	£278.7m
Incurred but not reported	£211.5m	(£14.3m)	£197.2m	£234.0m	(£12.8m)	£221.2m
Claims handling provision	£10.3m	£0.0m	£10.3m	£8.7m	£0.0m	£8.7m
Total claims outstanding	£552.4m	(£60.2m)	£492.2m	£566.9m	(£58.3m)	£508.6m
Unearned premiums	£152.3m	(£3.2m)	£149.1m	£161.4m	(£4.2m)	£157.2m
Total	£704.7m	(£63.4m)	£641.3m	£728.3m	(£62.5m)	£665.8m

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 satisfy the regulatory capital requirements of the Gibraltar regulator. The maturity profile of the invested financial assets is aligned with the expected cash outflow profile associated with the settlement of claims in the future.

The amount held in invested funds increased by £3.4m (0.5%) over the course of the financial year, from £650.6m as at 31 January 2014 to £654.0m as at 31 January 2015. As at 31 January 2015, £542.0m (82%) of the financial assets held by the Group were invested with counterparties with a risk rating of A or above reflecting the Group's prudent investment strategy.

At 31 January 2015	AAA	AA	A	Unrated	Total
Underwriting investment portfolio:					
Deposits with financial institutions	£30.0m	£180.3m	£213.6m	£55.5m	£479.4m
Debt securities	£71.9m	–	–	–	£71.9m
Money market funds	£40.6m	–	–	–	£40.6m
Loan funds	–	–	–	£19.6m	£19.6m
Hedge funds	–	–	–	£33.8m	£33.8m
Equities	–	–	–	£8.7m	£8.7m
Total invested funds	£142.5m	£180.3m	£213.6m	£117.6m	£654.0m
Hedging derivative assets	–	–	£5.6m	–	£5.6m
Total financial assets	£142.5m	£180.3m	£219.2m	£117.6m	£659.6m

At 31 January 2014	AAA	AA	A	Unrated	Total
Underwriting investment portfolio:					
Deposits with financial institutions	£29.0m	£120.0m	£310.3m	£6.5m	£465.8m
Debt securities	£51.2m	–	–	–	£51.2m
Money market funds	£107.5m	–	–	–	£107.5m
Loan funds	–	–	–	£13.0m	£13.0m
Hedge funds	–	–	–	£13.1m	£13.1m
Total invested funds	£187.7m	£120.0m	£310.3m	£32.6m	£650.6m
Amounts owed by related undertakings under the previous group structure	–	–	–	£1,031.1m	£1,031.1m
Total financial assets	£187.7m	£120.0m	£310.3m	£1,063.7m	£1,681.7m

Solvency capital

The Group's underwriting entity continues to hold more than twice the amount of capital reserves that it is statutorily required to hold pursuant to Gibraltar Financial Services Commission regulations. The coverage ratio maintained by the underwriting company at 31 January 2015 was up 52 percentage points since 31 January 2014 to 277%, where the regulator requires a minimum of 200%.

This will reduce in the coming year as the underwriting entity distributes part of its profit for the current year to the Group. However, the Group does not foresee any requirement to inject additional capital into the underwriting business as a result of this distribution or as a result of Solvency II coming into effect in the future.

	12m to Jan 2015	12m to Jan 2014
Solo statutory solvency capital		
Total invested equity	£178.9m	£161.2m
Regulatory adjustments	(£17.3m)	(£17.4m)
Total regulatory capital resource	£161.6m	£143.8m
European Insurance Directive Requirement (Solvency I)		
Required minimum margin (RMM)	£58.3m	£64.0m
Capital resources in excess of RMM	£103.3m	£79.8m
Coverage ratio	277%	225%

Travel

The Travel business has had an excellent year in the twelve months to 31 January 2015, with very strong growth in revenues, profits and margins in both the Holidays and Cruising businesses, when compared on a like-for-like basis by removing the trading results of the Saga Ruby and the smaller Holidays brands that were discontinued during the previous year.

The Group has seen organic growth in passenger volumes, which has been further enhanced by the acquisition of Destinology in August 2014. There has also been a shift towards higher-value long-haul and river cruise holidays, coupled with restructured cabin pricing and improved availability of on-board services and excursions in the Cruising business.

	12m to Jan 2015	Growth	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment
Revenue:					
Holidays	£297.3m	15.8%	£256.8m	£270.0m	(£13.2m)
Cruising	£84.0m	13.2%	£74.2m	£109.6m	(£35.4m)
	£381.3m	15.2%	£331.0m	£379.6m	(£48.6m)
Gross profit:					
Holidays	£58.9m	8.7%	£54.2m	£53.3m	£0.9m
Cruising	£17.8m	79.8%	£9.9m	£11.3m	(£1.4m)
	£76.7m	19.7%	£64.1m	£64.6m	(£0.5m)
Gross profit %	20.1%	0.7%	19.4%		
Trading EBITDA	£26.0m	29.4%	£20.1m	£27.8m	(£7.7m)
Trading EBITDA %	6.8%	0.7%	6.1%		
Operating profit	£13.6m	151.9%	£5.4m	£5.9m	(£0.5m)
Operating profit %	3.6%	2.0%	1.6%		
Number of holidays passengers	172k	11.0%	155k		
Number of ship passenger days	336k	6.7%	315k		

Revenue

The Travel business generated revenue of £381.3m, which was up £50.3m (15.2%) on the previous year on a like-for-like basis (2014: £331.0m).

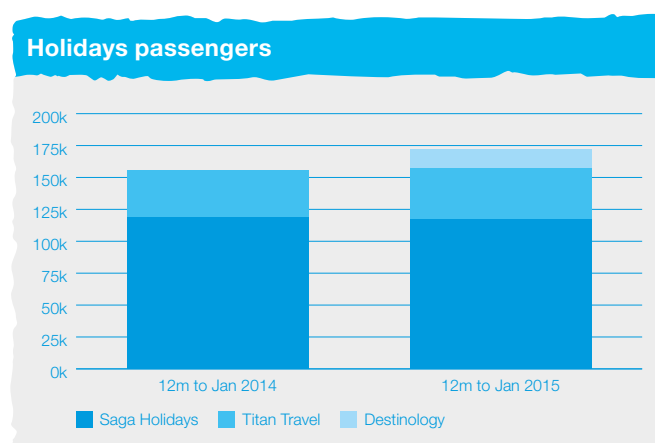
The Holidays business generated revenue of £297.3m, an increase of £40.5m (15.8%). £26.2m of this was attributable to Destinology Limited, which was acquired on 13 August 2014, with the remaining growth coming from the established brands.

The Saga Holidays brand saw a 1.5% drop in the number of passengers travelling during the financial year, but delivered revenue growth of £5.9m (3.3%). This was due to a shift in product mix towards higher-value long-haul holidays, coupled with the introduction of the sale of third party cruise product offerings by Saga Holidays in July 2014 for departures from 1 January 2015. Prior to this, third-party cruise products had only been offered by Titan Travel.

In October 2014, the business also launched the sale of its Saga Holidays products through third party travel agents, providing an additional distribution channel through which to drive further bookings growth for the future.

The Titan Travel brand delivered passenger growth of 9.7% and revenue growth of £8.4m (10.7%).

Saga Cruising generated revenue of £84.0m, which was up £9.8m (13.2%). The business restructured the pricing and banding of its cabins at the start of the year, which drove an increase in demand for higher-graded cabins from customers. This was coupled with an increase in passenger days and an enhanced availability of packages for on-board services and excursions, both in advance of and during each cruise. These all contributed to the growth in revenues.



Gross profit

The Travel business generated gross profit of £76.7m, which was up £12.6m (19.7%) on the previous year (2014: £64.1m).

Gross profit generated by the Holidays business of £58.9m was up £4.7m (8.7%). £3.7m of this growth was attributable to Destinology, with the rest attributable to a shift towards higher-value, higher-margin long-haul holidays.

The Cruising business generated gross profit of £17.8m, which was up £7.9m (79.8%) on the previous year. A higher number of passenger days resulted in much improved load factors, which had a positive impact on the gross margin of each ship. The Saga Sapphire and Saga Pearl II load factors were up 6.8 and 9.2 percentage points on the previous year, to 83.6% and 87.0%, respectively. This represents high occupancy levels for the passenger demographic of the ships where single occupancy and the absence of children in cabins naturally reduce the load factors. The improvements to cabin pricing structures and improved availability of on-board services and excursions also contributed to higher gross profits.

Operating profit and Trading EBITDA

The business delivered an operating profit of £13.6m and Trading EBITDA of £26.0m, which were up £8.2m (151.9%) and £5.9m (29.4%) respectively.

The increase seen in gross profits was partially offset by an increase in overheads due to the inclusion of Destinology and an increase in spend on TV advertising to drive passenger volumes for the coming years.

Acquisition of Destinology

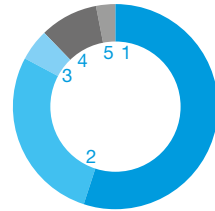
On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited, one of the UK's leading online travel companies, which offers bespoke holidays at five-star hotels and resorts in major international destinations, including the Maldives, Dubai, the Caribbean, the Far East, the USA and Europe. Destinology fits well with the Group's existing travel brands and demographic, enhancing the range of travel offers to customers.

The acquisition cost of £23.0m was settled via an upfront cash payment of £22.2m with £0.8m deferred for one year. Acquisition costs of £0.3m have been charged to the income statement as an exceptional expense. These amounts have been settled from the restricted cash held by the Travel business.

The Group has the option to acquire the remaining 25% shareholding in Destinology at a later date. Accordingly the subsequent purchase is considered to be a linked transaction and Destinology has been consolidated as a 100% subsidiary.

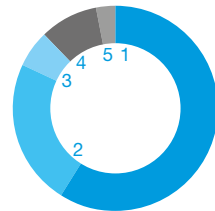
Holidays passengers⁽¹⁾ by destination (12m to 31 Jan 2015)

- 1. Package – Europe – 94.4k (55%)
- 2. Package – long haul – 47.7k (28%)
- 3. Package – UK – 9.1k (5%)
- 4. River cruise – 16.2k (9%)
- 5. Third party cruises – 4.8k (3%)



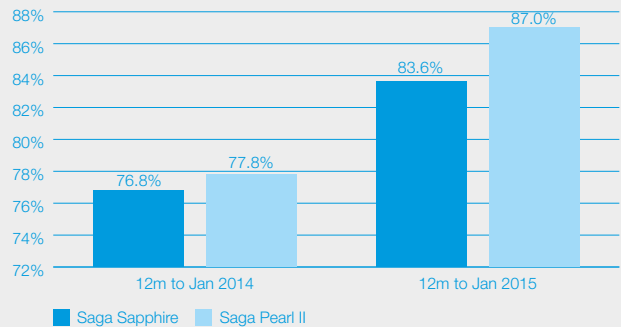
Holidays passengers⁽¹⁾ by destination (12m to 31 Jan 2014)

- 1. Package – Europe – 91.3k (59%)
- 2. Package – long haul – 35.5k (23%)
- 3. Package – UK – 9.5k (6%)
- 4. River cruise – 14.6k (9%)
- 5. Third party cruises – 4.5k (3%)



1 Includes Saga Holidays, Titan Travel and Destinology.

Load factors by ship



Healthcare Services

On 15 January 2015, the Group announced its decision to divest the local authority part of its healthcare business, Allied Healthcare, and focus on privately funded healthcare. As at 31 January, the Allied business represented a disposal group held for sale and as such is reported as a discontinued operation in the Group's financial statements.

The continuing part of the segment, Saga Healthcare, constitutes the private pay elements of the business that remains, namely the Country Cousins and Patricia White's brands and the Saga SOS Personal Alarms product offering.

Continuing operations

	12m to Jan 2015	Growth	12m to Jan 2014
Revenue	£4.3m	(8.5%)	£4.7m
Gross profit	£4.0m	(9.1%)	£4.4m
Gross profit %	93.0%	(0.6%)	93.6%
Trading EBITDA	£2.2m	(18.5%)	£2.7m
Trading EBITDA %	51.2%	(6.2%)	57.4%
Operating profit	£2.0m	(20.0%)	£2.5m
Operating profit %	46.5%	(6.7%)	53.2%

The Saga Healthcare business, which represents the continuing portion of the Healthcare Services segment, experienced a broadly stable year of trading.

The business generated revenue of £4.3m, which reduced by £0.4m (8.5%) on the previous year (2014: £4.7m). This flowed through to gross profit of £4.0m, which similarly reduced by £0.4m (9.1%), as this business has very low cost of sales since all of the Country Cousins and Patricia White's carers are self-employed.

The business generated Trading EBITDA of £2.2m and operating profit of £2.0m, which both decreased by £0.5m, or 18.5% and 20.0% respectively.

Discontinued operations

The Group has recognised a total loss after tax in respect of the discontinued Allied Healthcare operation of £220.2m, a significant increase on the loss in the previous year of £17.9m, analysed as follows:

	12m to Jan 2015	12m to Jan 2014	12m to Jan 2014	
			Reported	Adjustment
(Loss)/profit for the year from discontinued operations after tax	(£0.3m)	£0.7m	£0.3m	£0.4m
Amortisation of associated intangible assets	(£10.4m)	(£14.9m)	(£14.9m)	£0.0m
Impairment of associated intangible assets	£0.0m	(£3.7m)	(£3.7m)	£0.0m
Loss on re-measurement of disposal group to fair value	(£209.5m)	£0.0m	£0.0m	£0.0m
Trading EBITDA	(£220.2m)	(£17.9m)	(£18.3m)	£0.4m

The majority of this loss, £209.5m, has arisen on the re-measurement of the disposal group's assets and liabilities to fair value, with a further £10.4m of amortisation costs recognised in respect of intangible assets that form part of the disposal group, and a loss after tax from discontinued operations of £0.3m during the year.

The fair value re-measurement has placed a value on the business of £nil. This value has been determined by considering the current asset and liability position of the business, the future profit cash flows and the associated capital investment set out within management's five year plan for the business, the risk attaching to the various cash flows, and the costs of disposing of the business. There are a range of ways of valuing the business and it is our expectation that an appropriate buyer will ultimately value the business higher than £nil.

The Allied Healthcare business has continued to operate in a challenging market throughout the year and the revenue for the year of £283.2m was down £30.6m (9.8%) on the previous year (2014: £313.8m).

	12m to Jan 2015	Growth	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment
Revenue	£283.2m	(9.8%)	£313.8m	£313.8m	£0.0m
Gross profit	£83.4m	(6.8%)	£89.5m	£89.1m	£0.4m
<i>Gross profit %</i>	29.4%	0.9%	28.5%		
Trading EBITDA	£9.0m	13.9%	£7.9m	£7.5m	£0.4m
<i>Trading EBITDA %</i>	3.2%	0.7%	2.5%		
Operating profit	£6.2m	17.0%	£5.3m	£4.9m	£0.4m
<i>Operating profit %</i>	2.2%	0.5%	1.7%		
Exceptional items	(£8.4m)	6.3%	(£7.9m)	(£7.9m)	£0.0m
Net finance costs	(£0.3m)	(40.0%)	(£0.5m)	(£0.5m)	£0.0m
Loss before tax	(£2.5m)	(19.4%)	(£3.1m)	(£3.5m)	£0.4m
Tax expense	£2.2m	(42.1%)	£3.8m	£3.8m	£0.0m
(Loss)/profit for the year from discontinued operations	(£0.3m)	(142.9%)	£0.7m	£0.3m	£0.4m

Despite this revenue pressure, the business has taken a number of actions throughout the year and over the previous year which have delivered benefits. Gross profit as a percentage of revenue has improved by 0.9 percentage points year-on-year to 29.4% driven by the branch efficiency programme, which is a good performance given the deflationary pressures on hourly rates for the provision of care services experienced throughout the market.

Significant focus on central administrative expenses has enabled the business to grow Trading EBITDA by £1.1m (13.9%) to £9.0m. This has dropped through to a year-on-year increase in operating profit of £0.9m (17.0%), and takes operating profit to £6.2m.

The cost of the ongoing restructuring programme during the year was £8.4m, which has been treated as exceptional, coupled with net finance costs of £0.3m, after which the Allied business made a loss before tax of £2.5m, which was £0.6m (19.4%) better than the previous year (2014: £3.1m).

Media and Central Costs

	12m to Jan 2015	Growth	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment
Revenue	£16.8m	(1.8%)	£17.1m	£17.1m	£0.0m
Gross profit	£1.2m	200.0%	£0.4m	£0.4m	£0.0m
<i>Gross profit %</i>	7.1%	4.8%	2.3%		
Trading EBITDA	(£11.4m)	(159.1%)	(£4.4m)	(£1.4m)	(£3.0m)
<i>Trading EBITDA %</i>	(67.9%)	(42.2%)	(25.7%)		
Operating loss	(£18.0m)	(51.3%)	(£11.9m)	(£10.0m)	(£1.9m)
<i>Operating loss %</i>	(107.1%)	(37.5%)	(69.6%)		

Revenue

The Group generated third party revenue of £16.8m in its Media and Central Costs segment, which was broadly flat year-on-year.

Gross profit

Gross profit was up £0.8m (200.0%) to £1.2m reflecting better margins in the Saga Magazine business.

Operating loss and Trading EBITDA

The Media and Central Costs segment as a whole made an operating loss of £18.0m and a Trading EBITDA loss of £11.4m, which were up £6.1m and £7.0m year-on-year.

This was driven by a reduction in interest received on available cash and higher central administrative overheads necessary to establish and operate Saga plc. Such incremental overheads equate to £4.5m on an annualised basis.



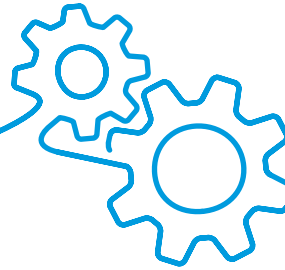
Stuart Howard

Group Chief Financial Officer
29 April 2015

The Strategic report was approved by the Board and signed on its behalf by Lance Batchelor, Group Chief Executive Officer on 29 April 2015.



*Committed to the highest
standards of governance.*



Andrew Goodsell Executive Chairman



On behalf of the Board, I am pleased to present our report on Corporate Governance within the Group. It was important for a solid governance structure to be established in our first year as a listed Group, so that we had a framework of effective systems of internal control, to support and protect our business in a practical way whilst promoting a solid structure for us to report to our shareholders.

It was important that the independent Non-Executive Directors who joined us at flotation gained an understanding of our key businesses and our short and long-term strategic goals. A structured induction programme was developed to ensure that this happened quickly, and a 'strategy day' was held in November 2014 to provide a valuable opportunity for Board members to review and discuss the objectives and goals of those businesses directly with the business leaders. The Board has played a fundamental part in deciding on the direction in which the business is travelling and in ensuring that the Group has the appropriate strategies, structures and processes in place to ensure good governance and stewardship, and to facilitate future growth.

The establishment of the Board and Audit, Risk, Remuneration and Nomination Committees (the 'Committees') was key in this respect. We worked hard to ensure that the terms of reference of the Committees provided strong governance structures.

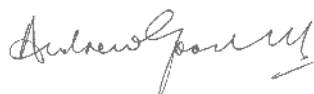
The Group's risk management processes were further strengthened with the establishment of a separate Risk Committee, which is responsible for the oversight of principal risks, and of the risk management process, including the identification, monitoring and mitigation of risk.

The Board has considered the reporting requirement that the annual report as a whole should be 'fair, balanced and understandable' and asked the Audit Committee to give assurance that the relevant systems and processes are in place to support that requirement. Details can be found in the Audit Committee Report on pages 67-69.

During the year, Stuart Howard announced his intention to retire as Group Chief Financial Officer by the end of 2015 after 15 years at Saga and the Nomination Committee members played an important part in identifying a suitable replacement. Stuart's in-depth experience and knowledge of the Company's business was an invaluable resource during the period leading up to and immediately following our flotation. In April 2015, Jonathan Hill joined the Group so that a thorough handover could take place and so that he could assume the role of Group Chief Financial Officer. I am confident that Jonathan's experience will have a positive effect on the Company's strategy and stewardship.

The Remuneration Committee had much work to do to ensure growth and to draft a remuneration policy which is acceptable to our shareholders. The full Remuneration Report can be found on pages 73-95.

During this period of change, the Board continues to maintain a dialogue with key investors and will make itself available to shareholders at the Annual General Meeting ('AGM'). The governance process will continue to evolve as the Group takes shape, and will take account of future changes in regulation and best practice.



Andrew Goodsell
Executive Chairman
29 April 2015

It was important for a solid governance structure to be established in our first year as a listed Group, so that we had a framework of effective systems of internal control.

The Board recognises the importance of high standards of corporate governance and is committed to managing Saga's operations in accordance with the UK Corporate Governance Code 2012 (the 'Code'). A full version of the Code can be found on the Financial Reporting Council's website www.frc.org.uk. The Company complied with all of the provisions of the Code throughout the year, except for provisions A.2.1, A.3.1, A.4.2, B.1.2, B.6.1, B.6.3, B.7.2 and E.1.1.

The Group has adopted elements of the UK Corporate Governance Code 2014 in relation to remuneration and the long-term success of the Company, minimum number of shares to be held and clawback/malus. This demonstrates that the Remuneration Committee supports the changes in the 2014 Code and wishes for Saga's first Remuneration Policy as a listed entity to adhere to corporate governance best practice.

Explanations

A.2.1 and A.3.1 *The Code recommends that the roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board. The Code also recommends that the chairman of the board should meet the independence criteria set out in the Code on appointment.*

Andrew Goodsell acts as Executive Chairman ('the Chairman') and, as detailed in the prospectus dated 8 May 2014 (the 'Prospectus'), was not independent on appointment, having previously been the Group Chief Executive and Chairman. Andrew is responsible for the leadership and overall effectiveness of the Board and setting the Board's agenda. Andrew is working with Lance to transition the majority of the day to day management of the Group to him as the Group Chief Executive Officer. In due course, Andrew's responsibilities will be aligned with those normally undertaken by a Non-Executive Chairman, as recommended by the Code. During the period that Andrew has been Executive Chairman, Philip Green, our Senior Independent Director, has had certain responsibilities which go beyond those contemplated in the Code, notably in relation to the appointment of independent Non-Executive Directors to the Committees.

The division of responsibilities between the Executive Chairman and the Group Chief Executive Officer was set out in writing, considered and approved by the Board on 22 May 2014. This will be reviewed annually.

A.4.2 *The Code recommends that the chairman should hold meetings with the non-executive directors without the executive directors present and that, led by the senior independent director, the non-executive directors should meet at least annually to appraise the chairman's performance and on other occasions as deemed appropriate.*

B.6.3 *The Code recommends that the non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of the executive directors.*

B.7.2 *The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.*

As we have had less than one full year of Board meetings, we feel that it is too early to assess the performance of the Chairman or conduct a formal Board evaluation. However, during the period since listing, the Chairman has maintained regular contact and dialogue with the Non-Executive Directors and his performance will be assessed during the evaluation which will take place following a full year of operation.

B.1.2 *The Code recommends that at least half the board of directors of a UK-listed FTSE 350 company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.*

During the period being reported on, the Company was not compliant with this provision of the Code, as the Board structure consisted of four independent Non-Executives, three Executives and three Non-Executive Directors appointed by the Private Equity Investors referred to in the Relationship Agreement dated 8 May 2014. We feel that this was the correct balance for the Board to be effective during the first year following listing. However, we intend to become fully compliant with the Code in this respect within a period of 24 months from listing.

B.6.1 *The Code recommends that the board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.*

As we have had less than a full year as a Board, we felt it was too early to carry out an effectiveness review of our performance and work and therefore this disclosure has not been made. A full evaluation of the Board, its Committees and its individual Directors will be conducted in the next financial year.

E.1.1 *The Code recommends that the senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns.*

The Senior Independent Director has not attended meetings with our major shareholders to date. Our focus was on ensuring that the Senior Independent Director (and all Non-Executives) first gained a thorough and comprehensive understanding of our business prior to holding such meetings. Notwithstanding this, we have maintained dialogue with our major shareholders. Details can be found on page 72 of this report.

The Company applied the main principles of the Code as follows:

A. Leadership

A1 The role of the Board

The Board met formally five times since listing. There is a clear schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

A2 Division of responsibilities

The Board is moving towards a clear division of responsibilities, as set out in the Explanations section above.

A3 The Chairman

The Chairman sets the agendas for meetings, manages the meeting timetable (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during the meetings.

A4 Non-Executive Directors

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to management and meet regularly without the Executive Directors.

B. Effectiveness

B1 The composition of the Board

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nomination Committee considers the wide range of skills, knowledge and experience required in order to maintain an effective Board.

B2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 63.

B3 Commitment

On appointment, Directors are notified of the time commitment expected from them. External directorships, which may impact on the existing time commitments of the Executive Directors, must be agreed beforehand with the Chairman.

B4 Development

All Directors receive an induction on joining the Board and the training and development needs of each Director will be assessed as part of the annual effectiveness evaluation.

B5 Information and support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

B6 Evaluation

The Board will conduct a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors after a full year of operation, as set out in the Explanations section above.

B7 Re-election of Directors

All Directors are subject to shareholder annual re-election.

C. Accountability

C1 Financial and business reporting

The Strategic Report is set out on pages 02-53 (inclusive) and this provides information about the performance of the Group, the business model, strategy and the risks and uncertainties relating to the Group's future prospects.

C2 Risk management and internal control

The Board sets out the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Risk Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 70-71.

C3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the external auditors.

The chairmen of the Risk and Audit Committees are Board members and provide regular updates to the Board regarding Committee business.

D. Remuneration

D1 The level and components of remuneration

The Remuneration Committee sets levels of remuneration appropriately in order to attract, retain and motivate the Board, but also structures remuneration to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

D2 Procedure

Details of the work of the Remuneration Committee and the approach to setting the Remuneration Policy can be found in the Directors' Remuneration Report on pages 73-95 (inclusive).

E. Relations with shareholders

E1 Dialogue with shareholders

The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed of shareholder views.

E2 Constructive use of the AGM

The AGM provides the Board with an important opportunity to meet with shareholders.

Details of how the Board engages with shareholders can be found on page 72.

Corporate Governance Statement Leadership

Our brand values – human, personal and warm – underpin everything that we do and this culture is modelled throughout our business. The Executive Directors visit business areas, including our call centres, attend internal employee roadshows and spend time on our ships, to fully understand what Saga is, what our customers are saying and how our employees are feeling.

Lance Batchelor, Group Chief Executive Officer, hosts events for all of the managers who report to him (or to his direct reports). These sessions, held quarterly, allow for two way communication – for Lance to communicate delivery against strategy and for senior management to challenge our brand – by asking “What is Saga?” Lance has also held meetings with over 300 managers to communicate our strategy.

Our independent Non-Executive Directors have had a full induction programme, as detailed on page 62 and are planning a visit on board one of our cruise ships later this year. The Board participated in an offsite strategy event, in November 2014, which gave them the opportunity to meet with each divisional chief executive, in order to fully understand the strategy of each business. Subsequent training is available on an individual basis to continue to build their knowledge of the Company.

The Board of Directors

The Board is responsible for, and provides, the overall leadership and management of Saga including setting Saga’s values and standards. A fundamental part of this role is considering the balance of interests between our shareholders, our employees, our customers and the communities in which we work.

We also provide oversight and supervision of Saga’s operations ensuring:

- successful implementation of agreed plans
- sound planning and competent management
- a sound system of internal control and risk management
- adequate accounting and other records
- compliance with statutory and regulatory obligations.

Our Board

The Board has a clearly articulated set of matters which are specifically reserved to it and this will be reviewed annually.

The Board recognises that certain items cannot be delegated and there are some matters that they choose not to delegate. Examples of such matters are:

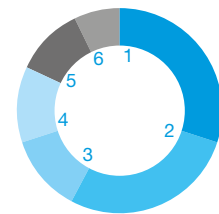
- any decision likely to have a material impact on Saga from any perspective including, but not limited to, financial, operational, strategic or reputational
- the strategic direction of the overall business, objectives, budgets and forecasts, levels of authority to approve expenditure, and any material changes to them
- the commencement, material expansion, diversification or cessation of any of Saga’s activities
- Saga’s regulatory, financial and material operational policies
- changes relating to Saga’s capital, corporate, management or control structures
- material capital or operating expenditures, outside pre-determined tolerances or beyond the delegated authorities

- major capital projects, corporate action or investment by Saga that will have, or are likely to have, a financial cost greater than the amount set out in the relevant contract approval processes from time to time
- any material contract or joint venture and material arrangements with customers or suppliers.

Our strategy provides the focus for all of the discussions at our Board meetings and each meeting focuses on a review of our strategic objectives and financial performance.

Allocation of time spent on matters at Board meetings (since listing) for year ended 31 January 2015

- 1. Strategic review – 30%
- 2. Financial review – 28%
- 3. Shareholder relations – 12%
- 4. Risk management – 12%
- 5. Health and safety – 11%
- 6. Regulatory matters and policy review – 7%



Board attendance during the year

The Board is scheduled to meet at least six times a year and on an ad hoc basis as necessary. During the last financial year since listing, it met formally on five occasions. In addition, meetings are convened as necessary to approve strategic matters, and a strategy event is held each year, to present an annual and five year plan for each of the businesses to the Board.

Member Attendance at Board meetings

(in alphabetical order after the Chairman)

Member	Attendance at Board meetings
Andrew Goodsell (Chairman)	5/5
James Arnell ¹	4/5
Lance Batchelor	5/5
Philip Green	5/5
Pev Hooper	5/5
Stuart Howard	5/5
Ray King ¹	4/5
Orna NiChionna ¹	4/5
Charles Sherwood	5/5
Gareth Williams ¹	4/5

¹ Non-attendance was due to prior commitments, which could not be rescheduled, or for compassionate reasons.

The Company Secretary, Vicki Haynes, attends all meetings as secretary to the Board. In addition, we also invite other executives and directors from around the Group, and external advisers, to provide input on relevant agenda items.

Structure

We have set up five committees of the Board.



Board of Directors



Andrew Goodsell Executive Chairman

Andrew has spent the last 23 years with Saga which he joined in 1992 as Business Development Manager, Saga Services. He became Saga Group Business Development Director in 1995, Chief Executive of Saga Services and Saga Investment Direct in 1999, Deputy Group Chief Executive in 2001 and Chief Executive and Chairman in 2004. He has led two management buyouts at Saga. The second, in 2007, brought together Saga and the AA under the holding company Acromas Holdings. Andrew was Executive Chairman of both Saga and the AA from 2007 until Acromas Holdings sold the AA in 2014, he remains Chairman of Acromas Holdings. Andrew brings great experience of the Group to his Board role.



Lance Batchelor Group Chief Executive Officer

Lance joined Saga as Group Chief Executive Officer in March 2014. Prior to that he was CEO of Domino's Pizza Group plc from 2011-2014 and CEO of Tesco Mobile from 2008-2011. His earlier experience includes senior marketing roles at Procter & Gamble, Amazon.com and Vodafone. Lance's first career was as a Royal Navy submarine officer. He holds an MBA from Harvard Business School, and is a Trustee of the National Gallery. Lance brings a wealth of senior operational experience in listed companies to his role at Saga.



Stuart Howard Group Chief Financial Officer

Stuart has spent the last 15 years with Saga, which he joined in 2000 as Group Chief Financial Officer. In 2007, Stuart became Chief Financial Officer of Acromas. Prior to joining Acromas, he worked for two years at the advertising group Cordiant Communications plc as Deputy Chief Financial Officer and for ten years prior to that at the advertising group WPP Group plc in various positions. Stuart qualified as a Chartered Accountant at KPMG in London. He brings his financial acumen to the Board table, but is also able to advise the Board on numerous other matters outside of the purely financial sphere.



Jonathan Hill Group Chief Financial Officer Designate

Jonathan joined Saga in April 2015 as Group Chief Financial Officer Designate from Bovis Homes Group plc where he was Group Finance Director. Prior to that, he held various senior roles within TUI Travel and Centrica. Jonathan qualified as a Chartered Accountant at Price Waterhouse in London. He brings a wealth of senior financial operational and corporate listed experience to his role at Saga.



Philip Green Senior Independent Non-Executive Director

Philip is currently Chairman of Carillion plc. He is also Chairman of BakerCorp, a US industrial services company owned by Permira, and Chairman Designate of Williams & Glyn. Previously, Philip was Chairman of Clarkson plc, Chief Executive of United Utilities Group plc and Chief Executive of Royal P&O Nedlloyd NV. His earlier business experience includes serving as Chief Operating Officer of Reuters Group plc and Chief Operating Officer of DHL for Europe and Africa. Philip is also the UK Prime Minister's adviser on corporate responsibility and Chairman of Sentebale, a charity set up by HRH Prince Harry. Philip brings his experience of running a variety of complex international organisations and acting as an executive and non-executive director of many public companies to the Board.



Ray King Independent Non-Executive Director

Ray is currently a Non-Executive Director of Infinis Energy plc and Rothesay Life Limited. Previously, he was Chief Executive of Bupa from 2008-2012, after serving as Group Finance Director from 2001-2008. Before Bupa, Ray was a Non-Executive Director of Friends Provident plc, Deputy Chief Executive of Parity Group plc, Director of Group Finance and Control at Diageo plc and Group Finance Director of Southern Water plc. Ray is also a Reporting Panel Member of the Competition and Markets Authority and a member of the Audit and Assurance Council of the Financial Reporting Council. His financial experience coupled with his knowledge of running a business similar to Saga, and his recent Non-Executive Director experiences including that of chairing an Audit Committee are all immensely helpful to the Board.



Orna NiChionna Independent Non-Executive Director

Orna is currently Senior Independent Non-Executive Director of Royal Mail plc. Previously, she was Senior Independent Non-Executive Director of HMV plc, Northern Foods plc and Bupa and a Non-Executive Director of the Bank of Ireland UK Holdings plc and Bristol & West plc. Orna is also currently the Deputy Chairman of the National Trust and a former Partner at McKinsey & Company. Whilst at McKinsey & Company, she looked after many consumer facing clients and brings these skills to the Board along with her considerable experience in other Non-Executive Director roles.



Gareth Williams Independent Non-Executive Director

Gareth is currently a Non-Executive Director of YSC Limited and WNS (Holdings) Limited. Previously, he was Human Resources Director of Diageo plc and held a series of key positions in human resources at Grand Metropolitan plc. Gareth's contributions to the Board are on all aspects of human resources and his experience of working at Director level in a consumer facing organisation also allows him to contribute to all other subjects of debate.



James Arnell Non-Executive Director

James has been a Partner at Charterhouse Capital Partners LLP since 1998. He was involved in the acquisition of Saga by the Charterhouse Funds in 2004 and in Charterhouse's investment in the Acromas Group in 2007. He has been a member of the Saga and Acromas Boards throughout the period of Charterhouse's investment. He is also a Non-Executive Director of various other companies and has been involved in Charterhouse's investments in the UK, France and Germany. James's role on the Board is to represent the views of Charterhouse, but his professional and business experiences also ensure that he makes a very valuable contribution.



Peveril ('Pev') Hooper Non-Executive Director

Pev is a Partner at CVC Capital Partners. In addition to Saga, Pev is responsible for CVC funds' investments in Merlin Entertainments, the AA, Virgin Active, Domestic & General, and SkyBet – and has been a non-executive director on the board of these and other CVC fund portfolio companies. He joined CVC in 2003 after working in mergers & acquisitions at Schrodgers and Citigroup. Pev represents the views of CVC on the Saga board, but also brings broader experience of public and private company boards across numerous consumer facing businesses.



Charles Sherwood Non-Executive Director

Charles has been a Partner of Permira Advisers (formerly Schroder Ventures) since 1985. He has served on the firm's holding company board and investment committee. Charles has been a Non-Executive Director of Acromas and Saga since 2007. He has also served as a Non-Executive Director on the boards of a number of Permira's investments including Homebase, the AA Group, Provimi and Just Retirement. Charles's role on the Board is to represent the views of Permira; he has served on the boards of many other companies during his career and brings this knowledge and wide experience to his Board role with Saga.

Overview

Strategy

Performance

Governance

Financial statements

Additional information

The members of the Board

The Board considers its overall size and composition to be appropriate, having regard in particular to the independence of character and integrity of all the Directors and the experience and skills that they bring to their duties, which prevents any individual or small group from dominating its decision making. We give due regard to the benefits of diversity in its widest sense as we consider our composition both now and in the future.

We consider that the skills and experience of our individual members, particularly in the areas of insurance, financial services, consumer services, brand management, corporate finance, mergers and acquisitions, and risk management, are fundamental to the pursuit of our strategic objectives. In addition, the quoted company experience of members of the Board in a variety of sectors and markets is invaluable to Saga.

Independence of Non-Executive Directors

Of the current Directors of Saga, the Board considers four of the Non-Executive Directors to be independent of Saga's executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. These directors are Philip Green, Ray King, Orna NiChionna and Gareth Williams. Although Philip Green serves on the Board of BakerCorp (a Permira portfolio company), the other Directors have concluded that Philip's judgement, experience and challenging approach ensure that he makes a significant contribution to the work of the Board and its Committees. Therefore, the Board has determined that Philip is of independent character and judgement and should be regarded as an independent director for the purposes of the Code.

As set out in the Explanations section on page 56, the Board is working towards at least half of its members being independent within 24 months of listing. Future independent Non-Executive Directors will be selected to ensure that the Group maintains a balance of skills appropriate for a group including insurance and financial services businesses.

Selection of the current Non-Executive Directors

Four independent Non-Executive Directors were appointed to the Board with effect from 29 May 2014.

MWM Consulting, an external search agency, assisted in the recruitment process. MWM Consulting was selected after a competitive pitch process. A role description for each of the four appointments was developed and set out the capabilities required. After MWM Consulting had identified a list of potential candidates, a shortlist was selected for interview. After detailed interviewing, thorough referencing and careful consideration of the balance of the Board that would be created, the Directors were selected and put forward for board approval.

MWM Consulting has no other relationship with the Company.

Pursuant to the Relationship Agreement entered into between the Company and each of the Private Equity Investors (as defined and explained further on page 97) each Private Equity Investor appointed one Non-Executive Director to the Board.

Group Chief Financial Officer

Stuart Howard, our Group Chief Financial Officer, has announced his intention to retire by the end of 2015. Stuart has provided the business with a significant period of notice prior to his departure, ensuring that he had the opportunity to assist the Company with the recruitment and induction of his replacement. We would like to acknowledge Stuart's immense contribution to Saga's development and to wish him all the very best.

External search consultant, Russell Reynolds Associates, was engaged to conduct a confidential search for candidates after a competitive pitch process. We reviewed and developed a role description for the position and agreed the critical competencies required.

A wide range of candidates from a variety of national and multi-national companies, both publicly and privately owned, were put forward by Russell Reynolds Associates for consideration and a shortlist was agreed upon for interview. After detailed interviews, thorough referencing and careful consideration of the experience and background of the potential candidates against the key responsibilities and critical competencies, the recommendation was to appoint Jonathan Hill as Stuart's replacement. Jonathan joined the Group as Group Chief Financial Officer Designate on 7 April 2015 and was appointed as a Director of the Board on 29 April 2015.

Russell Reynolds Associates is a signatory to the Voluntary Code of Conduct for executive search firms and has no other connection to the Company.

Induction of the current Non-Executive Directors

Our recently appointed independent Non-Executive Directors followed an extensive induction programme which included half-day visits to each of the main businesses in London and Folkestone. In addition they attended strategy sessions for each of our businesses to understand the short and long-term goals of the Group and familiarised themselves with our governance and risk management structure, Board and Committee meeting terms of reference, strategy papers, recent analyst and broker reports, and our policies and procedures.

Annual re-election

The Directors are standing for election at the AGM. Our view is that each of the Directors standing for election should be appointed, as 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 60-61.

Corporate Governance Statement Nomination Committee Report

Philip Green Chairman, Nomination Committee



Dear Shareholder,

I am pleased to report on the activities of the Nomination Committee during its first year following the Company's listing on the London Stock Exchange.

The Nomination Committee was formed at the time of the IPO and its members are the four independent Non-Executive Directors appointed on listing. We have met on two occasions during the financial year and have considered and made a recommendation regarding the appointment of the new Group Chief Financial Officer Designate, membership and chairmanship of the Board Committees.

I am confident that the Nomination Committee will ensure that the Board and Board Committees have the right leadership skills for the Company as it continues its long-term growth strategy.

Attendance during the year

Member	Attendance
Philip Green (Chairman)	2/2
Ray King	2/2
Orna NiChionna	2/2
Gareth Williams ¹	0/2

¹ Non-attendance was due to prior commitments, which could not be rescheduled, or for compassionate reasons.

The Company Secretary, Vicki Haynes, attends all meetings as secretary to the Committee. In addition, Lance Batchelor (Group Chief Executive Officer) attends by invitation.

Our terms of reference and main responsibilities

Our full terms of reference, explaining our role and the authority delegated by the Board are available on the Saga website at <http://corporate.saga.co.uk/investor-relations/corporate-governance/>

Our main responsibilities are to:

- regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and to make recommendations with regard to any changes
- give full consideration to succession planning for Directors and other senior executives, to ensure progressive refreshing of the Board

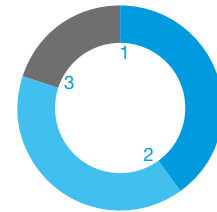
- evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and its expected time commitment
- review the results of the Board performance evaluation process that relate to the composition of the Board.

Our activities

At the centre of our remit is a detailed understanding of the Board's and the Board Committees' structure, size and composition. We have considered this since the Company became a plc and plan to conduct an assessment of the Board's skills, independence and experience (including diversity) after a full year of operation.

Allocation of time spent on matters at Nomination Committee meetings for year ended 31 January 2015

- 1. Board composition – 40%
- 2. Board Committees' composition – 40%
- 3. Non-Executive Directors' induction – 20%



Our procedures for appointing Directors and our policy on diversity

Our terms of reference say how we will go about the recruitment and appointment of Directors to the Board. We will use open advertising or the services of external advisers to facilitate our search for the best possible candidates from a wide range of backgrounds when this is necessary.

We believe it is in the very nature of Saga to recognise the benefits that diversity brings. With this in mind our policy is to appoint the best possible candidate, who will be considered on merit and against objective criteria, rather than to set quotas for a particular aspect that may deflect us from achieving this fundamental target every time. At the date of this report, 10% of the Board is female.

Appointment of Directors

The selection of the Non-Executive Directors took place before the Company was listed and the Nomination Committee was created, although their recruitment followed the principles and provisions of the Code.

The appointments were effective shortly before or from the Company's listing. An overview of the Director induction process has been included in the Effectiveness section of the Corporate Governance Statement on page 62. For further information, please also refer to Selection of the current Non-Executive Directors on page 62.

Philip Green

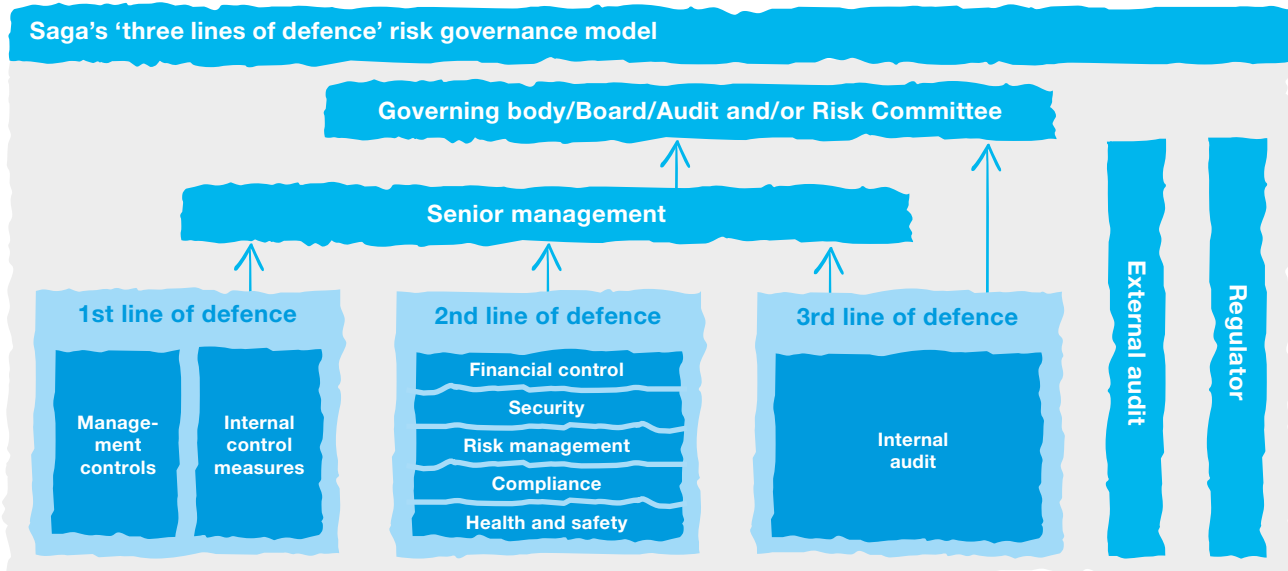
Chairman, Nomination Committee

Saga plc

Annual report and accounts
for the year ending 31 January 2015

Risk management and internal control

The Board has ultimate responsibility for the Group's risk management and internal control framework and receives regular reports from the Group CEO on the Group's business risk profile and key risks. All key risk, compliance and control activities are considered at either the Risk or Audit Committees. This framework is designed to manage and mitigate risk rather than eliminate it and can only provide reasonable, and not absolute, assurance against material loss or misstatement. This framework is regularly reviewed and complies with the Financial Reporting Council's Internal Control: Revised Guidance for Directors (formerly 'The Turnbull Guidance').



The three lines of defence work as follows:

1st line of defence – Risk taking by management, in line with agreed risk appetite, risk policies and procedures. Various governance forums in each business review all risk exposures and risk mitigation activities on a regular basis, supported by the 2nd line of defence oversight functions. Consideration of business risks are a standing agenda item at each executive meeting within the Group.

2nd line of defence – Independent oversight provided by the various control functions, including risk, compliance and health and safety. Specific duties include advice on Group and business risk appetites, independent review of both the rating of key risks, and approach and adequacy of business risk management strategies. The 2nd line of defence is also responsible for reporting on the management of principal risks and uncertainties to the Risk Committee and Board.

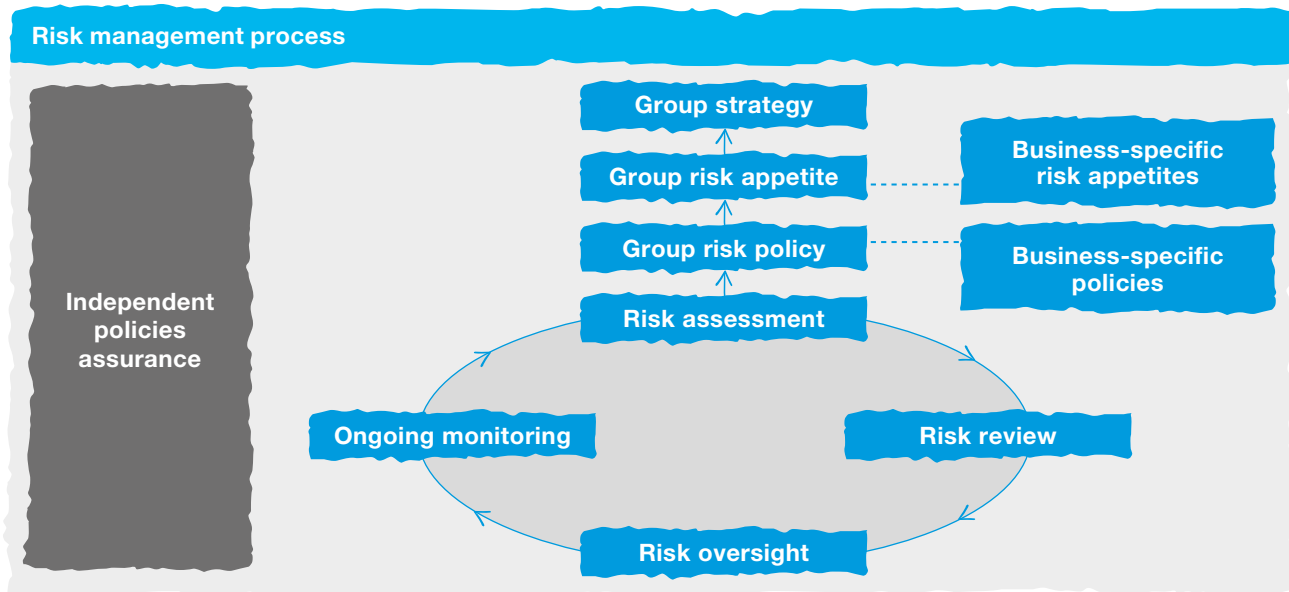
3rd line of defence – Independent assurance on the operation and effectiveness of internal control throughout the Group, including consideration of the effectiveness of the risk management process. The 3rd line of defence reports to the Board by way of the Audit Committee.

The Committee structure and flow of risk, compliance and internal control information is shown on page 24.

Saga's spread and variety of business operations require risk and internal control issues to be considered at both specialist business level and aggregated Group level. Risk and internal control oversight is provided at all Committees and key concerns are raised to the Audit and Risk Committees and ultimately to the Board if required.

Two further Group Committees are in force to consider specialist risks and issues in the following key areas:

- Financial crime, data and information security
- Business continuity



Risk management cycle

The Group risk management cycle is an iterative cycle of activities, comprising the following:

Identification of risk appetite

Saga defines risk appetite as the amount and sources of risk which we are seeking, willing to accept or looking to avoid in pursuit of our business objectives over a set period of time. Group risk appetite is derived from our strategic objectives and is used as a measure against which all of our current and proposed activities are tested. Group risk appetites are further defined within the Principal risks and uncertainties section (pages 24-29).

Business risk appetites are separately crafted, complementary to Group appetites but customised to reflect the specific needs and characteristics of each business. Business risk appetites may be different to Group appetites but cannot exceed them.

Group and business risk appetites are reviewed at least annually to ensure that they are aligned with any changes in strategy or specific strategic initiatives.

Risk policies

Saga has a Group risk policy, defining our risk management strategy, framework, governance structures, and detailed assessment and mitigation processes. Beneath this Group document, individual business policies are created, customised to reflect specific business characteristics but still consistent with the overall risk management framework. All risk policies are reviewed at least annually and approved at business or Group boards as appropriate.

Risk assessment and risk registers

All Saga businesses assess each risk for likelihood and impact. Most use a common risk assessment matrix, although several have a customised impact scale to reflect their size or the highly specialist nature of their risks. Each business then creates appropriate controls to manage such risks. Risks are rated on both an inherent and residual basis and are rated on a red, amber, yellow and green scale.

Risk assessments are reviewed at business risk committees and the principal risks are subject to independent review by the Risk Committee.

Risk registers have been created for each business to capture their key risks, associated controls and incidents. These registers are typically sub-divided by function or business area. The highest rated residual risks in terms of impact and probability for each business are aggregated at Group level to produce a list of principal risks and uncertainties, assessed at residual level against Group risk appetite.

Risk review

Reports on key risks and controls, and incidents, are presented to each governance forum meeting specified in the Committee structure, flow of risk, compliance and internal control information chart on page 24. In addition, checks against control effectiveness, and any exceptions or overdue actions are also considered. Each of these governance meetings is attended by key 1st and 2nd line of defence managers and the actions are minuted and followed up at the next meeting. Significant control weaknesses or failures are escalated to the individual business board in question or, if of sufficient scale and seriousness, to the Risk Committee. Each risk committee also considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Risk oversight

Independent oversight of the risk management process, including key risks and their associated management, incidents and compliance, is provided by the Chief Risk Officer and the risk team, the compliance team, the Risk Committee and, ultimately, the Board.

Risk monitoring

All risk registers are independently reviewed by the risk team at least quarterly to test for completeness of risk and control capture, effective testing of key control measures, and recording and reporting of any exceptions and overdue actions.

Risk information

All risk data, including risks, controls, control tests and incidents, is captured in an internet-enabled risk portal. This portal produces risk reports for all governance meetings.

Independent process assurance

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

Process feedback

Outputs from the risk management cycle are fed back to the Risk Committee to assist with necessary revision of the Group risk management policy and framework. They may also be used to inform future iterations of the Group's strategy.

Internal control

Internal Audit acts as the 3rd line of defence within Saga's three line of defence 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 executive management. To preserve the independence of Internal Audit, the Head of Audit's primary reporting line is to the Chairman of the Audit Committee, and the staff of the function are prohibited from performing operational duties for the business.

All activities of the Group fall within the scope of Internal Audit's remit 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 within the plan provides an opinion on the control environment and details of issues found. Internal Audit works with the businesses to agree remedial actions necessary to improve the control environment, and these are tracked to completion.

The Head of Audit submits reports to, and attends, board and audit committee meetings for the subsidiary Saga businesses, as well as the Audit Committee.

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. Throughout each year, detailed reforecasts are performed by each area of the Group each month and are consolidated to provide an updated view of expected performance 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 year.

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

The Group has an established and well-understood 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 computer systems to record and consolidate all of 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 under UK GAAP and the central consolidation processes capture the additional information required to convert subsidiary performance to IFRS, to consolidate it, and to prepare the relevant disclosure notes.

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

Statement of review

The risk management process detailed above was in place for the year under review and up to the date of approval of this report.

The Board has conducted a review of the effectiveness of Saga's risk management and internal control systems, including all material financial, operational and compliance controls, and concluded that these are acceptable.

Corporate Governance Statement

Audit Committee Report

Ray King Chairman, Audit Committee



Dear Shareholder,

I am pleased to report on the activities of the Audit Committee during its first year following the Company's listing on the London Stock Exchange.

The Audit Committee was formed at the time of the IPO, met on two occasions during the financial year and has met twice since the year end. We have worked closely with management and the external auditors to develop an early understanding of the Group's businesses and its financial reporting and internal control processes. We have also met with the independent chairmen of the audit committees of the Group's two key subsidiaries, AICL, our insurance underwriting business based in Gibraltar and Saga Services Ltd in order to gain their perspectives.

These early meetings have been marked by open, constructive discussion and I would like to thank all participants for their contribution.

The members of the Audit Committee are the four independent Non-Executive Directors appointed at the time of the IPO, Philip Green, Ray King, Orna NiChionna and Gareth Williams. I chair the Audit Committee and as a chartered accountant have had recent and relevant financial experience as a CEO and CFO. The Company Secretary, Vicki Haynes, is secretary to the Audit Committee.

Attendance during the year

Member	Attendance
Ray King (Chairman)	2/2
Philip Green ¹	1/2
Orna NiChionna	2/2
Gareth Williams ¹	1/2

¹ Non-attendance was due to prior commitments, which could not be rescheduled, or for compassionate reasons.

In addition to the Audit Committee members, Lance Batchelor (Group Chief Executive Officer), Stuart Howard (Group Chief Financial Officer), Andrew Stringer (Group Financial Controller), Helen Webb (Head of Internal Audit), Andy Bulgin (Chief Risk Officer) and representatives from our external auditors attend by invitation. We also invite other executives and Directors from around the Group to provide input on relevant agenda items and have private meetings with the Head of Internal Audit and the Company's auditors.

Our terms of reference and main responsibilities

Our full terms of reference, explaining our role and the authority delegated to us by the Board, are available on the Saga website at <http://corporate.saga.co.uk/investor-relations/corporate-governance/>

Our main responsibilities are to:

- monitor the integrity of financial statements of the Company
- review and report to the Board on significant financial reporting issues and judgements
- review and assess the adequacy and effectiveness of the Company's internal financial controls and internal control systems (including compliance, whistleblowing, fraud detection and the prevention of bribery)
- review and approve the internal audit charter, budget and work plan
- monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system
- consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors
- ensure that at least once every ten years the audit services contract is put out to tender
- monitor, review and assess the external auditors' independence and review the external audit work plan
- review the findings of the audit with the external auditors.

We work in co-operation with the Risk Committee, to monitor the range of internal control and risk management issues affecting the Group. The common membership of both Committees helps us to operate in a very integrated way.

Our activities

As a new committee, our early work involved developing our understanding of the Company's financial reporting and internal control processes through meetings with key management and the external auditors. This allowed us to set work plans and robust agendas for meetings and ensure that appropriate policies, procedures and reporting arrangements were in place to address our remit.

At our first meeting, in September 2014, we reviewed our terms of reference, established the flow of reporting to the Audit Committee and reviewed the recent work of Internal Audit and of the existing subsidiary audit committees. Work plans for the year were agreed with internal and external audit. We considered the Group's main accounting policies and reviewed the interim results before their consideration by the Board.

At this meeting, we considered the external auditors' engagement terms for 2014/15, including the fee proposal, and made recommendations to the Board. We considered a report from the external auditors setting out the significant risks and other areas of audit emphasis identified by them through their planning work, and their intended approach to auditing these areas. We also determined the Group policy for purchasing non-audit services and procedures to address financial crime.

Saga plc

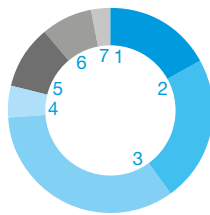
Annual report and accounts
for the year ending 31 January 2015

At our next meeting in December 2014 we considered a report from Internal Audit on the effectiveness of the Group's risk management systems and received a presentation on preparations in AICL for Solvency II, the European Union Insurance Directive which comes into force on 1 January 2016. We also received a detailed report on whistleblowing procedures in Saga.

At the February 2015 meeting we received a presentation from the chairman of the audit committee for Saga Services and Direct Choice Insurance Services; considered the annual report planning and received an update from the external auditors. We discussed with Ernst & Young LLP ('EY' or the 'Auditor') their main observations following the interim audit. The meeting in April 2015 focused on the annual report, and we conducted and evaluated the effectiveness of the audit process and auditor's performance.

Allocation of time spent on matters at Audit Committee meetings for year ended 31 January 2015

- 1. Procedure (terms of reference and flow of reporting) – 17%
- 2. Internal audit – 23%
- 3. External audit – 34%
- 4. Accounting procedures, policies and judgements – 5%
- 5. Policy review (financial crime and non-audit) – 10%
- 6. In-depth analysis of business area – 8%
- 7. Private meetings (External auditors and Head of Internal Audit) – 3%



An evaluation of the Audit Committee's effectiveness will be conducted after a full year of operation.

Annual report

Review of interim and full year results

The interim and full year results were reviewed, together with papers summarising the process of preparing the financial statements, the appropriateness and application of key accounting policies, and the areas of significant judgement, including how those judgements were made.

Key areas of significant judgement which we discussed were:

- Valuation of insurance contract liabilities £641.3m. We considered the conclusions of the Insurance Reserving Committee and the actuarial processes for valuing these liabilities including the key judgements made. We also received the views of EY from their work on the assessment of reserves and concluded that the valuation of insurance contract liabilities was appropriate.
- Testing of the carrying value of goodwill for impairment. We considered the methodology to perform the impairment reviews of the carrying value of goodwill and concluded that no impairments were necessary, except in relation to the Healthcare Services segment where we agreed with the impairment processed by management of £177.8m.

- Assets held for sale. Following the Group's decision to dispose of the Allied Healthcare business, we considered the classification of this business as a held-for-sale disposal group and concluded that the criteria in IFRS 5 had been met and the assets and liabilities had been appropriately fair-valued.
- Share-based payments. We considered the determination and valuation of charges in respect of the various share-based payments and concluded that the charge in the income statement was appropriate.

Reports were received from EY at the conclusion of their work on the interim and full year results and during the process of their audit. The reports on the full year results included specific focus on those areas identified as having significant audit risk or other audit emphasis.

Following our review of the accounts and after reading the annual report we advised the Board that we supported its statement on page 99 that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business performance, business model and strategy.

External audit

Our responsibilities with regard to external audit include recommending to the Board the appointment of auditors, agreeing their remuneration, ensuring their independence and objectivity and working with them to achieve an efficient and effective audit. Representatives of EY attend each Audit Committee meeting and the chairman of the Audit Committee maintains contact between meetings, as required.

The Audit Committee reviewed the effectiveness of the external audit process. We considered how the EY team had demonstrated their skill, independence and objectivity during the year, the quality of reports received by the Audit Committee and the efficiency of the year end process. Views were also received from executive management. The Audit Committee is satisfied that the audit continues to be effective and provides an appropriate independent challenge to the Group's senior management.

Auditor re-appointment

The Audit Committee unanimously recommended to the Board on 28 April 2015 that a resolution for the re-appointment of EY as the Company's independent Auditor be proposed to shareholders at the AGM and the Board has accepted and endorsed this recommendation.

External audit tendering

EY were appointed as auditors of the principal trading companies within the Acromas group in September 2007 following a competitive audit tender process. They were then appointed as auditors of Saga plc on 24 September 2014 following its incorporation and insertion within the Group prior to listing. In accordance with the Competition and Market Authority's order which requires FTSE 350 companies to tender the audit at least every ten years, the Group intends to undertake its next competitive tender process following the completion of the audit of the year ending 31 January 2017.

Auditor independence and non-audit services

The independence of EY is reviewed by the Audit Committee and confirmed by the Auditor throughout the year.

The Audit Committee approved a list of non-audit services where we were satisfied EY could carry out those services without jeopardising their role as auditor. We also set clear approval levels where the Audit Committee Chairman (or the whole Audit Committee) would be required to authorise assignments. Competitive tendering will be used for substantial work.

The audit fees payable to EY in respect of the year ended 31 January 2015 are £1,110,000 and non-audit service fees incurred were £930,900, the latter being heavily influenced by work necessary for the listing. This equates to a non-audit to audit fee ratio of 0.84. The equivalent fees have not been provided in respect of the year ended 31 January 2014 as the Group did not exist in its current form during that year.

Excluding fees for services associated with the listing of the Group in May 2014 where EY provided accounting services, non-audit fees were £216,900, a ratio of 0.20. The main non-audit fees related to the interim results, assistance with conversion to IFRS and reporting on the Group's debt covenants and its Travel business. A summary of fees paid to the Auditor is set out in note 4 to the consolidated financial statements on page 129.

Internal control and Internal Audit

A key part of our work is the oversight of the Internal Audit function. This includes reviewing the results of the internal auditor's work and the assurance from Internal Audit on its 3rd line of defence review of the functioning of the risk management framework. We also review and monitor management's responsiveness to the internal auditor's findings and recommendations. The function consists of 11 people with a broad range of skills; we also purchase audit skills externally for specialised audits. Our view is that the Internal Audit function was adequately resourced.

Internal Audit's charter setting out the purpose, scope and responsibilities for Internal Audit was noted and supported, and the 2014/15 internal audit plan was discussed, including resource levels within the team and time spent on individual audits and businesses.

Where Internal Audit reviews identify significant areas of business risk we consider the implications and actions required in the Risk Committee.

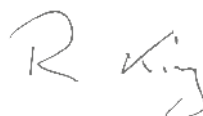
Matters referred this year included a number of IT issues, notably the threat of cybercrime and risk management procedures in the Healthcare division.

In liaison with the Risk Committee we have reviewed the effectiveness of the Company's internal controls and risk management systems.

Financial crime policies

We considered financial crime policies including anti-bribery and anti-corruption, whistleblowing and fraud and discussed how these policies were to be communicated throughout the Group, noting that training had taken place during the year for the majority of Senior Managers and that investment was being made into an IT system which would monitor and provide an audit trail for such training. The proceedings of the Group financial crime, data and information security committee (in terms of monitoring the effectiveness of such policies) are reported to the Audit Committee on a regular basis.

We approved the draft policies and recommended that these be submitted to the Board for consideration and they were duly adopted.



Ray King

Chairman, Audit Committee

Corporate Governance Statement

Risk Committee Report

Ray King Chairman, Risk Committee



Dear Shareholder,

I am pleased to present the first report of the Risk Committee, which was established at the time of the IPO. All of the independent Non-Executive Directors are members of the Risk Committee and also of the Audit Committee and this has helped us to develop a broad-based understanding of internal control and risk management in Saga.

The role of the Risk Committee is to monitor the Group's risk and compliance management procedures (described on pages 24-25) and regularly review principal business risks and compliance matters on behalf of the Board. While Saga's business is mainly in retail financial services, its businesses in travel, shipping and care of the elderly bring specific risk and compliance issues which we keep under regular review. Saga's principal business risks and uncertainties are described in pages 24-29.

Maintenance of an effective risk reward balance in pursuit of our objectives is essential. The Risk Committee provides a forum for careful consideration of our risks on an individual and aggregated basis across our businesses. We have made a good start in reviewing and contributing to the management of the principal risks in the Group and I look forward to building on this in the coming year.

Attendance during the year

The Risk Committee meets as necessary, although normally at least four times a year. During the last financial year since listing, it met on two occasions and it has also met twice since the year end.

Member	Attendance
Ray King (Chairman)	2/2
Philip Green	2/2
Orna NiChionna	2/2
Gareth Williams ¹	1/2

¹ Non-attendance was due to prior commitments, which could not be rescheduled, or for compassionate reasons.

The Company Secretary, Vicki Haynes, attends all meetings as secretary to the Risk Committee. In addition, Lance Batchelor (Group Chief Executive Officer), Stuart Howard (Group Chief Financial Officer), Andy Bulgin (Chief Risk Officer, 'CRO') and Helen Webb (Head of Internal Audit) attend by invitation. We also invite other executives and Directors from around the Group to provide input on relevant agenda items and have private meetings with the CRO.

Our terms of reference and main responsibilities

Our full terms of reference, explaining our role and the authority delegated to us by the Board, are available on the Saga website at <http://corporate.saga.co.uk/investor-relations/corporate-governance/>

Our main responsibilities are:

- advising the Board on the Group's overall risk appetite, tolerance and strategy
- overseeing and advising the Board on the current risk exposures of the Group and future risk strategy
- keeping under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used, and reviewing these measures regularly
- keeping under review the effectiveness of the Group's risk management systems
- reviewing the Group's capability to identify and manage new risk types and ensuring that a supportive risk management culture is embedded and maintained throughout the Group
- where appropriate, agreeing with the Remuneration Committee how risk should be recognised when setting performance objectives for executive remuneration
- reviewing reports on any material breaches of risk limits and the adequacy of proposed action
- reviewing Group compliance performance, assessing the adequacy and effectiveness of the various compliance functions and giving particular consideration to any breaches and/or required notifications to compliance authorities and how these have been rectified
- reviewing reports from the CRO on the effectiveness of risk management operations
- reviewing and monitoring management's responsiveness to the findings and recommendations of the CRO.

Our activities

Risk strategy, policy and appetite

The Risk Committee has worked with management to ensure that the Group has tailored risk management structures which meet the needs of each business and which also work within the Group's overall risk management in terms of policy, risk appetite and monitoring procedures.

The Risk Committee also recognised the need to define risk appetites and tolerances for both financial and non-financial risks. We therefore ensured that management produced risk appetite and tolerance statements for a range of risk categories, both at Group and business level. The final Group risk policy was approved by the Committee and signed off by the Board.

Management and reporting

At our early meetings we focused on agreeing the risk management procedures throughout the Group. We worked closely with the CRO and executive management to understand and agree resourcing, reporting lines and information flows to the Risk Committee. Enhancements to the existing risk management framework were agreed and we introduced a formal requirement for business CEOs to certify compliance with the risk management framework at year end.

Compliance

The Group has regulated businesses in financial services, travel and healthcare, all of which require a robust approach to safeguard standards of compliance. At each meeting, the Risk Committee reviews the overall Group compliance status and receives a report on significant incidents within each of our businesses to assess the Company’s response.

Review of individual businesses

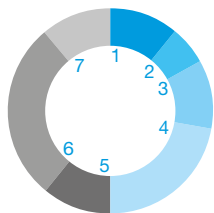
One of the Risk Committee’s first actions was to initiate, on a rotational basis, meetings with each of the business CEOs and key functional managers to discuss in detail the risk and compliance issues in their business. Importantly, these meetings have focused both on current operational issues and on the implications of business development plans and possible changes in our markets, and more generally in the economy.

These meetings were prioritised according to risk ratings in the Group’s risk register (for further information refer to the Group’s principal risks on pages 24-29). During the financial year we received presentations from IT (following which a more detailed presentation including the threat of cybercrime was made to the Board) and Healthcare.

Since the year end, we have received presentations from the CEOs of Saga Services, Direct Choice Insurance Services and the Shipping division, which included a summary of the relevant risk environment and provided confirmation of how risk and compliance is embedded within each area.

Allocation of time spent on matters at Risk Committee meetings for year ended 31 January 2015

- 1. Risk strategy and policy – 11%
- 2. Risk appetite – 6%
- 3. Resourcing and implementation of policy – 11%
- 4. Risk report review – 22%
- 5. Compliance report review – 11%
- 6. In-depth review of business areas – 28%
- 7. Private meetings with CRO – 11%



An evaluation of the Risk Committee’s effectiveness will be conducted after a full year of operation.

Ray King
Chairman, Risk Committee

Corporate Governance Statement

Relations with shareholders

Responsibility for maintaining regular communications with shareholders rests with Lance Batchelor as Group Chief Executive Officer and Stuart Howard, Group Chief Financial Officer. Lance and Stuart are assisted by the shareholders relations team led by Tim McCall, Director of Corporate Affairs.

We attach significant importance to the effectiveness of our communications with all of our shareholders and set ourselves the target of providing information that is timely, clear and concise.

Saga has a diverse shareholder register which is formed of both institutional and retail ownership, the latter numbering over 200,000. Saga also has a number of analysts following the Company and providing regular research around key events and developments such as results and acquisitions announcements. As such, communication with these groups has been strategically structured in the following way:

Shareholder communication

- Regular meetings with key shareholders
- Face-to-face presentations of full year and half year results where the Group Chief Executive Officer and directors of business areas were available for discussions
- Face-to-face presentation of the five year strategy at the Group's Capital Markets Day
- Telephone briefings for in conjunction with key financial announcements.
- Live and post-event webcasts of key presentations
- Investor 'road shows'
- Investor days, briefings and ad hoc meetings on request, where calendar and regulatory requirements allow
- Conducted tours of Saga's operations
- Notification of key financial calendar information
- Notification of the provision of live webcasting services for key presentations
- Notification of availability of past key presentations via our corporate website

Wider communication

- Face-to-face presentations of full year and half year results where the Group Chief Executive Officer and management team were available for discussions
- Face-to-face presentation of the five year strategy at the Group's Capital Markets Day
- Telephone briefings for analysts in conjunction with key financial announcements.
- Face-to-face and telephone meetings for analysts with the management team
- Face-to-face presentations with bank sales teams
- Conducted tours of Saga's operations for analysts

The Board as a whole is informed on a regular basis about the views of key shareholders, including their concerns, along with any new analyst research. The Director of Corporate Affairs reports directly to the Group Chief Executive Officer and Group Chief Financial Officer regarding all shareholder and wider market matters and provides regular updates to the Chairman and Non-Executive Directors by way of face-to-face briefings, email updates and an Investor Relations Report, which is included at each Board meeting.

The Board is kept fully up to date on the views of shareholders and analysts through:

- Feedback from investor meetings, including key questions and concerns
- Recommendations and expectations of sell-side analysts
- Peer group news
- Share price performance monitoring
- Composition of the shareholder register
- Feedback from our professional and other external advisers/market participants

Directors' Remuneration Report Annual Statement

Gareth Williams Chairman, Remuneration Committee



Dear Shareholder,

I am conscious that this is the first Remuneration Report for Saga as a listed company. We started our work as a new Remuneration Committee following the initial share offering on 29 May 2014. The Remuneration Committee reviewed and built on the remuneration work done by the Board in the lead up to the IPO and published in the Prospectus.

Our goal is to have a Remuneration Policy and strategy which stimulates sustainable, value creating growth and performance for the business and rewards the performance of management accordingly. This has guided our thinking and actions in our initial work together and our dialogue with senior management.

This report lays out the core principles of our Directors' Remuneration Policy and our practice over the past year. I trust we have done this with the transparency and clarity that aids your understanding of both our intent and our activity. I would appreciate any feedback you have to offer on this point (my contact details are at the end of the statement).

Attendance during the year

Member	Attendance
Gareth Williams ¹	2/3
Philip Green	3/3
Ray King (Chairman)	3/3
Orna NiChionna	3/3

¹ Non-attendance was due to prior commitments, which could not be rescheduled, or for compassionate reasons.

Structure of the Report

- Annual Statement (pages 73-74)
- Directors' Remuneration Report 'at a glance' (pages 75-79)
- Directors' Remuneration Policy (pages 80-89)
- Annual Report on Remuneration (pages 90-95)

Our core principles of remuneration

- Sustainable long-term value creation
- Profitable growth and strong cash generation
- Attraction, retention and motivation of a talented leadership cadre to deliver the business strategy

Group highlights for the 2014/15 financial year

Since April 2014, considerable work has been done by Andrew, Lance and the senior management team to bring further clarity to the ambition and strategy of the Company. This has resulted in increased investor interest, activity and an uplift in the share price as we closed the fiscal year.

The effectiveness of the strategy has been substantiated in the key performance highlights of the year.

- The Group's capital efficient, cash generative strategy, has led to strong trading performance. In the 2014/15 financial year, Trading EBITDA increased by 6% to £227.4m (2014: £214.5m¹).
- Strong profit delivery and continued high levels of cash conversion meant the Group beat its debt reduction target for 2014/15 and now has a net debt to Trading EBITDA ratio of 2.5x. This has allowed the proposed final dividend of 4.1p per share to come in at the top end of the range detailed in the IPO prospectus.
- The Group's acquisition of Destinology, the digitally focused travel company and proposed acquisition, subject to regulatory approval of Bennetts, the UK's leading motorbike insurance broker, will allow the Group to expand its footprint in areas with significant synergies for the current business. When completed Bennetts will add over 200,000 motorbike policies and highly complementary customers to the Saga database, while Destinology enhances the range of travel options available to Saga customers.
- The Group's strategy of expanding into new areas whilst maintaining its capital efficient model saw a joint venture with Tilney Bestinvest and a partnership with Rangeford signalling moves into the wealth management and retirement villages sectors.

Remuneration decisions and activity in the 2014/15 financial year

The Remuneration Policies and practices that were outlined in detail at the time of the Company's listing in May 2014 have been largely maintained. However, we have taken the opportunity to review all the key components of remuneration and amend a number of areas in service of our goal of stimulating sustainable growth and performance. The Remuneration Committee is satisfied that the execution of the policies and practices is in line with the intent of the remuneration governance framework.

In particular we:

- commissioned an updated benchmarking study to audit the compensation position that was outlined in the listing information. This confirmed to us that Saga's senior executives are appropriately positioned to be well rewarded for delivering stretching and sustainable business performance.
- made an adjustment to the 2014/15 annual incentive for the Executive Directors, adding a second financial measure of debt reduction. We have made further adjustments for 2015/16, with 80% of the incentive linked to PBT and cash flow targets, and 20% linked to key strategic and performance goals which will be determined by the Remuneration Committee, in conjunction with management, each year. Further details can be found on pages 79 and 91.

¹ Adjusted to allow like-for-like comparison between the two periods.

- modified the cash bonus deferral terms for 2015/16, introducing a uniform 33% deferral across the total bonus achieved rather than the previous arrangement where deferral of bonus commenced when bonus payout exceeded 60% of salary (whereby one-third of the total bonus achieved was deferred into shares). Further details can be found on pages 79 and 91.
- increased the shareholding requirement for the Executive Directors. This is now 200% for the Executive Chairman and Group Chief Executive Officer (previously 100%) and 150% for the Group Chief Financial Officer (previously 100%). The shareholding requirement for the Executive Team is 75% of salary.
- reviewed the two measures in the Long-Term Incentive Plan ('LTIP') – comparative total shareholder return ('TSR') and earnings per share ('EPS') – and concluded that they remain appropriate. The targets for the 2014/15 and 2015/16 awards are outlined on page 79.

In addition, we have undertaken the following:

- determined the Remuneration Committee's terms of reference
- reviewed and reaffirmed the appointment of PwC as advisors to the Remuneration Committee
- formulated the Company's Remuneration Policy as a listed company
- drafted the Company's first Remuneration Report as a listed company

Under the voting regime that now governs these matters, two resolutions will be put to shareholders at the AGM.

We will first seek approval for the Remuneration Policy Report (Part A: pages 80-89). This outlines the Company's Remuneration Policy for Executive Directors effective from the 2015 AGM. The vote is binding on the Remuneration Committee and has a duration of up to three years.

The second is seeking approval for the Annual Report on Remuneration (Part B: pages 90-95). It details decisions and actions taken by the Remuneration Committee over the past 12 months and the performance and remuneration consequences. This section of the Report is voted upon annually.

Our goal has been to be thoughtful and clear in the layout of both parts of the Report and I ask for your support on both resolutions.

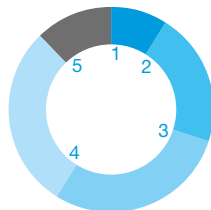
I welcome any feedback from the Company's shareholders and you can contact me on gareth.williams@saga.co.uk if you have any questions or comments on this Report.



Gareth Williams
Chairman, Remuneration Committee

Allocation of time spent on matters at Remuneration Committee meetings for year ended 31 January 2015

- 1. Procedure (terms of reference and policy) – 9%
- 2. Executive team benchmarking – 21%
- 3. Annual bonus metrics – 29%
- 4. Formation of remuneration policy/report – 29%
- 5. Employee share plans – 12%



An evaluation of the Remuneration Committee's effectiveness will be conducted after a full year of operation.

As Chairman of the Remuneration Committee, I also talked with a number of our top shareholders in late March 2015. It was a valuable opportunity to have a discussion, and receive feedback, on our Company and Remuneration Policy.

We have many valued Saga customers included in our shareholder register, so for the benefit of everyone, let me summarise the process for considering this Remuneration Report at our forthcoming AGM on 23 June 2015.

Notes

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Corporate Governance Code and taking into account the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014) (the 'Code') and the Listing Rules. The report consists of three sections:

- The Annual Statement by the Remuneration Committee Chairman and associated 'At a glance section'
- The Remuneration Policy Report which sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the policy. This policy will apply for three years from its date of approval at the 2015 AGM
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2014/15 financial year.

The Chairman of the Remuneration Committee's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM. The Remuneration Policy will be subject to a binding vote.

Directors' Remuneration Report

At a glance

Introduction

In this section, we summarise the purpose of our Remuneration Policy and its linkage to our corporate strategic objectives. We highlight the performance and remuneration outcomes for the 2014/15 financial year. More detail can be found in the Remuneration Policy Report and Annual Report on Remuneration.

Our remuneration policy and its link to our Group strategy

The Group's strategy is laid out on pages 14-17. The key elements of the Company's strategy and how its successful implementation is linked to the Company's remuneration are set out in the following table.

Remuneration policy (from the date of shareholder approval)	Strategic priorities			Equity ownership and retention of shares	Retain and reward Executive Team to deliver the strategy
	Capitalise on the high-growth opportunity in our core businesses	Make more of our database and digital marketing	Continued growth and long-term shareholder value creation		
Fixed remuneration (salary, benefits and pension) The Company provides competitive levels to attract and retain talent required to successfully deliver on our business strategy.	<ul style="list-style-type: none"> Expand our Insurance footprint leveraging our existing broker model Grow the Travel business which is central to the strength of our brand Continue to expand our high-quality personal finance offering 	<ul style="list-style-type: none"> Make more of our database which is an exceptionally valuable tool which can be developed further to make segmentation, digital marketing and distribution an ever more significant part of our activities 	<ul style="list-style-type: none"> Consistent financial performance underpinned by balanced and profitable growth measured by PBT and EPS Remain a cash generative business which will support a progressive dividend policy and ensure long-term value for shareholders Continue to put innovation at the centre of our business to meet customer needs 		✓
Annual bonus metrics Maximum annual bonus opportunity is 150% of salary. <ul style="list-style-type: none"> two thirds of the total bonus to be paid immediately in cash one third deferred into shares subject to a three year vesting period 	✓ Profit before tax growth An incentive to grow in the core markets is provided in the short term through the profit before tax ('PBT') growth and cashflow targets in the Annual Bonus Plan.	✓ Group cash flow The success in maximising operational excellence will be reflected through increased profitability and cash flow.	✓ Encouraged through bonus deferral and shareholding requirements.	✓	✓
LTIP metrics Maximum annual award is 200% of salary. Awards will vest at the end of three years subject to the achievement of: <ul style="list-style-type: none"> stretching EPS conditions which provide alignment to our core strategic priorities relative TSR performance of the Company which provides alignment to the success of our business in delivering value to our shareholders compared with relevant comparator companies 	✓ An incentive to grow this market in the longer term is provided through EPS growth targeted by the LTIP.	✓ The success in maximising operational excellence will be measured through the long term through EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company which will be measured through the Company's TSR performance under the LTIP.	✓ TSR and EPS The generation of cash and PBT growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators (a performance condition under the LTIP).	✓	✓
Minimum shareholding requirements <ul style="list-style-type: none"> Executive Chairman and Group Chief Executive Officer 200% of salary Group Chief Financial Officer 150% of salary 			✓ ✓	✓	

Overview

Strategy

Performance

Governance

Financial statements

Additional information

Directors' Remuneration Report

At a glance continued

How have we performed?

KPIs	Threshold	Target	Maximum	Actual	Percentage of maximum bonus earned/current potential LTIP vesting
Annual Bonus Plan					
Group Trading EBITDA	£228.9m	£233.9m	£238.9m	£236.4m ²	80.0%
Leverage ratio ¹	2.58x	2.51x	2.43x	2.46x	83.5%
LTIP as at year end 31 January 2015					
EPS growth (p.a.)	7%	–	12%	13.4%	100%
TSR	Median	–	Upper quartile	< Median	0%

Notes

¹ (Bank debt less available cash)/Trading EBITDA.

² Trading EBITDA achieved comprises £227.4m on the continuing business and £9.0m on the discontinued Allied Healthcare business. Both areas of the business were continuing at the time the performance measures were set.

Single total figure of remuneration for Executive Directors for the 2014/15 financial year

Executive Directors	Period	Salary £	Taxable benefits £	Bonus £	LTIP £	Pension £	Other ¹ £	Other ² £	Total
Andrew Goodsell (Executive Chairman)	2014/15	777,462	41,496	941,506	–	265,915	5,000,000	–	7,026,379
	2013/14	777,462	40,456	544,224	n/a	291,207	n/a	n/a	1,653,349
Lance Batchelor (Group Chief Executive Officer)	2014/15	556,667	13,225	655,958	–	102,852	–	4,000,000	5,328,702
	2013/14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stuart Howard (Group Chief Financial Officer)	2014/15	472,781	27,794	477,036	–	180,719	3,000,000	–	4,158,330
	2013/14	472,781	17,241	283,669	n/a	186,750	n/a	n/a	960,441

Notes:

¹ Executive Directors were provided a one-off award on IPO ('IPO Award'). For the Executive Chairman and the Group Chief Financial Officer, share awards fully vested on IPO (with the sale restrictions on the shares to be lifted on 29 May 2015 in accordance with the lock-up arrangements outlined in the IPO prospectus).

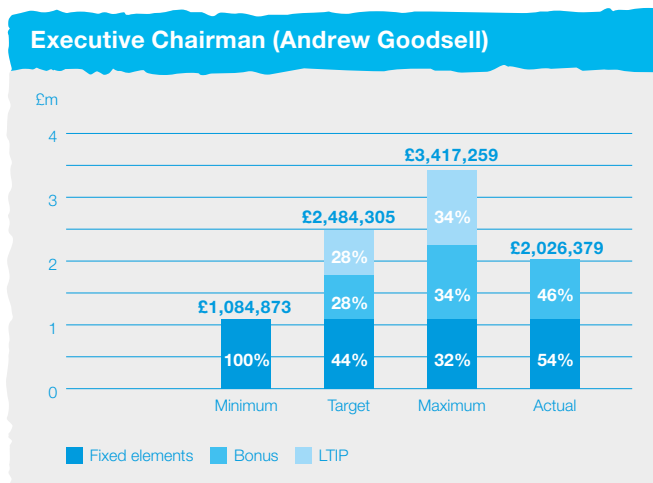
² The Group Chief Executive Officer was provided a cash award and a share award on IPO.

- Cash award of £4m awarded based on continued employment. 25% immediately on the IPO, 25% on the first anniversary of the award and 50% on the second anniversary; this was part of the buy-out on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer.
- Share award consisted of a one-off award on IPO of share options calculated by reference to £4m divided by Saga's share price on Admission of £1.85. 25% will vest and become exercisable on the third anniversary of the award, 25% on the fourth anniversary and 50% on the fifth anniversary. The exercise price associated with the options is £1.85 and therefore the value on grant date was £nil. This was part of the buy-out on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer.

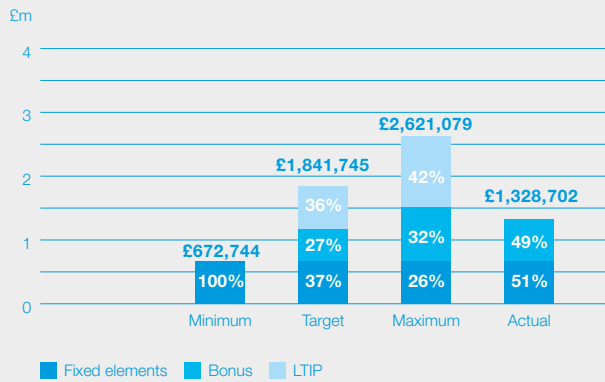
For the full notes accompanying the single figure table, please see page 90 in the Annual Report on Remuneration.

How does the actual remuneration in 2014/15 compare to our proposed Remuneration Policy?

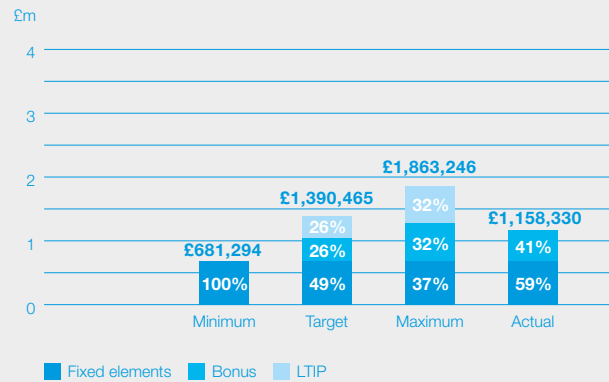
The following charts show the 2014/15 actual remuneration (excluding one-off entitlements set out in the 'Other' column of the single total figure table) against the proposed Policy levels of remuneration for the Executive Directors.



Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Stuart Howard)



The Policy remuneration that could be payable to each of the Executive Directors is based on salaries at the start of 2014/15, under three different performance scenarios: (i) Minimum; (ii) Target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus (Deferred Bonus); and (iii) LTIP. In addition, for the purposes of comparison we have included the actual single figure remuneration paid in 2014/15 (excluding one-off entitlements set out in the 'Other' column of the single total figure table on page 76).

Element	Description	Minimum	Target	Maximum
Fixed	Salary ¹ , benefits ² and pension.	Included.	Included.	Included.
Annual bonus	Annual bonus (including deferred shares).	No annual variable.	60% of maximum bonus.	100% of maximum bonus ³ .
LTIP	Award under the LTIP	No multiple year variable.	60% of the maximum award.	100% of the maximum award ⁴ .

Note:

¹ Group Chief Executive Officer base salary pro-rated for time served in role for the financial year has been used for the illustrations provided.

² Based on 2014/15 financial year benefit payments.

³ Equating to 150% of base salary for the Executive Chairman, 150% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer.

⁴ Equating to 150% of base salary for the Executive Chairman, 200% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer.

In accordance with the regulations share price growth has not been included. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.

Equity exposure of the Board (audited)

The following table and chart set out all subsisting interests in the equity of the Company held by the Executive Directors at 31 January 2015:

Director	Shareholding requirement (% salary)	Current shareholding (% salary) ¹	Shares held directly		Other shares held		Options		Shareholding requirement met?
			Beneficially owned ²	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested	Unvested		
Executive Directors									
Andrew Goodsell	200%	637%	2,702,703	–	630,374	–	–	–	Yes
Stuart Howard	150%	629%	1,621,622	–	319,446	–	–	–	Yes
Lance Batchelor	200%	–	–	–	702,702	–	2,162,162	–	No
Non-Executive Directors									
James Arnell	–	–	–	–	–	–	–	–	n/a
Philip Green	–	–	32,432	–	–	–	–	–	n/a
Pev Hooper	–	–	–	–	–	–	–	–	n/a
Ray King	–	–	27,027	–	–	–	–	–	n/a
Orna NiChionna	–	–	10,811	–	–	–	–	–	n/a
Charles Sherwood	–	–	–	–	–	–	–	–	n/a
Gareth Williams	–	–	32,432	–	–	–	–	–	n/a

¹ Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

² The shares are in respect of Andrew Goodsell and Stuart Howard's IPO Awards made on Admission. Shares are fully vested but subject to a lock-up period, of one year from the date of Admission as disclosed in the IPO prospectus.

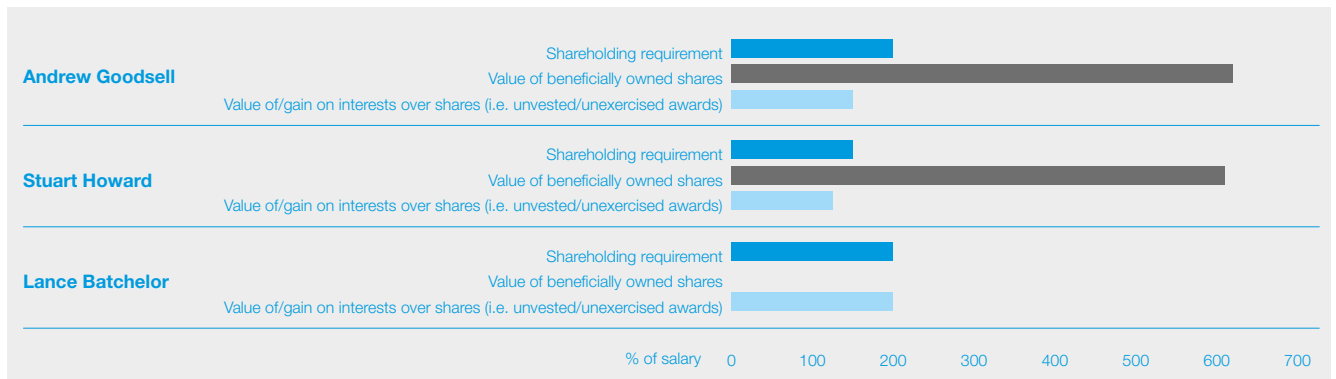
Directors' Remuneration Report

At a glance continued

Shareholding requirements in operation at the company are currently 200% of base salary for the Executive Chairman and Group Chief Executive Officer and 150% for the Group Chief Financial Officer.

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 of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 31 January 2015 are set out below.



Notes

- The closing share price of £1.833 as at 30 January 2015 has been taken 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.
- Value of/gain on interests over shares comprises unvested 2014 LTIP awards. The one-off IPO share option award for the Group Chief Executive Officer has an exercise price of £1.85, hence there was no gain on these awards as at 30 January 2015.
- Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.
- In addition, Andrew Goodsell and Stuart Howard have an interest via Acromas Holdings Limited, which has a 100% shareholding in Acromas Bid Co Limited.

Implementation of Remuneration Policy in the 2015/16 financial year

The Remuneration Committee proposes to implement the policy for the 2015/16 financial year, subject to shareholder approval, as set out below:

Salary

The following table sets out the proposed salaries for 2015/16:

Name	Salary (£)		
	2015/16	2014/15	% increase
Andrew Goodsell	£793,012	£777,462	2%
Lance Batchelor	£663,000	£650,000	2%
Stuart Howard	£472,781	£472,781	0%

In addition, the Board has determined to increase the base fee for Non-Executive Directors by 2%.

The average salary rise for employees in 2015/16 is 2%.

Benefits and pension

The values of pension contribution and salary supplement for the financial year are as follows:

Name	Employer pension contribution/ Salary supplement ¹ 2015/16
Andrew Goodsell ²	20% of salary
Lance Batchelor	15% of salary
Stuart Howard ³	20% of salary

¹ Up to the date of approval of the new Remuneration Policy, Andrew Goodsell and Stuart Howard will continue on their respective pension arrangements that were in place pre-IPO. With respect to these arrangements, the Company agreed with the Trustees to increase the employer contribution from 11.7% to 13.6% with effect from 1 February 2015. This applies to all members of the Saga Defined Benefit Pension Scheme.

² Up to the date of approval of the new Remuneration Policy Andrew Goodsell will receive employer pension contributions capped at 13.6% Company contribution (earnings capped at £142,200 for 2014/15) plus 28% cash above cap.

³ Up to the date of approval of the new Remuneration Policy Stuart Howard will receive employer pension contributions capped at 13.6% Company contribution (earnings capped at £142,200 for 2014/15) plus 25% cash above cap.

Annual Bonus Plan

Operation and potential value	Performance metrics used, weightings and time period applicable
<p>Maximum bonus opportunity as a percentage of salary:</p> <ul style="list-style-type: none"> – Executive Chairman – 150% – Group Chief Executive Officer – 150% – Group Chief Financial Officer – 125% <p>The annual bonus will be paid in cash and deferred shares. Two thirds of the total bonus to be paid immediately in cash and one third deferred into shares for three years.</p>	<p>The performance conditions and their weightings are as follows:</p> <ul style="list-style-type: none"> – Group PBT – 60% – Group cash flow¹ – 20% – Personal objectives – 20% <p>The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus.</p>

¹ Defined as net available cash generation.

Long-Term Incentive Plan

There are no proposed changes for the 2015/16 financial year.

Operation and potential value	Performance metrics used, weightings and time period applicable
<p>Maximum value of 200% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan.</p> <p>The proposed grants for the Executive Directors as a percentage of salary are:</p> <ul style="list-style-type: none"> – Executive Chairman – 150% – Group Chief Executive Officer – 200% – Group Chief Financial Officer – 150% 	<ul style="list-style-type: none"> – 50% EPS – EPS growth of 7% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 12% p.a. – 50% Comparative TSR performance of the Company compared to the FTSE 250 (excluding real estate and equity investment trusts) – 25% of this element of the award vesting for median TSR comparative performance with full vesting at upper quartile.

HMRC Share Incentive Plan

Saga operated a Share Incentive Plan for all employees on IPO in 2014.

Remuneration arrangements for our incoming and outgoing Group Chief Financial Officer

Jonathan Hill was appointed the new Group Chief Financial Officer Designate and joined Saga on 7 April 2015.

Jonathan Hill's remuneration arrangements on joining Saga are:

- Base salary – £408,000
- Pensions and other benefits – 15% p.a. pension contribution (either as a salary supplement or as a maximum contribution to the Saga pension scheme of up to 13.6% p.a. and a salary supplement for any amounts above this), use of company car with lease value of up to £12,000 p.a. or monthly cash allowance of £1,000, life assurance of four times salary
- Annual bonus opportunity – 125% of salary
- Long-term incentive – 150% of salary
- Buyout award – £190,000
 - The award was made in the form of Saga shares (101,932 shares based on Saga's closing share price on 7 April of 186.40p) which will vest in two equal tranches on the first and second anniversary of the date of Jonathan's commencement of employment with Saga. The vesting is subject to his continued employment with Saga.

After 15 years with Saga, Stuart Howard will step down from his role as Group Chief Financial Officer later this year. Stuart will work on a consultant basis until the end of the year. He will receive no termination payment from the Company on his cessation of employment. However, under the terms of the existing Deferred Annual Bonus Plan, Long-Term Incentive Plan and Saga's policy around loss of office, as a good leaver he will receive the following incentive payouts from the plans:

Plan	Outstanding awards	Elements the Remuneration Committee will consider with respect to final payout
Deferred Annual Bonus Plan ('DBP')	2014/15 DBP	<p>Stuart Howard will be treated as a good leaver under the terms of the Deferred Bonus Plan on his retirement from the Company.</p> <p>As a good leaver, all subsisting deferred share awards will vest in full on cessation of employment, subject to the discretion of the Remuneration Committee (see page 88 for further details).</p>
Long-Term Incentive Plan ('LTIP')	2014/15 LTIP	<p>Stuart Howard will be treated as a good leaver under the terms of the LTIP on his retirement from the Company.</p> <p>As a good leaver, the final payout will be based on Saga's achievement of the LTIP performance conditions at the end of the three year performance period, pro-rated for time served over the performance period, subject to the discretion of the Remuneration Committee (see page 89 for further details).</p>

Full details of the remuneration arrangements for Stuart Howard on his departure from Saga and Jonathan Hill's remuneration for 2015/16 will be disclosed in the next year's remuneration report.

Directors' Remuneration Report

Directors' Remuneration Policy

Introduction

In accordance with the new regulations, the Directors' Remuneration Policy (the 'Policy') as set out below will become formally effective at the AGM on 23 June 2015 and will apply for the period of three years from the date of approval.

The Company's core principles of remuneration are to support:

- sustainable long-term value creation
- profitable growth and strong cash generation
- attraction, retention and motivation of a talented leadership cadre to deliver the business strategy.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors and the Executive Team drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- our business strategy
- overall corporate performance
- market conditions affecting the Company
- the recruitment market where Saga competes for talent
- changing views of institutional shareholders and their representative bodies.

UK Corporate Governance Code

The Remuneration Committee is comfortable that the proposed Policy is in line with the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014). The following table sets out the key elements of the revised Code and how the Company's remuneration policy for Executive Directors is in line with the Code:

Code provision	Company Remuneration Policy
Executive Directors' remuneration should be designed to promote the long-term success of the Company.	The Company has an LTIP with a three year performance period and has provision for the Remuneration Committee to add holding periods post vesting. The policy incorporates bonus arrangements where part of the bonus is deferred in shares for three years with the facility for the Remuneration Committee to add holding periods post vesting. It is the Remuneration Committee's view that these arrangements provide a holistic approach to ensuring Executive Directors are focused on the long-term success of the Company.
For share-based remuneration, the Remuneration Committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the Company, subject to the need to finance any costs of acquisition and associated tax liabilities.	The policy contains the following relevant features: <ul style="list-style-type: none"> – Minimum shareholding requirement for Group Chief Executive Officer of 200% of salary and for the Group Chief Financial Officer 150% of salary – The provision for the Remuneration Committee to add holding periods post vesting for the Annual Bonus Plan and the LTIP in the policy which are not currently being applied. The Remuneration Committee will consider this position on an annual basis when determining the implementation of the Policy for the future year.
Schemes should include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.	The Annual Bonus Plan, Deferred Bonus Plan and the LTIP include best practice malus and/or clawback provisions. <p>Malus is the adjustment of unpaid bonus, outstanding LTIP awards and deferred share awards under the Deferred Bonus Plan as a result of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to zero.</p> <p>Clawback is the recovery of payments under the Annual Bonus Plan or vested long-term incentive awards as a result of the occurrence of one or more circumstances listed below.</p> <p>The circumstances in which malus and clawback could apply are as follows:</p> <ul style="list-style-type: none"> – Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company – The assessment of any performance target or condition in respect of an award was based on error, or inaccurate or misleading information – The discovery that any information used to determine the number of shares subject to an award was based on error, or inaccurate or misleading information – Action or conduct of an award holder which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct – Events or behaviour of an award holder have led to the censure of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant award holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the award holder

	Applicable period		
	Annual Bonus Plan	Deferred Annual Bonus Plan	Long-Term Incentive Plan
Malus	Up to the date of the bonus determination.	To the end of the three year deferral period.	To the end of the three year vesting period
Clawback	Three years post the bonus determination.		Two years post vesting.

The Remuneration Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Discretion

The Remuneration Committee has discretion in several areas of the Remuneration Policy as set out in this Report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. Where discretion is applied by the Remuneration Committee, this will be fully disclosed in the following year's Remuneration Report. In addition, the Remuneration Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

It is the Remuneration Committee's intention that commitments made in line with its policies prior to 23 June 2015 will be honoured, even if satisfaction of such commitments is made after the Company's first AGM on 23 June 2015 and may be inconsistent with the above policies.

Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee share and variable pay plans, with pension provisions provided for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees.

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 commits to consulting with key shareholders prior to any significant changes to this Remuneration Policy. As at 31 January 2015, 72.02% of our shares were owned by Acromas Bid Co Limited. As detailed on page 97 of the Directors' Report and page 56 of the Corporate Governance Statement, the Relationship Agreement between the Company, Acromas Bid Co Limited and certain funds managed or advised by Charterhouse Capital Partners, CVC Capital Partners and Permira, provides for each such investor to appoint a Non-Executive Director to the Board. The combined holdings held through Acromas Bid Co Limited were reduced to 62.03% on 27 February 2015.

Shareholder voting at general meeting

The Director's Remuneration Policy will be put to a binding vote at the AGM on 23 June 2015. The Remuneration Committee's Chairman's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote. This is the Company's first year as a public company and therefore the 2015 AGM will be the first. This means that there is no historical voting to disclose on the Company's executive remuneration.

Remuneration Policy

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation
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.	<p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Remuneration Committee considers:</p> <ul style="list-style-type: none"> – remuneration practices within the Group – the general performance of the Group – salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking – the economic environment. <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.</p>
Benefits	Provides a minimum level of benefits to support a low fixed cost and a performance-based Remuneration Policy.	<p>The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other employees.</p> <p>The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel and therefore additional benefits may be offered such as relocation allowances on recruitment.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>
Pensions	Provides a minimum level of pension provision to support a low fixed cost and a performance-based Remuneration Policy.	<p>The maximum contribution to an Executive Director's pension or salary supplement is 20% of gross basic salary.</p> <p>A salary supplement would not itself be pensionable or form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements.</p>
Annual Bonus Plan and Deferred Bonus Plan ('DBP')	<p>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.</p> <p>In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.</p> <p>The Remuneration Committee has discretion to defer part of the annual bonus earned in shares under the DBP. The advantage of deferral is:</p> <ul style="list-style-type: none"> – ongoing risk adjustment due to the link to the share price over the deferral period – amounts deferred in shares are also forfeitable on a Director's voluntary cessation of employment which provides an effective lock-in. 	<p>The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary.</p> <p>The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year (see page 79).</p> <p>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.</p> <p>The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the DBP.</p> <p>The maximum value of deferred shares is 50% of the bonus earned.</p> <p>The main terms of these awards are:</p> <ul style="list-style-type: none"> – minimum deferral period of three years – the participant's continued employment at the end of the deferral period unless he/she is a good leaver. <p>The Remuneration Committee may award dividend equivalents on those shares to Plan participants to the extent that they vest.</p> <p>The Remuneration Committee has the discretion to apply a holding period of two years post vesting for deferred bonus shares.</p>

Opportunity

The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga in the comparator group.

The companies in the comparator group are the constituents of the FTSE 250.

The Remuneration Committee intends to review the comparator group each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be disclosed in the part of the Report setting out the operation of the Policy for the future year.

In general salary increases for Executive Directors will be in line with the increase for employees.

The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the salaries for that year for each of the Executive Directors (see page 78).

See description of benefits in previous column.

Performance metrics

Maximum possible contribution 20% of salary.

The Company will set out in the section headed Implementation of Remuneration Policy in the following financial year the pension contributions for that year for each of the Executive Directors (see page 78).

Percentage of bonus maximum earned for levels of performance:

- Threshold 20%
- Target 60%
- Maximum 100%

The annual bonus will be paid in cash and deferred shares.

The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity.

The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.

Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures.

Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus.

Both the Annual Bonus Plan and the DBP contain malus provisions. In addition, the Annual Bonus Plan contains clawback provisions.

Remuneration Policy continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation						
Long-Term Incentive Plan ('LTIP')	<p>Awards are designed to incentivise the Executive Directors to maximise TSR by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value.</p> <p>The use of EPS ensures Executive Directors are focused on ensuring the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth.</p> <p>The use of comparative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return.</p>	<p>Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. These will vest at the end of a three year period subject to:</p> <ul style="list-style-type: none"> – the Executive Director's continued employment at the date of vesting – satisfaction of the performance conditions. <p>The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.</p> <p>The Remuneration Committee has the discretion to apply a holding period of two years post vesting for the LTIP.</p>						
Share Incentive Plan ('SIP')	The purpose of the SIP is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.							
Minimum shareholding requirement	<p>The Remuneration Committee has adopted 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 base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The following table sets out the minimum shareholding requirements:</p> <table border="1"> <thead> <tr> <th>Role</th> <th>Shareholding requirement (percentage of salary)</th> </tr> </thead> <tbody> <tr> <td>Group Chief Executive Officer and Executive Chairman</td> <td>200%</td> </tr> <tr> <td>Group Chief Financial Officer</td> <td>150%</td> </tr> </tbody> </table> <p>The Remuneration Committee retains the discretion to increase the shareholding requirements.</p>		Role	Shareholding requirement (percentage of salary)	Group Chief Executive Officer and Executive Chairman	200%	Group Chief Financial Officer	150%
Role	Shareholding requirement (percentage of salary)							
Group Chief Executive Officer and Executive Chairman	200%							
Group Chief Financial Officer	150%							
Non-Executive Director fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	<p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors.</p> <p>Non-Executive Directors are paid a base fee and additional fees for chairmanship of committees. The Committee Chairmen do not receive any additional fees for membership of other committees.</p> <p>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group.</p> <p>Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.</p>						

Opportunity

Maximum value of 200% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan. 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight-line vesting between these points.

Performance metrics

The performance conditions for awards are currently equally weighted between EPS growth and comparative TSR.

The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation.

The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate.

Discretion may also be exercised in cases where the Remuneration Committee believes that the outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the LTIP vesting resulting from the application of the performance measures.

Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of Remuneration Policy, in the future financial year.

The LTIP contains clawback and malus provisions.

The maximums set by legislation from time to time. The Company retains the discretion to introduce additional plans, and to make Directors eligible for these as appropriate.

The Company in accordance with the legislation may impose objective conditions on awards of free shares to employees.

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 will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Committee Chairmen and Non-Executive Directors and may settle any tax incurred in relation to these.

None.

Illustrations of application of Remuneration Policy

See tables on pages 76-77.

Recruitment 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, as set out in the Remuneration Policy table above. The Remuneration 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 Remuneration 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 for the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary, benefits and pension	These will be set in line with the policy for existing Executive Directors.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary.
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
'Buyout' of incentives forfeited on cessation of employment	<p>Where the Remuneration Committee determines that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> – The proportion of the performance period completed on the date of the Executive Director's cessation of employment – The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied – Any other terms and conditions having a material effect on their value ('lapsed value') <p>The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.</p>
Sign-on compensation	<p>The Remuneration Committee's policy is not to provide sign-on compensation.</p> <p>However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and subject to the satisfaction of performance targets. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 150% of salary.</p>

Where an existing employee is promoted to the Board, the policy set out above 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 employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service agreements and letters of appointment

Executive Directors

Name	Date of service contract	Nature of contract	Notice periods		Compensation provisions for early termination
			From Company	From Director	
Andrew Goodsell	2 May 2014	Rolling	12 months	6 months	None
Lance Batchelor	2 May 2014	Rolling	6 months	6 months	None
Stuart Howard	2 May 2014	Rolling	12 months	6 months	None

Non-Executive Directors

Name	Date of letter of appointment
Phillip Green	29 May 2014
Ray King	29 May 2014
Orna NiChionna	29 May 2014
Gareth Williams	29 May 2014
James Arnell	5 May 2014
Pev Hooper	5 May 2014
Charles Sherwood	5 May 2014

The Remuneration Committee's policy for setting notice periods is that a six month period will apply for Executive Directors unless the Remuneration Committee determines that 12 months would be more appropriate in the circumstances. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to either six or 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors 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 UK Corporate Governance Code's recommendation that all directors of FTSE 350 companies be subject to annual re-appointment by shareholders.

Payment for loss of office

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. 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 Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Company has the ability to terminate the service agreements of the Executive Directors by the payment of a cash sum in lieu of notice equal to the aggregate of (i) salary; (ii) the cost to the Company of providing the Executive Director's pension benefits; and (iii) the cost to the Company of providing private medical insurance, permanent health insurance, life insurance (for Andrew Goodsell and Stuart Howard only) and the Company car or car allowance, in each case during the notice period. The payment in lieu of notice can, at the Company's discretion, be paid as a lump sum or in equal monthly instalments over the notice period. There is a mechanism to reduce the monthly instalments if the Executive Director commences alternative employment during the notice period. In addition, on termination the Executive Directors are entitled to be paid in lieu of accrued but untaken holiday.

The Remuneration 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.

Remuneration element	Treatment on cessation of employment		
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a payment as set out above.		
Annual Bonus Plan	Good leaver reason Pro-rated to time and performance for year of cessation.		Other reason No bonus payable for year of cessation.
Deferred Bonus Plan	Good leaver reason All subsisting deferred share awards will vest in full on cessation of employment.	Other reason Lapse of any unvested deferred share awards.	Discretion The Remuneration Committee has the following elements of discretion: <ul style="list-style-type: none"> – To determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – Whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's policy is that it will not pro-rate for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.

Remuneration element	Treatment on cessation of employment		
LTIP	<p>Good leaver reason Pro-rated to time and performance in respect of each subsisting LTIP award.</p>	<p>Other reason Lapse of any unvested LTIP awards.</p>	<p>Discretion The Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> – To determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To measure performance over the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – To pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

A good leaver reason is defined as cessation in the following circumstances:

- death
- ill-health
- injury or disability
- retirement
- employing company ceasing to be a Group company
- transfer of employment to a company which is not a Group company
- at the discretion of the Remuneration Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual Bonus Plan	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the Plan to the end of the bonus year.
Deferred Bonus Plan	Subsisting deferred share awards will vest on a change of control.	The Remuneration Committee retains the discretion to pro-rate to time.
LTIP	The number of shares subject to subsisting LTIP awards on a change of control will be pro-rated to time and performance.	There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided exceptional enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.

Directors' Remuneration Report

Annual Report on Remuneration

Annual Report on Remuneration

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2014/15 financial year. Comparative figures for the 2013/14 financial year have also been provided. Figures provided have been calculated in accordance with the new UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Executive Directors	Period	Salary £	Taxable benefits ² £	Bonus £	LTIP £	Pension ³ £	Other ⁴ £	Other ⁵ £	Total £
Andrew Goodsell (Executive Chairman)	2014/15	777,462	41,496	941,506	–	265,915	5,000,000	–	7,026,379
	2013/14	777,462	40,456	544,224	n/a	291,207	n/a	n/a	1,653,349
Lance Batchelor ¹ (Group Chief Executive Officer)	2014/15	556,667	13,225	655,958	–	102,852	–	4,000,000	5,328,702
	2013/14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stuart Howard (Group Chief Financial Officer)	2014/15	472,781	27,794	477,036	–	180,719	3,000,000	–	4,158,330
	2013/14	472,781	17,241	283,669	n/a	186,750	n/a	n/a	960,441

Notes:

- The Group Chief Executive Officer was appointed on 24 March 2014. Salary, taxable benefits and pension provision pro-rated in accordance to time in role.
- The types of benefits provided are set out in the Policy section of the Report.
- Pension contribution for the Executive Chairman and the Group Chief Financial Officer was 11.7% company contribution to the Saga Plus Pension (earnings capped at £142,200 for 2014/15 and £138,000 for 2013/14) and 28% and 25% of salary as cash supplement above the cap respectively. The Group Chief Executive Officer is provided a total of 15% of salary pension contribution and cash supplement.
- Executive Directors were provided a one-off award on IPO ("IPO Award"). For the Executive Chairman and the Group Chief Financial Officer, share awards fully vested on IPO (with the sale restrictions on the shares to be lifted on 29 May 2015 in accordance with the lock up arrangements outlined in the IPO prospectus).
- The Group Chief Executive Officer was provided a cash award and a share award on IPO.
 - Cash award of £4m awarded based on continued employment. 25% immediately on the IPO, 25% on the first anniversary of the award and 50% on the second anniversary; this was part of the buy-out on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer.
 - Share award consisted of a one-off award on IPO of share options calculated by reference to £4m divided by Saga's share price on Admission of £1.85. 25% will vest and become exercisable on the third anniversary of the award, 25% on the fourth anniversary and 50% on the fifth anniversary. The exercise price associated with the options is £1.85 and therefore the value on grant date was £nil. This was part of the buy-out on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer.

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director.

Non-Executive Directors ¹	2014/15			2013/14			Roles
	Fees ² £	Taxable benefits £	Total £	Fees £	Taxable benefits £	Total £	
Phillip Green	60,692	–	60,692	n/a	n/a	n/a	Senior Independent Non-Executive Director, Nomination Committee Chairman
Ray King	53,949	–	53,949	n/a	n/a	n/a	Non-Executive Director, Audit Committee Chairman, Risk Committee Chairman
Orna NiChionna	40,462	–	40,462	n/a	n/a	n/a	Non-Executive Director
Gareth Williams	47,205	–	47,205	n/a	n/a	n/a	Non-Executive Director, Remuneration Committee Chairman

¹ James Arnell, Pev Hooper and Charles Sherwood are Non-Independent Non-Executive Directors who do not receive a fee from Saga plc.

² Fees received for time served in financial year.

Annual fees

	2014/15 annual fee £	2013/14 annual fee £
Board fee	60,000	n/a
Committee Chairmanship (per committee)	10,000	n/a
Senior Independent Non-Executive Director fee	20,000	n/a

Annual bonus

In respect of the 2014/15 financial year, the bonus awards payable to Executive Directors were agreed by the Remuneration Committee having reviewed the Group's results. Details of the targets used to determine bonuses in respect of the 2014/15 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Performance condition	Weighting	Threshold performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of maximum)	Percentage of maximum performance achieved	Annual bonus value achieved		
							A Goodsell	L Batchelor	S Howard
Group Trading EBITDA	80%	£228.9m	£238.9m	£236.4m	20%-100%	80.0%	96.0% of salary	93.4% of salary	80.0% of salary
Leverage ratio ¹	20%	2.58x	2.43x	2.46x	20%-100%	83.5%	25.1% of salary	24.4% of salary	20.9% of salary
Total	100%		–			80.7%	121.1% of salary	117.8% of salary	100.9% of salary
Total £							£941,506	£655,958	£477,036

Notes:

¹ Leverage ratio is calculated as (Bank debt less available cash) / Trading EBITDA.

- The leverage ratio excludes any discretionary investments which may be approved by the Board outside of the budget during the course of the year.
- The 'threshold' and 'maximum' leverage ratios are built around the corresponding threshold (£228.9m) and maximum (£238.9m) Trading EBITDA targets.

Under the terms of the Annual Bonus Plan, 20% for each element is payable for achieving the threshold performance increasing to 60% for target performance and 100% for achieving maximum performance. Achievements between these points are calculated on a straight-line basis.

The Group achieved a total Trading EBITDA for the year of £236.4m, comprising £227.4m on the continuing business and £9.0m in respect of the discontinued Allied Healthcare business (the latter being part of the Budget upon which the targets were set).

The Group's Leverage ratio at 31 January 2015 was 2.46x, calculated as follows:

$$\text{Net Debt/Trading EBITDA} = (\text{£700.0m} - \text{£117.7m}) / \text{£236.4m}$$

The bonus for the 2014/15 financial year will be paid two thirds in cash and one third deferred in shares which will vest after three years based on continued employment.

No discretion was exercised by the Remuneration Committee in relation to the outcome of the annual bonus awards.

Awards granted on Admission

Nil cost options were granted on the day of Admission to the Executive Chairman, Group Chief Financial Officer and 55 other employees of the Group to recognise their contribution to the business in the lead up to Admission (options were granted with reference to the share price on Admission).

Name	Award type	Basis on which award made	Face value of award £	Number of shares	Percentage of award vesting at threshold performance %	Maximum percentage of face value that could vest %	Performance conditions
Andrew Goodsell	Fully vested shares	One-off award	£5,000,000	2,702,702	100%	100%	None. Award subject to lock-up period, one year from the date of Admission as disclosed in the IPO prospectus.
Stuart Howard	Fully vested shares	One-off award	£3,000,000	1,621,621	100%	100%	None. Award subject to lock-up period, one year from the date of Admission as disclosed in the IPO prospectus.

As disclosed in the IPO prospectus, the awards for the Executive Chairman and the Group Chief Financial Officer are fully vested on grant (subject to the lock-up arrangements) and the options will be exercisable for ten years from grant.

One-off awards

As part of the successful IPO, Lance Batchelor was provided a share option with a face value of £4m with an exercise price set at the price on Admission of £1.85. 25% of the shares under the options will vest on the third anniversary of Admission, a further 25% on the fourth anniversary of Admission and the final 50% on the fifth anniversary of Admission.

In addition, Lance was provided a £1m cash bonus on IPO with a further £1m cash bonus on the first anniversary of the IPO and £2m cash bonus on the second anniversary of the IPO.

These awards were agreed as part of his recruitment and the buyout of bonus and share awards which lapsed on his joining Saga.

Neither the awards granted on Admission nor the one-off awards are part of the Remuneration Committee's future Remuneration Policy.

Long-term incentives awarded in the 2014/15 financial year (audited)

The table below sets out the details of the long-term incentive awards granted in the 2014/15 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods:

Name	Award type	Basis on which award made	Face value of award £	Shares awarded	Percentage of award vesting at threshold performance %	Maximum percentage of face value that could vest %	Performance conditions
Andrew Goodsell	LTIP	Annual	£1,166,193	630,374	25%	100%	Relative TSR and EPS equally weighted
Lance Batchelor	LTIP	Annual	£1,300,000	702,702	25%	100%	Relative TSR and EPS equally weighted
Stuart Howard	LTIP	Annual	£590,976	319,446	25%	100%	Relative TSR and EPS equally weighted

The awards were granted on 30 June 2014; the face value is calculated with reference to the share price on Admission of £1.85. The performance conditions are set out on page 79 in the Implementation of Remuneration Policy in the 2015/16 financial year. The awards will vest, subject to the level of performance achieved, on 30 June 2017.

Payments to past Directors/payments for loss of office

There were no payments in the financial year.

Statement of Directors' shareholding and share interests

See tables on pages 77-78.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees.

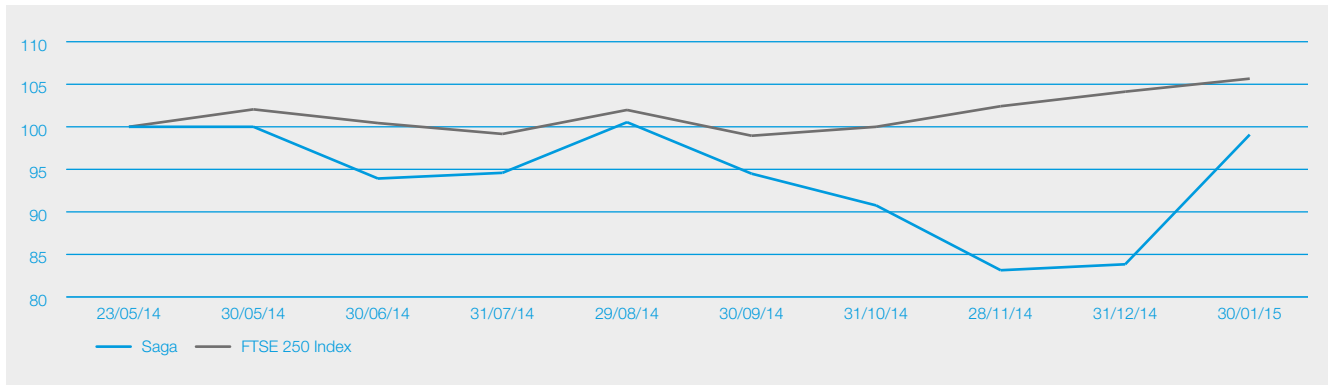
Andrew Goodsell and Stuart Howard are directors of Acromas Holdings Limited. They do not receive a fee for their positions.

Lance Batchelor is a Trustee of the charity White Ensign Association and is a Trustee of the National Gallery; he does not receive a fee for either position.

Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 Index. The graph shows the TSR generated by both the movement in share value and the re-investment over the same period of dividend income.

The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since listing. This graph has been calculated in accordance with Regulations. 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 2015.



Executive Chairman historical remuneration

The table below sets out the total remuneration delivered to the Executive Chairman over the last two years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for the two most recent financial years:

Executive Chairman	2014/15	2013/14
Total single figure (£)	7,026,379	1,653,349
Annual bonus payment level achieved (% of maximum opportunity)	80.7%	70%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a
Option vesting level achieved (% of maximum opportunity)	n/a	n/a

There was no long-term incentive plan or share option plan operated prior to listing. It should be noted that £5m of single total figure for 2014/15 related to the award granted on Admission, which was a one-off payment.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2014/15 financial year and 2013/14 financial year compared with other disbursements. The Company as a UK-based business believes that its total tax contribution to the UK is a relevant consideration when considering disbursements from profit. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2014/15 financial year £m	Disbursements from profit in 2013/14 financial year £m	% change
Profit distributed by way of dividend	Nil	Nil	n/a
Total tax contributions ^{1,2}	51.6	102.7	-49.8%
Overall spend on pay including Executive Directors	330.7	368.8	-10.3%

¹ Total tax contributions include corporation tax, PAYE, national insurance contributions, VAT and Air Passenger Duty.

² The reduction in tax contributions is driven by corporation tax, where 2014/15 has reduced due to deductions for loan interest, and payments were made during 2013/14 in respect of the previous year, 2012/13.

Change in the Executive Chairman's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Executive Chairman from 2013/14 to 2014/15 compared to the average percentage change for employees.

The Executive Chairman's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits and annual bonus (including any amount deferred).

The employee 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.

	Salary			Taxable benefits			Bonus		
	2014/15	2013/14	Percentage change	2014/15	2013/14	Percentage change	2014/15	2013/14	Percentage Change
Executive Chairman	£777,462	£777,462	0.0%	£41,496	£40,456	+2.6%	£941,506	£544,223	+73.0%
Average per employee (full time equivalent)	£23,870	£22,510	+6.0%	£543	£537	+1.1%	£2,999	£2,789	+7.5%

Notes:

Number of full time equivalent (FTE) employees: 3,404 (2014/15 financial year); 3,219 (2013/14 financial year). This includes all permanent and fixed term contract staff. The following should be noted:

- Employees within Destinology have not been included for the purposes of calculation during this year as they only joined the Group part way through the financial year; they will be included in future years.
- Employees within the Allied/Nestor Primicare Services business have not been included for the purposes of calculation as they represent a disposal group held for sale and as such are considered a discontinued operation for reporting purposes.
- Ships' crew who are employed via a manning agency are excluded.

Statement of conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Team, the Remuneration Committee considers a report prepared by the Group HR Director detailing remuneration practice across the Group. The report provides an overview of how employee pay compares to the market, 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 employees as part of the process of reviewing executive pay and formulating the remuneration policy set out in this Report, the Company does receive an update and feedback from the broader employee population on an annual basis using an engagement survey which includes a number of questions relating to remuneration. The Group does not use remuneration comparison measurements.

Cascade of incentives through our organisation

Maximum bonus award	Maximum LTIP award	Organisational level
100%	100%	Executive Team
60%	60%	Directors
40%	40%	Senior leadership
Up to 40%	–	Rest of employee population

Statement of implementation of the Remuneration Policy in the 2015/16 financial year

See tables on pages 78-79.

Consideration by the Directors of matters relating to Directors' Remuneration

The Board has delegated to the Remuneration Committee, under agreed terms of reference, responsibility for the Remuneration Policy and for determining specific packages for the Executive Directors, the Executive Chairman and other members of the Executive Team. Prior to the establishment of this Remuneration Committee, remuneration decisions were made by the Board of the Company. The Company consults with key shareholders in respect of remuneration policy and the introduction of new incentive arrangements.

The terms of reference for the Remuneration Committee are available on the Company's website, <http://www.corporate.saga.co.uk/investor-relations/corporate-governance>, and from the Company Secretary at the registered office.

Our main responsibilities are:

- to determine and agree with the Board the broad remuneration policy for the Senior Executives.
- to recommend and monitor the level and structure of remuneration for senior management.
- to review the on-going appropriateness and relevance of the remuneration policy.
- to review any major changes in employee benefit structures throughout the Company or Group and to administer all aspects of any share scheme.
- to administer all aspects of any all-employee share scheme.

The Remuneration Committee receives assistance from the Group HR Director and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Group Chief Executive Officer and Group Chief Financial Officer attend by invitation on occasions. The Remuneration Committee met three times during the financial year. Meeting attendance is shown on page 73 of this Report. For the names of each Remuneration Committee member, see page 73.

Advisers to the Remuneration Committee

Following a selection process carried out by the Board prior to the IPO of the Company, the Remuneration Committee has engaged the services of PwC as independent remuneration adviser.

During the financial year, PwC advised the Remuneration Committee on all aspects of the remuneration policy for Executive Directors and members of the Executive Team. PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services.

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. Fixed fees of £57,500 (2013/14: £nil) were provided to PwC during the year in respect of remuneration advice received.

The Directors' Remuneration Report has been approved by the Board of Saga plc.

By Order of the Board



Gareth Williams

Chairman of the Remuneration Committee
29 April 2015

The Directors present their report together with the audited consolidated financial statements for the year ended 31 January 2015 in accordance with section 415 of the Companies Act 2006 which were approved by the Board on 29 April 2015.

Management report

The Directors' Report, together with the Strategic Report set out on pages 02-53 form the Management Report for the purposes of Disclosure and Transparency Rule 4.1.5R.

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 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 02-53
Corporate social responsibility	Page 22
Greenhouse gas emissions	Page 23
Employees (employment of disabled persons, employee engagement and policies)	Page 21
Corporate Governance Statement	Pages 54-72
Directors' details	Pages 58 and 60-61
Related party transactions	Note 37 on page 168
Directors' statements	Page 99
Statement of disclosure of information to the Auditor	Page 99
Employee share schemes	Note 32 on pages 161-163
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Note 2.3 on pages 118-121
Additional information	Pages 174-176

Responsibility statements

As required under the Disclosure Rules and Transparency Rules 'DTRs', a statement made by the Board regarding the preparation of the financial statements is set out on page 99. This statement also provides details regarding the disclosure of information to the Company's auditors.

Results and dividends

The Group made a loss after taxation of £133.8m for the financial year ended 31 January 2015. The Board proposes to pay, subject to shareholder approval at the 2015 AGM, a final dividend of 4.1p net per share in respect of the year ended 31 January 2015.

Going concern

The going concern statement required by the Listing Rules and the UK Corporate Governance Code (the 'Code') is set out in the Directors' statements on page 99.

Political donations

No political donations were made during the year.

Directors' interests

A list of the Directors, their interests in its long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 73-95.

Rules on appointment and replacement of Directors

All Directors will seek re-election at the AGM in accordance with the Company's articles of association and the recommendations of the Code.

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 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.

Pursuant to the Relationship Agreement entered into between the Company and each of the Private Equity Investors (as defined on page 97) each Private Equity Investor is entitled to appoint one Non-Executive Director to the Board for so long as it is entitled, either directly or indirectly through its voting rights in Acromas Bid Co Limited, to exercise or to control the exercise of the equivalent of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

Directors' indemnities and insurance

As 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 or insurances during the year other than the applicable insurance premiums. Directors and officers liability insurance is in place as at the date of this Report, at an amount which the Board considers adequate. A review was carried out in May 2014 and takes place on an annual basis.

Share capital and substantial shareholdings

The Company's share capital is set out on page 160. 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 1p each. As at 31 January 2015, 1,110,705,405 ordinary shares of 1p each have been issued, are fully paid up and quoted on the London Stock Exchange.

At 31 January 2015, in accordance with DTR5, the Company has been notified of the following interests in three per cent or more of the Company's total voting rights:

Name	Ordinary shares	% of capital	Nature of holding
Acromas Bid Co Limited ('ABCL')	799,974,283	72.02	Direct

On 27 February 2015, the Company was notified that ABCL sold 111,000,000 shares (in aggregate), pursuant to transactions which took place on 26 and 27 February 2015. Following such transactions, ABCL held 688,974,283 ordinary shares, representing 62.03% of capital at 20 April 2015.

Relationship Agreement

The Company has entered into an agreement with Acromas Bid Co Limited as its controlling shareholder as required under Listing Rule 9.2.2A R (2)(a), complies with the independence provisions set out in LR 6.1.4D R and has a constitution that allows for the election and re-election of independent Directors to be conducted in accordance with the election provisions set out in LR 9.2.2E R and LR 9.2.2F R.

As far as the Company is aware:

- the controlling shareholder and its associates have also complied with the independence provisions referred to above
- the controlling shareholder has complied with its agreement to procure compliance with the independence provisions referred to above by another controlling shareholder and its associates.

Change of control – significant agreements

A number of agreements take effect, alter or terminate upon a change of control of the Company including following a takeover bid, for example insurance, commercial contracts and distribution agreements. None is considered to be significant in terms of its impact on the business of the Group as a whole.

The Senior Facilities Agreement provides the Group with loan and revolving credit facilities for general financing purposes. In the event of a change of control the facilities would either require repayment or re-negotiation. Further details on banking facilities are shown in note 28 to the consolidated financial statements.

The Relationship Agreement between the Company, Acromas Bid Co Limited (the 'Principal Shareholder') and certain funds managed or advised by Charterhouse Capital Partners, CVC Capital Partners and Permira (the 'Private Equity Investors') remains in force until the later of (i) any of the Private Equity Investors (together with its associates) being entitled to exercise or control the exercise, directly or indirectly, of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company; and (ii) the Principal Shareholder (together with its associates) being entitled to exercise or control the exercise, directly or indirectly, of 30% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. There are also provisions that provide for the Relationship Agreement to be automatically terminated if the Company's shares cease to be listed on the premium listing segment of the Official List and traded on the London Stock Exchange plc's main market for listed securities. There are no provisions in the Relationship Agreement which allow the Principal Shareholder or the Private Equity Investors to terminate the agreement in the event of a change of control of the Company.

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 Directors or employees which would pay compensation in the event of a change of control.

Conflicts 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. Such declarations are subject to annual review.

Authority to allot/purchase own shares

A shareholders' resolution was passed on 7 May 2014 which authorised the Company to make market purchases within the meaning of section 693 (4) of the Companies Act 2006 (up to 10% of aggregate nominal share capital of the share capital of the Company following Admission; subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or price of last individual trade and highest current individual bid as derived from the London Stock Exchange trading system).

The Company did not exercise this authority during the year ended 31 January 2015. The above authority will expire at the forthcoming AGM and a resolution proposing renewal will be proposed.

Rights attaching to shares

The rights attached to the shares are governed by applicable law and the Company's articles of association (which are available at <http://corporate.saga.co.uk/assets/downloads/corporate-governance/saga-plc-articles-of-association.pdf>).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; receive a copy of the Company's 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.

The notice of the AGM (the 'Notice') states deadlines for exercising voting rights and for appointing a proxy/proxies.

No shareholder owns shares with special rights as to control.

Restrictions on the transfer of shares

Other than where imposed by law or regulations, 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 (other than as stated below).

Pursuant to the underwriting agreement entered into between, amongst others, the Company, Acromas Bid Co Limited and the Company's Directors on 8 May 2014 (the 'Underwriting Agreement'), the Company and Acromas Bid Co Limited each agreed, subject to certain customary exceptions, during the period of 180 days from the completion of the IPO on 29 May 2014, not, without the prior written consent of a majority of Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Goldman Sachs International and Merrill Lynch International (being the joint global co-ordinators to the Company on the IPO), to issue (in the case of the Company only), offer, lend, sell or contract to sell, grant any option, right or warrant to subscribe or purchase or allow any encumbrance to be created over or otherwise dispose of, directly or indirectly, or announce an offer of any of the Company's ordinary shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as, or agree to do, any of such things, or publicly announce any intention to do any of the foregoing.

Pursuant to the Underwriting Agreement, each of the Company's Directors has agreed, subject to certain customary exceptions, during the period of 365 days from the completion of the IPO on 29 May 2014, not, without the prior written consent of a majority of Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Goldman Sachs International and Merrill Lynch International (being the joint global co-ordinators to the Company on the IPO), to offer, lend, sell or contract to sell, grant any option, right or warrant to subscribe or purchase or allow any encumbrance to be created over or otherwise dispose of, directly or indirectly, or announce an offer of any of the Company's ordinary shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as, or agree to do, any of such things, or publicly announce any intention to do any of the foregoing.

Save as set out above, the Company is not aware of any 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.

Branches outside the UK

The Company does not have any branches outside of the UK.

Post-balance sheet events

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 January 2015.

Auditor

A resolution to re-appoint Ernst and Young LLP (who have indicated their willingness to act) as our auditor will be proposed at the 2015 AGM.

Annual General Meeting

The AGM will be held on Tuesday 23 June 2015 at 10am at Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting.

A copy of the Notice will be available on our website, <http://corporate.saga.co.uk> in due course.

By order of the Board



V Haynes

Secretary
29 April 2015

Saga plc

Company no. 08804263

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union and applicable law.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that, to the best of their knowledge, they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group
- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements that are reasonable and prudent
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Neither the Company nor the Directors accept (and hereby exclude) any liability to any person in relation to the annual report except to the extent that such liability is imposed by law and may not be validly excluded. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000, as amended.

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 58-61, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- the Strategic and Directors' Report contained on pages 02-53 and 96-98 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Fair, balanced and understandable

In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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 Companies Act 2006) 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.

Going concern

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 these financial statements.

The Group has access to sufficient cash and other financial resources together with a large renewing income stream from insurance policies and high-repeat purchase levels from customers of its other products, together with long-term contracts with a number of suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to successfully manage its business risks.

The Group has net assets at the year end. The Directors have considered this, together with projected cash flows for a period of one year from the date of signing of these financial statements (including the impact of the financing detailed in note 28 to the consolidated financial statements), the Group's and Company's budget for the next financial year, and other longer-term plans and have concluded that, at the time of approving the financial statements, the Group has sufficient funds to continue trading for this period, and the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements.

By order of the Board



V Haynes

Secretary
29 April 2015

Saga plc

Annual report and accounts
for the year ending 31 January 2015

Our opinion on the 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 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview

Materiality

Overall Group materiality of £9.6m which represents approximately 5% of Operating Profit from continuing operations

Audit scope

The divisions and entities where we performed full audit procedures accounted for 93% of the Group's revenue and 91% of the Group's Operating Profit

Areas of focus

- Valuation of insurance contract liabilities
- Valuation of goodwill
- Revenue recognition
- Discontinued operations and assets held for sale

Our assessment of risks of material misstatement and response to that risk

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. For each risk identified we have documented our response and audit procedures.

Valuation of insurance contract liabilities

Refer to the Audit Committee Report, accounting policy note 2.3q and disclosure note 25.

Risk

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. Management makes judgement in respect of the trends in bodily injury claims frequency and severity, the propensity for large claims to settle as Periodical Payment Orders (PPOs), the Ogden discount rate and other regulatory developments.

Management sets reserves at a level that includes a margin over the actuarial best estimate to take account of uncertainty that may impact the value of the insurance contract liabilities ultimately settled.

Note 18(d) Insurance risk provides further detail of these uncertainties and the process for establishing insurance contract liabilities.

Response

We understood, assessed and tested the design and operational effectiveness of key controls over the process applied by Management in establishing insurance contract liabilities, including controls over the completeness and accuracy of data used by the internal actuary to project the claims liabilities.

Supported by our actuarial specialists, we:

- obtained an understanding of the methodology and key assumptions applied by Management;
- challenged the methodology and key assumptions against our knowledge of the sector and the Group's own claims experience;
- performed independent actuarial projections on the motor classes which account for 89% of the gross insurance contract liabilities;
- reconciled the claims data supporting the actuarial projections to source systems and, on a sample basis, verified the accurate recording of data against the underlying policy and claims documentation; and
- assessed the level of reserve margin compared to market practice and prior periods, in the context of areas of uncertainty for which the margin is held.

Valuation of goodwill

Refer to the Audit Committee Report, accounting policy 2.3h and disclosure note 15(a).

Risk

The goodwill recorded as at 31 January 2015 is £1,471.4m and is tested for impairment by Management by considering the recoverable amount of the goodwill as described in note 15a.

In determining the recoverable amount, judgement is applied by Management in deriving:

- the forecast cash flows expected to arise from the approved five year plan and the underlying assumptions in setting the five year plan;
- the pre-tax discount rates that reflect the market assessment of the time value of money and the risks specific to the cash flow estimates; and
- the growth rate used to extrapolate cash flow projections beyond the five year plan period.

Response

Management's impairment assessment of the recorded goodwill value was performed as at 1 January 2015. We have evaluated and challenged this assessment, specifically:

- we validated that the cash flows underpinning the calculation were consistent with the five year strategic plan approved by the Board;
- we challenged the reasonableness of growth forecasts during the five year plan period, having regard to back testing performed by Management to support the robustness of the forecast process;
- we compared the pre-tax discount rate to the Group's weighted average cost of capital and to discount rates used by similar UK companies that operate in the financial services and travel industries;
- we compared the long-term growth rates to economic and industry forecasts; and
- we assessed the adequacy of sensitivity analysis performed by Management, stressing each of the above assumptions in isolation and in combination to best reflect what we considered to be reasonably foreseeable changes in the key assumptions.

Revenue recognition

Refer to accounting policy 2.3(a) and disclosure note 3.

Risk

ISAs (UK & Ireland) presume there may be pressures or incentives on Management to commit fraudulent financial reporting through inappropriate revenue recognition to meet budgeted performance measures.

We have assessed the revenue streams in the Financial Services and Travel segments as being most susceptible to manipulation through the application of inappropriate revenue recognition policies:

- The Financial Services segment revenue consists primarily of revenue earned by the insurance intermediary and the insurance underwriter. The intermediary revenue from both external underwriters and the Group underwriter is recognised upon commencement of the policy period of risk, whereas the Group underwriter recognises revenue on an earned basis over the term of the policy. Consolidation adjustments are processed to ensure that the overall revenue recorded in respect of risks underwritten by the Group is recognised in accordance with the Group policy 2.3(a)(i).

Additional considerations are required to be made in respect of post-placement services provided by the insurance intermediary, such as advocacy or claims handling, as the provision of such services would require an element of revenue to be deferred, and recognised as those post-placement obligations are provided.

There is a risk that:

- revenue recognised by the intermediary is not deferred where post-placement obligations exist; and
 - consolidation adjustments required to ensure that the overall revenue recorded in respect of risks underwritten by the Group is recognised in accordance with the Group policy are not correctly processed.
- In the Travel segment, revenue from tour operations is recognised on the passenger's date of departure and for cruise holidays, where the Group operates the cruise ship, revenue is recognised on a per diem basis over the duration of the cruise. There is a risk that revenue recognition is accelerated and recognised when holidays are booked or cash in respect of those bookings is received.

Response

We considered the accounting policies for the revenue streams in the Financial Services and Travel segments, having regard to the requirements of applicable revenue recognition standards, being IAS 18 'Revenue' and IFRS 4 'Insurance Contracts'.

We tested the design and operating effectiveness of the controls in operation over the Financial Services and Travel revenue recognition and recording processes.

For the Financial Services segment we:

- for a sample of contracts, re-performed earnings calculations to validate that insurance revenues were being recognised over the policy term;
- inspected a sample of contracts with policyholders and underwriters to validate whether any contractual obligations to provide post-placement services were in place;
- performed cut-off testing to confirm revenue had been recorded in the correct period;
- reviewed the consolidation adjustments posted to eliminate the revenue transactions between the Group intermediary and Group underwriter;
- challenged and corroborated reasons for variances from prior periods based on analytical procedures performed; and
- tested a sample of manual journals for any indication of inappropriate revenue recognition.

For the Travel segment we:

- performed detailed testing of a sample of transactions to confirm that the tour operator revenues and cruise holiday revenues were being recognised in line with the contract terms and applicable accounting policy;
- performed cut-off testing to confirm revenue had been recorded in the correct period;
- challenged and corroborated reasons for variances from prior periods based on analytical procedures performed; and
- tested a sample of manual journals for any indication of inappropriate revenue recognition.

Discontinued operations and assets held for sale

Refer to the Audit Committee Report, accounting policy 2.3k and disclosure note 35.

Risk

As at 31 January 2015, the Allied Healthcare business has been classified as a disposal group in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

For this classification to be adopted the business must be available for sale in its present condition and the sale should be considered highly probable.

This is a qualitative assessment requiring judgement to be exercised by Management based on the relevant facts and circumstances extant at 31 January 2015.

IFRS 5 also requires businesses classified as held for sale to be measured at the lower of their carrying amount and fair value less costs to sell, as well as requiring specific presentation and disclosure relating to the disposal group. The determination of fair value less costs to sell requires the application of judgement by Management.

The re-measurement of the assets and liabilities of the disposal group to fair value less costs to sell has resulted in a loss of £209.5m.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial statements and in forming our opinion in the Audit Report.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £9.6m, which is approximately 5% of the Group's Operating Profit from continuing operations as this is a key measure used by Management to reflect underlying segment performance. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely £4.8m. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £9.6m for the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Response

We considered the appropriateness of Management's classification of the disposal group as held for sale by considering:

- whether, based on our understanding of the disposal group's processes and operations, it was in a condition to be sold at the year end; and
- whether there was a formal disposal plan in place at the year end, which had been appropriately considered and approved by the Board.

We read the independent valuation report in respect of the disposal group that had been obtained by Management, and challenged management's forecasts and analyses supporting the computation of the fair value less costs to sell of the disposal group.

We assessed whether the loss on re-measurement had been properly applied to reduce the values of the non-current assets within the disposal group as required by IFRS 5.

We reviewed the disclosures in the financial statements to confirm that the assets and liabilities held for sale had been presented in accordance with the requirements of IFRS 5.

Overview of the scope of our audit

The Group is structured into four trading segments, being Financial Services, Travel, Healthcare Services, and Media and Central Costs.

Following our assessment of the risk of material misstatement to the Group financial statements, we selected eleven entities which represent the principal entities within the Group's reportable segments and account for 95% of the Group's revenue and 92% of the Group's Operating Profit. Seven of these were subject to a full audit representing 93% of the Group's revenue and 91% of the Group's Operating Profit, whilst at the remaining four specific audit procedures were performed including full audit of the accounts that were impacted by our assessed risks of material misstatement and the materiality of those entities. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. For the remaining entities within the group, we performed procedures to confirm there were no significant risks of material misstatement in the Group financial statements.

Audits of these entities are performed at performance materiality levels calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned, ranging from £4.8m to £1.0m.

The Group audit team reviewed component team working papers and participated in their planning and execution of the audit in respect of the risks identified above.

What we have audited

We have audited the financial statements of Saga plc for the year ended 31 January 2015, which comprise:

Group

- the consolidated income statement
- the consolidated statement of other comprehensive income
- the consolidated statement of financial position
- the consolidated statement of changes in equity
- the consolidated statement of cash flows
- the related notes to 1 to 39 to the consolidated financial statements

Company

- the parent company balance sheet
- the related notes to 1 to 8 to the parent company financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. 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 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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Statements set out on page 99, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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; or

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 99, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.



John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 April 2015

1. The maintenance and integrity of the Saga plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement for the year ended 31 January 2015

	Note	2015 £'m	2014 £'m
Revenue	3	900.5	944.0
Cost of sales	3	(525.1)	(593.3)
Gross profit		375.4	350.7
Administrative and selling expenses	4	(244.5)	(181.6)
Investment income	5	13.9	12.7
Finance costs	6	(35.1)	(10.6)
Finance income	7	2.9	0.1
Share of profit of joint venture		1.2	–
Profit before tax from continuing operations		113.8	171.3
Tax expense	9	(27.4)	(43.4)
Profit for the year from continuing operations		86.4	127.9
Loss after tax for the year from discontinued operations	35	(220.2)	(18.3)
(Loss)/profit for the year		(133.8)	109.6
Attributable to:			
Equity holders of the parent		(134.2)	108.5
Non-controlling interests		0.4	1.1
		(133.8)	109.6
(Loss)/earnings per share:			
Basic	11	(13.4p)	13.6p
Diluted	11	(13.4p)	13.6p
Earnings per share for continuing operations:			
Basic	11	8.6p	16.0p
Diluted	11	8.5p	16.0p

The notes on pages 111-168 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 January 2015

	Note	2015 £'m	2014 £'m
(Loss)/profit for the year		(133.8)	109.6
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit and loss account in subsequent years</i>			
Exchange differences on translation of foreign operations		–	0.1
Net loss on cash flow hedges		(3.0)	–
Net gain/(loss) on available for sale financial assets		3.8	(1.1)
Tax effect		(0.1)	0.2
		0.7	(0.8)
<i>Other comprehensive income not to be reclassified to profit and loss account in subsequent years</i>			
Re-measurement losses on defined benefit plans	24	(34.8)	(16.4)
Tax effect		6.9	3.3
		(27.9)	(13.1)
Total other comprehensive losses		(27.2)	(13.9)
Total comprehensive (loss)/income for the year		(161.0)	95.7
Attributable to:			
Equity holders of the parent		(161.4)	94.6
Non-controlling interests		0.4	1.1
		(161.0)	95.7

The notes on pages 111-168 form an integral part of these consolidated financial statements.

Overview

Strategy

Performance

Governance

Financial statements

Additional information

Consolidated statement of financial position as at 31 January 2015

	Note	2015 £'m	2014 £'m
Assets			
Goodwill	13	1,471.4	1,636.2
Intangible fixed assets	14	34.8	47.4
Investment in joint venture		1.2	–
Property, plant and equipment	16	133.2	139.8
Financial assets	17	659.6	1,681.7
Deferred tax assets	9	22.9	19.9
Current tax assets		–	5.1
Reinsurance assets	25	63.4	62.5
Inventories	20	5.3	4.8
Trade and other receivables	21	163.7	216.4
Assets held for sale	35	47.7	–
Cash and short-term deposits	22	198.8	151.3
Total assets		2,802.0	3,965.1
Liabilities			
Retirement benefit scheme obligations	24	40.4	24.3
Gross insurance contract liabilities	25	704.7	728.3
Provisions	26	5.9	9.2
Financial liabilities	17	711.7	1,798.4
Current tax liabilities		14.0	–
Deferred tax liabilities	9	5.5	7.0
Other liabilities	27	129.3	113.2
Trade and other payables	23	158.7	164.9
Liabilities held for sale	35	47.7	–
Total liabilities		1,817.9	2,845.3
Equity			
Issued capital	29	11.1	–
Share premium		519.4	–
Retained earnings		410.7	1,118.7
Share-based payment reserve		40.7	–
Foreign currency translation reserve		0.5	0.5
Available for sale reserve		3.6	0.6
Hedging reserve		(2.3)	–
Equity attributable to equity holders of the parent		983.7	1,119.8
Non-controlling interest		0.4	–
Total equity		984.1	1,119.8
Total liabilities and equity		2,802.0	3,965.1

The notes on pages 111-168 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 29 April 2015 by



L H L Batchelor
Group Chief Executive Officer



S M Howard
Group Chief Financial Officer

Consolidated statement of changes in equity for the year ended 31 January 2015

	Attributable to the equity holders of the parent									Total equity £'m
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Available for sale reserve £'m	Hedging reserve £'m	Total £'m	Non-controlling interests £'m	
At 1 February 2014	–	–	1,118.7	–	0.5	0.6	–	1,119.8	–	1,119.8
Loss for the year	–	–	(134.2)	–	–	–	–	(134.2)	0.4	(133.8)
Other comprehensive losses	–	–	(27.9)	–	–	3.0	(2.3)	(27.2)	–	(27.2)
Corporate restructuring	8.0	–	1,516.1	–	–	–	–	1,524.1	–	1,524.1
Dividends paid	–	–	(2,063.0)	–	–	–	–	(2,063.0)	–	(2,063.0)
Issue of share capital	3.0	547.0	–	–	–	–	–	550.0	–	550.0
Costs associated with issue of share capital	–	(27.6)	–	–	–	–	–	(27.6)	–	(27.6)
Issue of treasury shares	0.1	–	–	(0.1)	–	–	–	–	–	–
Share-based payment charge	–	–	–	41.8	–	–	–	41.8	–	41.8
Exercise of share options	–	–	1.0	(1.0)	–	–	–	–	–	–
At 31 January 2015	11.1	519.4	410.7	40.7	0.5	3.6	(2.3)	983.7	0.4	984.1
At 1 February 2013	–	–	1,043.3	–	0.5	1.4	–	1,045.2	(0.1)	1,045.1
Profit for the year	–	–	108.5	–	–	–	–	108.5	1.1	109.6
Dividends paid	–	–	(20.0)	–	–	–	–	(20.0)	(1.0)	(21.0)
Other comprehensive losses	–	–	(13.1)	–	–	(0.8)	–	(13.9)	–	(13.9)
At 31 January 2014	–	–	1,118.7	–	0.5	0.6	–	1,119.8	–	1,119.8

The notes on pages 111-168 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 January 2015

	Note	2015 £'m	2014 £'m
Net cash flows from operating activities	33	155.3	174.1
Investing activities			
Proceeds from sale of property, plant and equipment		0.2	9.5
Purchase of property, plant and equipment		(26.4)	(29.5)
Net purchase of financial assets		(61.3)	(39.2)
Acquisition of subsidiaries	12	(14.3)	(0.7)
Net cash flows used in investing activities		(101.8)	(59.9)
Financing activities			
Payment of finance lease liabilities		(0.6)	(1.2)
Proceeds from borrowings	28	1,250.0	–
Repayment of borrowings	28	(550.0)	–
Proceeds from issue of share capital on flotation	29	550.0	–
Costs associated with issue of share capital on flotation		(26.2)	–
Net movement on balances with related undertakings	37	(4.1)	(1,262.2)
Net movement on balances with parent undertakings	37	774.9	814.7
Dividends paid		(2,063.0)	(21.0)
Net cash flows used in financing activities		(69.0)	(469.7)
Net decrease in cash and cash equivalents		(15.5)	(355.5)
Net foreign exchange differences		(0.2)	0.1
Cash and cash equivalents at 1 February		253.6	609.0
Cash and cash equivalents at 31 January	22	237.9	253.6

The notes on pages 111-168 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Corporate information

Saga plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (registration number 8804263). Its registered office is located at Enbrook Park, Folkestone, Kent CT20 3SE. On 29 May 2014, the Company was admitted via a Premium Listing to the London Stock Exchange.

The consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'Saga Group' or the 'Group') for the year ended 31 January 2015 were approved for issue by the Board of Directors on 29 April 2015.

Saga Group offers a wide range of products and services to its customer base which include a range of general insurance and financial services products, package and cruise holidays, domiciliary care and a monthly subscription magazine. Accordingly, the Group segments its business into four trading segments – Financial Services, Travel, Healthcare Services and Media and Central Costs (see note 3).

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and adopted by the European Union.

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated.

Amounts in the consolidated financial statements are stated in pounds sterling (£'m), which is also the Company's functional currency.

On the basis that the Group was created via a corporate reorganisation on 4 March 2014, including the creation of a new parent (the 'Company'), the transaction is considered to be outside the scope of IFRS 3 'Business Combinations' and has been accounted for using the pooling of interest method, whereby the carrying values of the assets and liabilities of the combining entities are included at previous IFRS carrying values, adjusted to achieve uniformity of accounting policies. The results and cash flows of all of the Group entities have been consolidated as if the transactions that gave rise to the formation of the Group took place on 1 February 2011, being the date of transitioning to IFRS for the combining entities.

IFRS requires the Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. In determining and applying accounting policies, Directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A discussion on the Group's significant accounting judgements and key sources of estimation uncertainty is detailed in note 2.5. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has identified accounting estimates and assumptions relating to revenue, taxation, business combinations and goodwill, finite lived intangible assets, property, plant and equipment, financial assets, insurance contract liabilities and reinsurance assets, retirement benefit schemes, impairment and share-based payments that it considers to be critical due to their impact on the Group's financial statements.

The principal accounting policies adopted, which have been applied consistently, unless otherwise stated, are set out in note 2.3 below.

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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2.2 Basis of consolidation continued

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are identified and measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 major line of business is disposed of or otherwise meets the requirements of IFRS 5 to be held for sale, 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. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Financial Services

Insurance operations

Insurance premiums received for risks underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy. Any changes to premium arising as a result of adjustments to the underlying risk notified by the policyholders are recognised over the remaining period of the policy from the effective date of notification.

Revenue received in connection with the sale, renewal, or adjustment of insurance policies not underwritten by the Group is recognised at the commencement of the period of risk.

Insurance premiums received for risks which are not underwritten by the Group are not recognised in the income statement, as these amounts are passed through directly to the relevant insurer. These amounts are, however, included in the calculation of Trading EBITDA %.

Insurance premiums and sales revenues received in advance of the inception date of a policy are treated as advanced receipts and included as other liabilities in the statement of financial position.

Insurance operations continued

Premiums and sales revenue in respect of insurance policies underwritten by the Group which are live at the reporting date and which relate to the period after the reporting date are treated as unearned and included in insurance contract liabilities in the statement of financial position.

Income from credit provided to customers to facilitate payment of their insurance costs 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.

Personal Finance operations

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, for example ongoing investment, savings or lending products, revenues are recognised over the life of the product.

ii) Travel

Travel operations

Revenue from tour operations and cruise holidays where the Group does not operate the cruise ship is recognised in full on the passenger's date of departure which represents the date upon which the revenue becomes fully non-refundable. Revenue in respect of cruise holidays where the Group operates the cruise ship is recognised on a per diem basis over the duration of the cruise reflecting the often longer durations of cruise holidays, and to facilitate more accurate matching of revenue with costs as they arise.

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 and when earned.

Revenue from tour operations received in advance of the date of departure, and the unearned element of cruise revenues not yet recognised on a per diem basis, are included as other liabilities in the statement of financial position.

iii) Healthcare Services

Healthcare operations

Revenue from healthcare operations is recognised when services are supplied to customers against orders received.

For Social Care operations, the point of supply is generally defined as the point at which a service user has received care services from the Group and which are usually provided on a daily basis.

For Primary Care operations, revenue is recognised on delivery of the contracted services or, for capacity-related contracts, on a time-elapsed basis as the principal contractual obligation is to provide an agreed level of capacity over a fixed term. On longer-term contracts, where the timing of the provision of services is not necessarily consistent with the patterns for billing of services rendered, for example contracts with Primary Care Trusts for the operation of walk-in health centres, revenue is recognised over the life of each contract in line with the pattern of delivery of the associated services.

iv) Media and Central Costs

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 treated as unearned and included within other liabilities in the statement of financial position.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.3 Summary of significant accounting policies continued

b. Cost recognition

i) Direct costs

Costs directly associated with the revenues generated by the Group's principal activities (excluding insurance underwriting) are recognised in the income statement on a basis consistent with the relevant revenue recognition policy (and detailed above).

ii) Acquisition costs

Acquisition costs arising from the selling or renewing of insurance policies underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy in which the related revenues are earned. The proportion of acquisition costs relating to premiums treated as unearned at the reporting date are deferred and included as other assets in the statement of financial position.

iii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include 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 a provision for the estimated cost of claims incurred during the period but not reported at the reporting date. Further detail is provided in note 25.

iv) Reinsurance costs

The Group undertakes a programme of reinsurance in respect of the policies which it underwrites. Outward reinsurance premiums are accounted for in the same accounting period as the related inward insurance premiums and are included as a deduction from earned premium, and therefore as a reduction in revenue.

The amount of any anticipated reinsurance recoveries is treated as a reduction in claims costs. This amount is reported separately in the statement of financial position.

v) Finance costs

Finance costs comprise interest paid and payable which is calculated using the effective interest rate method and 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.

vi) Other expenses

Other expenses are taken to the income statement as incurred and exclude intra-group transactions.

c. Recognition of other income statement items

i) Investment income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the effective interest rate method. 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 effective interest rate of the instrument.

Investment income in the form of dividends is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

ii) Gains and losses on financial investments

Realised and unrealised gains and losses on financial investments are recorded as finance income in the income statement. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the date of sale. Unrealised gains and losses, arising on financial assets measured at fair value through profit and loss which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

d. Taxes

i) Current income tax

Current 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 relating to items recognised directly in equity is recognised in equity and not in the income statement.

ii) Deferred tax

Deferred tax is provided using the liability method 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, in which case the deferred tax is dealt with in other comprehensive income.

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

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value is determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of gains or losses arising on a change in the fair value of the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement respectively).

ii) Group companies

The assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recycled to the income statement.

f. Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition, are carried at cost less any accumulated amortisation and accumulated impairment losses. 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 are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationship	over the life of the customer relationship
Contracts acquired	over the life of the contract
Software	3-6 years

2.3 Summary of significant accounting policies continued

f. Intangible assets continued

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit ('CGU') level. 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 of accounting. 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.

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 treated as negative goodwill and is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs at the point of acquisition and is reviewed annually for impairment.

h. Impairment of non-financial assets

The Group undertakes a full impairment review of the carrying value of goodwill at each reporting date. The Group also assesses at each reporting date whether there is any indication that any other non-financial assets may be impaired. If such an indication exists, the recoverable amount is estimated and compared to 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.

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 impairment 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. Joint arrangements

The Group participates in a joint arrangement where control of the arrangement is shared with another party. A joint arrangement is classified as a joint operation or joint venture, depending on management's assessment of the legal form and substance of the arrangement.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and the consolidated income statement respectively.

j. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately. Likewise, when a major inspection or dry-docking is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred.

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 its estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:

Buildings	50 years
Related fittings	3-20 years
Leasehold properties	over the period of the lease
Cruise ships	2-15 years
Computers	3 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.

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.

k. Non-current assets held for sale, disposal groups and discontinued operations

The Group classifies non-current assets and disposal groups 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. 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.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the income statement.

2.3 Summary of significant accounting policies continued

I. Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The Group determines the classification of its financial assets at initial recognition and they are accounted on a trade date basis. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Group has fair value through profit or loss, loans and receivables and available for sale financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss ('FVTPL')

Financial assets at FVTPL are assets:

- which upon initial recognition are designated at fair value through the income statement to eliminate or significantly reduce a measurement recognition inconsistency, or
- which are acquired principally for the purpose of selling in the near term or forming part of the portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

Derivative financial instruments not designated as hedging instruments and hedge funds are classified as FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement. The fair values are quoted market prices (where there is an active market) or are based on valuation techniques (where there is no active market or the securities are unlisted). Valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis and other commonly used valuation techniques.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment losses. 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 income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available for sale financial investments

Available for sale financial investments include debt securities and money market funds. After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available for sale reserve. Interest income on available for sale debt securities is calculated using the EIR and is recognised in the income statement.

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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors are experiencing significant financial difficulty, or where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or other factors that correlate with defaults.

Loans and receivables

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Loans and receivables continued

Impairment losses are assessed individually where significant, or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Available for sale financial investments

When a decline in the fair value of a financial asset classified as available for sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through the income statement, but those on available for sale debt instruments are reversed if there is an increase in fair value that is objectively related to a subsequent event. Subsequent increases in the fair value of available for sale debt instruments are all recognised in equity.

ii) Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Derivative financial instruments not designated as hedging instruments are classified as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

Loans and borrowings and other payables

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.3 Summary of significant accounting policies continued

I. Financial instruments continued

ii) Financial liabilities continued

Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. 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.

iii) Fair values

The Group measures financial instruments, such as derivatives and financial instruments classified as available for sale and at FVTPL, at fair value at each reporting date.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's length market transactions, discounted cash flow analysis and other commonly used valuation techniques. An analysis of the fair values of financial instruments and further details as to how they are measured are provided below.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

iv) 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.

Where a derivative financial instrument is designated as a hedge, the effective part of any fair value gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately within the income statement.

When a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any associated cumulative gain or loss is removed from the hedging reserve and reclassified into the income statement in the same period in which the asset or liability affects profit or loss. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, any associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

For foreign currency hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, through comparison of the projected fair values of the hedged forecast transaction and the hedging instrument using a combination of the hypothetical derivative approach and sensitivity analysis, as part of the dollar-offset method. Retrospective hedge testing is also performed at each reporting date using the dollar-offset method, by comparing the cumulative changes in the fair values of the forecast hedged transaction and the hedging instrument.

For fuel oil hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, using regression analysis. This method involves calculating the strength of the correlation between the price of the derivative and the price of the fuel oil being purchased. Retrospective hedge testing is also performed at each reporting date using the same technique.

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

m. Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Group are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of the minimum lease payments within property, plant and equipment on the statement of financial position and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

n. 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 other costs that an entity incurs in connection with the borrowing of funds.

o. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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 which are subject to insignificant risk of change in value, net of outstanding bank overdrafts.

p. 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 to completion and disposal.

q. Insurance contract liabilities

Insurance contract liabilities include an outstanding claims provision, a provision for unearned premiums and, if required, a provision for premium deficiency.

i) 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 set using statistical methods. The outstanding claims provision is not discounted for the time value of money with the exception of claims settled on a periodical payment orders ('PPOs') basis.

The amount of any anticipated reinsurance, salvage or subrogation recoveries is separately identified and reported within trade and other receivables 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.

2.3 Summary of significant accounting policies continued

q. Insurance contract liabilities continued

ii) Provision for unearned premiums

The provision for unearned premiums represents that 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 brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

iii) 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.

r. Share-based payments

The Group provides benefits to employees (including 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 the 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 earnings per share.

s. Retirement benefit schemes

The Group operates a number of defined benefit pension plans which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans are determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income 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 other comprehensive income.

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 after other net assets and liabilities on the face of the statement of financial position. The value of a retirement benefit scheme 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.

t. 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. 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, where appropriate, 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.

u. 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.

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 2015. Comment on these new standards or amendments is as follows:

i) IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments' that will essentially replace IAS 39. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument. The impact of this standard on the Group's financial statements is still being assessed. The standard is effective for annual periods beginning on or after 1 January 2018.

ii) IFRS 15 'Revenue from Contracts with Customers'

The objective of IFRS 15 is to establish the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The impact of this standard on the Group's financial statements is still being assessed. The standard is effective for annual periods beginning on or after 1 January 2017.

iii) Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'

These amendments to IAS 16 and IAS 38 provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The requirements of IAS 16 and IAS 38 are amended to clarify that depreciation and amortisation methods that are based on revenue are not appropriate. The amendment is effective for annual periods beginning on or after 1 January 2016 and will have no effect on the financial statements.

iv) Amendments to IAS 27 'Equity Method in Separate Financial Statements'

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted and will have no effect on the financial statements.

2.4 Standards issued but not yet effective continued

v) Amendments to IFRS 11 'Joint Arrangements'

The amendments state that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted and will have no effect on the financial statements.

2.5 Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ('IBNR'). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as 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 and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in 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 estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all of the uncertainties involved.

The ultimate cost of claims is not discounted except for those in respect of periodical payment orders ('PPOs'). 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.

Similar judgements, estimates and assumptions are employed in the assessment of the adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

ii) Goodwill impairment testing

The Group determines whether goodwill is impaired on an annual basis. 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 at a suitable discount rate in order to calculate present value.

iii) Valuation of retirement benefit scheme obligation

The cost of defined benefit pension plans and the present value of the retirement benefit scheme obligation are determined using actuarial valuations. The actuarial valuation involves 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.

iv) Fair value of financial instruments determined using valuation techniques

Where the fair values of financial assets and financial liabilities are categorised under Level 2 or 3, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates and prepayment rates.

vi) Share-based payments

During the period, the Group has granted a number of different equity-based awards to employees and customers for which a share-based payments charge may be required to be made in the income statement. The Group has considered each award separately to determine whether it comprises a share-based payment and to determine whether it is 'equity-settled' or 'cash-settled', and to determine the vesting period and any vesting conditions.

The fair values of share-based payments have been determined using techniques based upon 'Black-Scholes' and 'Monte-Carlo' pricing models. The model assumptions have been considered at the time of award and, in the case of non-market based conditions, will be revisited at each reporting date up to vesting.

viii) Share issue costs

The Group incurred incremental costs totalling £30.3m in respect of its listing on the London Stock Exchange and issue of new shares. IAS 32 'Financial Instruments: Presentation' requires the Group to charge the costs of issuing new shares against the share premium account within Equity.

The Group has reviewed the incremental costs to identify those solely incurred in issuing new shares, those incurred in connection with the entire share capital, and those not associated with issuing new shares at all. Those costs incurred in connection with the entire share capital have been apportioned to the issue of new shares by reference to the number of new shares compared to the entire share capital.

Further to this, the Group has charged £27.6m against share premium and charged the remaining £2.7m to the income statement as an exceptional expense. These costs are not deductible for corporation tax purposes.

ix) Disposal group held for sale

Further to the Group's decision to divest the local authority section of its Healthcare business, Allied Healthcare, the business has been classified as a disposal group held for sale, and the assets and liabilities of the business have been re-measured to fair value.

In order to be recognised as a disposal group held for sale, IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' requires the business to be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and the sale must be highly probable.

The Group has considered the Allied Healthcare business and the processes under way to divest it, in particular those relating to marketing and contact with interested potential buyers, and concluded that the relevant criteria have been met at 31 January 2015. Accordingly, the business has been treated as a disposal group held for sale in the statement of financial position and as a discontinued activity in the income statement.

3 Segmental information

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

- *Financial Services:* The segment primarily comprises general insurance and financial services products. Revenue is derived primarily from insurance premiums, insurance commissions and financial services product commissions. This segment is further analysed into three sub-segments:
 - Motor Insurance
 - Home Insurance
 - Other Financial Services

The Group operates its own general insurer which underwrites all of the Group's Saga-branded Motor Insurance policies, a proportion of its Home Insurance policies, and some of its other products. The remaining insurance policies are underwritten by third party underwriters.

- *Travel:* The segment primarily comprises the operation and delivery of package tours and cruise holiday products. The Group operates its own cruise ships and one hotel. All other holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.
- *Healthcare Services:* The segment primarily comprises the delivery of domiciliary care services and delivery of various primary care services.
- *Media and Central Costs:* The segment primarily comprises a monthly subscription magazine product, the Group's internal mailing house and centrally borne administrative costs.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance. Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to individual operating segments.

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 includes transfers between business segments which are then eliminated on consolidation.

Finance income and costs, and fair value gains and losses on derivative financial instruments are not allocated to individual segments as the underlying instruments are managed on a Group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to segments as they are also managed on a Group basis.

	Financial Services			Total £'m	Travel £'m	Healthcare Services £'m	Media and Central Costs £'m	Adjustments £'m	Total £'m
	Motor Insurance £'m	Home Insurance £'m	Other Financial Services £'m						
2015									
Gross revenue	341.3	173.5	151.6	666.4	381.3	4.3	16.8	–	1,068.8
Inter-segment	–	–	–	–	–	–	8.3	(8.3)	–
Segment revenue	341.3	173.5	151.6	666.4	381.3	4.3	25.1	(8.3)	1,068.8
Third party premiums	(29.3)	(81.7)	(57.3)	(168.3)	–	–	–	–	(168.3)
Revenue	312.0	91.8	94.3	498.1	381.3	4.3	25.1	(8.3)	900.5
Cost of sales	(168.1)	(4.5)	(32.0)	(204.6)	(304.6)	(0.3)	(15.6)	–	(525.1)
Gross profit	143.9	87.3	62.3	293.5	76.7	4.0	9.5	(8.3)	375.4
Results									
Trading EBITDA	104.2	64.5	41.9	210.6	26.0	2.2	(11.4)	–	227.4
Trading EBITDA %	30.5%	37.2%	27.6%	31.6%	6.8%	51.2%	(45.4%)		21.3%
Depreciation	(1.5)	(0.6)	(0.6)	(2.7)	(9.3)	(0.2)	(5.1)	–	(17.3)
Amortisation of intangible assets	(2.3)	(1.8)	(0.8)	(4.9)	(3.1)	–	(1.5)	(2.2)	(11.7)
Operating profit	100.4	62.1	40.5	203.0	13.6	2.0	(18.0)	(2.2)	198.4
Exceptional expenses									(52.4)
Net fair value gain on derivative financial instruments									2.9
Net finance costs									(35.1)
Profit before tax from continuing operations									113.8
Total assets less liabilities				299.7	(25.1)	–	(89.2)	798.7	984.1

The total revenue of £900.5m is generated solely in the UK.

Cost of sales within the Financial Services segment comprises claims costs and claims handling expenses incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

3 Segmental information continued

	Financial Services				Travel £'m	Healthcare Services £'m	Media and Central Costs £'m	Adjustments £'m	Total £'m
	Motor Insurance £'m	Home Insurance £'m	Other Financial Services £'m	Total £'m					
2014									
Gross revenue	362.6	197.8	122.5	682.9	379.6	4.7	17.1	–	1,084.3
Inter-segment	–	–	–	–	–	–	8.9	(8.9)	–
Segment revenue	362.6	197.8	122.5	682.9	379.6	4.7	26.0	(8.9)	1,084.3
Third party premiums	(7.4)	(107.3)	(25.6)	(140.3)	–	–	–	–	(140.3)
Revenue	355.2	90.5	96.9	542.6	379.6	4.7	26.0	(8.9)	944.0
Cost of sales	(218.9)	(4.4)	(38.0)	(261.3)	(315.0)	(0.3)	(16.7)	–	(593.3)
Gross profit	136.3	86.1	58.9	281.3	64.6	4.4	9.3	(8.9)	350.7
Results									
Trading EBITDA	96.7	63.1	37.3	197.1	27.8	2.7	(1.4)	–	226.2
Trading EBITDA %	26.7%	31.9%	30.4%	28.9%	7.3%	57.4%	(5.4%)	–	20.9%
Depreciation	(1.3)	(0.5)	(0.3)	(2.1)	(17.9)	(0.2)	(5.5)	–	(25.7)
Loss on disposal	–	–	–	–	(1.6)	–	–	–	(1.6)
Amortisation of intangible assets	(3.1)	(1.3)	(0.7)	(5.1)	(2.4)	–	(3.1)	(0.1)	(10.7)
Operating profit	92.3	61.3	36.3	189.9	5.9	2.5	(10.0)	(0.1)	188.2
Exceptional expenses									(6.4)
Net fair value loss on derivative financial instruments									(10.4)
Net finance costs									(0.1)
Profit before tax from continuing operations									171.3
Total assets less liabilities				274.9	(5.3)	(0.2)	(55.5)	905.9	1,119.8

The total revenue of £944.0m is generated solely in the UK.

Cost of sales within the Financial Services segment comprises claims costs and claims handling expenses incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

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

	Note	2015 £'m	2014 £'m
Goodwill	13	1,471.4	1,636.2
Contracts, brands and customer relationships	14	18.8	29.2
Bank loans	28	(692.2)	–
Assets relating to discontinued operations		–	(2.4)
Net amounts owed to parent undertakings	17	–	(749.2)
Net amounts owed to previous related undertakings	17	–	(4.2)
Deferred tax – non-retirement benefit scheme related		0.7	(3.7)
		798.7	905.9

a. Analysis of Financial Services revenue

	2015 £'m	2014 £'m
Income from insurance underwritten by the Group		
– Motor Insurance	270.0	310.9
– Home Insurance	16.4	16.4
– Other	39.3	41.7
	325.7	369.0
Income from other insurance and financial services products	172.4	173.6
	498.1	542.6

b. Analysis of Financial Services cost of sales

	2015 £'m	2014 £'m
Net claims incurred on insurance underwritten by the Group		
– Motor Insurance	143.3	194.8
– Home Insurance	4.5	4.4
– Other	31.5	37.8
	179.3	237.0
Other cost of sales	25.3	24.3
	204.6	261.3

4 Administrative and selling expenses

	Note	2015 £'m	2014 £'m
Staff costs	8	86.9	82.3
Marketing and fulfilment costs		44.8	43.9
Lease rentals		0.8	1.0
Auditors' remuneration		2.0	1.2
Other administrative costs		38.5	27.7
Depreciation	16	7.4	6.8
Loss on disposal of property, plant and equipment		–	1.6
Amortisation of intangible assets	14	11.7	10.7
Exceptional expenses		52.4	6.4
		244.5	181.6

a. Auditors' remuneration

	2015 £'m	2014 £'m
Audit of the parent company and consolidated financial statements	0.3	–
Audit of subsidiary financial statements	0.8	0.8
Audit-related assurance services	0.2	–
Other assurance services	–	0.2
Corporate finance services	0.6	0.1
Other non-audit services	0.1	0.1
Total auditors' remuneration	2.0	1.2

4 Administrative and selling expenses continued

b. Exceptional expenses

	Note	2015 £'m	2014 £'m
Share-based payment costs	32	40.8	–
Flotation and other costs		9.2	–
Restructuring costs		1.0	5.6
Acquisition of subsidiaries	12	0.3	–
Other exceptional expenses		1.1	0.8
		52.4	6.4

Flotation and other costs comprise the cost of various bonuses paid to Directors and employees of the Group on the IPO date, and the costs of the IPO which have not been charged to the share premium account of £2.7m.

Restructuring costs represents costs associated with restructuring and reorganising a number of Group operations and include staff-related costs such as redundancy and other termination costs, together with various professional fees for advice and processes associated with the restructuring.

5 Investment income

	2015 £'m	2014 £'m
Investment income from Financial Services		
– Motor Insurance	15.6	14.1
– Home Insurance	0.2	0.2
– Other	1.5	1.0
	17.3	15.3
Elimination of intra-group property rental income	(4.0)	(3.9)
Interest income from other segments	0.6	1.3
	13.9	12.7

6 Finance costs

	2015 £'m	2014 £'m
Interest and charges on debt and borrowings	22.5	–
Exceptional debt and borrowings costs	12.1	–
Net fair value loss on derivative financial instruments	–	10.4
Net finance expense on retirement benefit schemes	0.5	–
Unwinding of discount and effect of changes in discount rate on provisions	–	0.2
	35.1	10.6

7 Finance income

	2015 £'m	2014 £'m
Net fair value gain on derivative financial instruments	2.9	–
Net finance income on retirement benefit schemes	–	0.1
	2.9	0.1

8 Directors and employees

	Note	2015 £'m	2014 £'m
Amounts charged to the income statement for the year are as follows:			
Continuing operations			
Wages and salaries		91.2	87.1
Social security costs		7.9	7.5
Pension costs	24	6.6	5.7
		105.7	100.3
Discontinued operations			
Wages and salaries		211.7	254.0
Social security costs		12.9	14.2
Pension costs	24	0.4	0.3
		225.0	268.5
Total staff costs		330.7	368.8

Staff costs in respect of continuing operations have been allocated £18.8m (2014: £18.0m) to Cost of sales and £86.9m (2014: £82.3m) to Administrative and selling expenses.

	2015	2014
Average monthly number of employees		
Financial Services	2,043	2,113
Travel	2,160	2,423
Healthcare Services	39	37
Media and Central Costs	618	651
Continuing operations	4,860	5,224
Employees attributable to discontinued operations	15,235	16,807
Total staff numbers	20,095	22,031

The number of employees in the Travel segment includes 848 (2014: 1,218) crew who are employed indirectly via a manning agency.

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained on pages 73 to 95 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:

	2015 £'m	2014 £'m
Short-term benefits	6.9	4.5
Share-based payments	17.8	–
	24.7	4.5

9 Tax

The major components of the income tax expense are:

	2015 £'m	2014 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	29.9	48.1
Adjustments in respect of previous years	–	0.9
	29.9	49.0
Deferred tax		
Relating to origination and reversal of temporary differences	(2.0)	(5.6)
Adjustments in respect of previous years	(0.5)	–
Tax expense in the income statement	27.4	43.4

Reconciliation of tax expense to profit before tax multiplied by the UK corporation tax rate:

	2015 £'m	2014 £'m
Profit before tax	113.8	171.3
Tax at rate of 21.3% (2014: 23.2%)	24.2	39.7
Adjustments in respect of previous years	(0.5)	0.9
Rate change adjustment on temporary differences	0.3	2.9
Expenses not deductible for tax purposes:		
– Fair value adjustments	–	0.9
– Other non-deductible expenses/non-taxed income	3.4	(1.0)
Tax expense in the income statement	27.4	43.4

Deferred tax:

	Consolidated statement of financial position		Consolidated income statement	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Excess of depreciation over capital allowances	6.5	8.7	(0.3)	1.8
Intangible assets	(4.6)	(6.7)	0.3	1.8
Retirement benefit scheme liabilities	8.1	4.9	(0.2)	(1.6)
Short-term temporary differences	7.3	5.2	2.9	2.9
Losses available for offsetting against future taxable income	0.1	0.8	(0.2)	0.7
Deferred tax credit			2.5	5.6
Net deferred tax assets	17.4	12.9		

Reflected in the statement of financial position as follows:

	2015 £'m	2014 £'m
Deferred tax assets	22.9	19.9
Deferred tax liabilities	(5.5)	(7.0)
Net deferred tax assets	17.4	12.9

Reconciliation of net deferred tax assets:

	Note	2015 £'m	2014 £'m
At 1 February		12.9	0.7
Tax credit recognised in the income statement		2.5	5.6
Tax credit recognised in other comprehensive income		6.8	3.5
Deferred taxes acquired in business combinations		(4.0)	–
Deferred tax charge attributable to discontinued operations		0.5	3.1
Transferred to assets held for sale	35	(1.3)	–
At 31 January		17.4	12.9

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

A reduction in the UK corporation tax rate from 23% to 21% took effect on 1 April 2014, and a further reduction to 20% was enacted in the Finance Act 2013 to take effect from 1 April 2015. As a result, the closing deferred tax balances have been reflected at 20%.

The Group has tax losses which arose in the UK of £4.9m (2014: £4.6m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by £1.0m.

10 Dividends

With the exception of the corporate restructuring dividends disclosed in note 30, no dividends were declared by the Company during the year ended 31 January 2015 (2014: nil).

The Directors propose a final dividend for the year ended 31 January 2015 of 4.1p per share. This is subject to approval by shareholders at the Annual General Meeting on 23 June 2015 and would be paid on 30 June 2015. These financial statements do not reflect this dividend payable.

11 Earnings per share

Basic EPS is calculated by dividing the profit after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit after tax attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year and which would be issued on conversion of all potential dilutive options into ordinary shares.

The Group did not exist in its current form for the comparative period, therefore basic and diluted EPS have been calculated using the number of shares pre-admission to the London Stock Exchange as if they had always been in issue, in accordance with IAS 33.

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

The calculation of basic and diluted EPS is as follows:

	Note	2015	2014
Basic EPS			
(Loss)/profit attributable to ordinary equity holders of the parent (£'m)		(134.2)	108.5
Profit from continuing operations (£'m)		86.4	127.9
Weighted average number of ordinary shares (millions)			
Original shares		800.0	800.0
297.3m shares issued on 29 May 2014		202.0	–
0.5m share options exercised	32	0.4	–
Weighted average number of ordinary shares outstanding (millions)		1,002.4	800.0
Basic EPS		(13.4p)	13.6p
Basic EPS for continuing operations		8.6p	16.0p

	Note	2015	2014
Diluted EPS			
(Loss)/profit attributable to ordinary equity holders of the parent (£'m)		(134.2)	108.5
Profit from continuing operations (£'m)		86.4	127.9
Weighted average number of ordinary shares for basic EPS (millions)		1,002.4	800.0
Effect of dilution:			
12.6m share options	32	8.6	–
7.0m shares to be issued on 29 May 2015	29	4.7	–
Weighted average number of ordinary shares adjusted for the effect of dilution (millions)		1,015.7	800.0
Diluted EPS		(13.4p)	13.6p
Diluted EPS for continuing operations		8.5p	16.0p

The diluted EPS for the year is not adjusted for the share options and shares to be issued as these are anti-dilutive.

The Group's key earnings per share measure is Operating EPS.

Operating EPS is presented to exclude items which are not considered to be part of the Group's operating performance. This is achieved by removing the impact of non-recurring exceptional items, and by measuring prior to net fair value gains and losses on derivatives not designated as hedges under IAS 39 as these movements arise and reverse across financial periods and are not representative of the actual effectiveness of the Group's economic hedging activities.

The following table provides a reconciliation of Operating earnings after tax from continuing operations and the calculated basic and diluted Operating EPS:

Operating EPS	Note	2015 £'m	2014 £'m
Profit before tax from continuing operations		113.8	171.3
Adjusted for:			
Exceptional expenses	4	52.4	6.4
Exceptional debt and borrowings costs	6	12.1	–
Net fair value gains/(losses) on derivatives		(2.9)	10.4
Operating earnings before tax from continuing operations		175.4	188.1
Tax at effective rate		(36.9)	(46.5)
Operating earnings after tax from continuing operations		138.5	141.6
Post-tax Operating EPS (basic)		13.8p	17.7p
Post-tax Operating EPS (diluted)		13.6p	17.7p

The Group did not exist in its current form during the prior year. On 25 April 2014, the Group took on its own bank debt to replace that previously provided by the Group's parent company via interest-free intercompany loans (see note 28), and on 29 May 2014, the Group was listed on the London Stock Exchange (see note 28).

Accordingly, in order to provide more comparable period-on-period understanding, a Pro forma Operating EPS has also been calculated which adjusts the current and prior year periods to allow like-for-like comparison:

Pro forma Operating EPS	2015 £'m	2014 £'m
Post-tax operating earnings from continuing operations	138.5	141.6
Adjusted for:		
Pro forma interest charge	(14.1)	(61.3)
Pro forma plc costs	(1.8)	(4.5)
Underlying adjustments	–	(3.4)
Tax on adjustments at effective rate of 21.3% (2014: 23.2%)	3.4	16.0
Post-tax pro forma operating earnings from continuing operations	126.0	88.4
Post-tax Pro forma Operating EPS (basic)	12.6p	11.1p
Post-tax Pro forma Operating EPS (diluted)	12.4p	11.1p

Pro forma adjustments have been made for interest charges and plc costs to allow comparison between the periods on a like-for-like basis.

The interest charge is made to include a charge for the £1.25bn of debt which was provided to the Company via intercompany loans by an intermediate parent company up until 25 April 2014 (see note 28). Interest has been calculated using the rate specified in the Group's Senior Facilities Agreement for a level of debt of £1.25bn.

On 29 May 2014, the Group was listed on the London Stock Exchange and, as a consequence, started to incur additional costs associated with being a plc which it did not incur as a private company. These costs include the costs of additional senior staff, notably the new CEO, Non-Executive Directors and Investor Relations function, together with additional costs associated with the regulatory requirements. The plc costs charge is made to include a full year of these costs in both periods.

12 Business combinations and acquisition of non-controlling interests

a. Acquisitions during the year ended 31 January 2015

i) Destinology Limited

On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited, one of the UK's leading online travel companies, which offers bespoke holidays at five-star hotels and resorts in major international destinations, including the Maldives, Dubai, the Caribbean, the Far East, the USA and Europe. Destinology fits well with the Group's existing travel brands and demographic, enhancing our range of travel offers to customers.

The Group has the option to acquire the remaining 25% shareholding in Destinology at a later date. Accordingly the subsequent purchase is considered to be a linked transaction and Destinology has been consolidated as a 100% subsidiary.

The fair values of the identifiable assets and liabilities of Destinology Limited acquired on the date of acquisition were:

	Fair value £'m
Assets	
Brand	12.7
Database of customers	7.4
Software	0.7
Property, plant and equipment	0.4
Trade receivables	4.9
Cash	8.0
Total assets	34.1
Liabilities	
Trade payables	(13.9)
Deferred tax liability	(4.0)
Total liabilities	(17.9)
Total identifiable net assets at fair value	16.2
Goodwill arising on acquisition	13.0
Purchase consideration transferred	29.2

The goodwill arising on acquisition of £13.0m represents the fair value arising from the acquired management structure, strategic knowledge, capability and other synergies arising on acquisition.

	£'m
Purchase consideration	
Cash settled on acquisition date	22.2
Deferred for one year	0.8
Contingent consideration in respect of remaining 25% shareholding	6.2
Total consideration	29.2

The initial acquisition cost for the 75% shareholding of £23.0m was settled using £22.2m of cash held by the Travel segment, with £0.8m deferred to be paid during the year ending 31 January 2016.

The Group and the existing shareholders respectively hold call and put options over the remaining 25% of the shares. The price to be paid for the remaining 25% is dependent upon the profitability of the Destinology business at certain future dates (specifically one year, and two years from the acquisition date). The contingent consideration of £6.2m in respect of the remaining 25% has been valued based upon a probability-weighted range of outcomes and is classified as Level 3 in the fair value hierarchy.

Transaction costs of £0.3m have been expensed and are included as part of the exceptional expenses within administrative and selling expenses (see note 4).

	£'m
Analysis of cash flows on acquisition:	
Initial cash consideration	(22.2)
Net cash acquired	8.0
	(14.2)
Transaction costs of the acquisition (included in operating cash flows)	(0.3)
Net cash flow on acquisition	(14.5)

i) Destinology Limited continued

From the date of acquisition, Destinology Limited contributed £26.2m of revenue and £0.9m to the Group profit before tax for the year ended 31 January 2015. Had these acquisitions occurred at the beginning of the financial year, contribution to Group revenue and profit before income tax for the full year would have been £56.5m and £1.7m respectively.

ii) Nestor Healthcare Group Limited

Cash consideration of £0.1m was paid during the year ended 31 January 2015 in relation to Nestor Healthcare Group as part of the deferred consideration on this acquisition. As at 31 January 2015, £0.2m of the deferred consideration remains outstanding.

b. Acquisitions during the year ended 31 January 2014

There were no acquisitions in the year ended 31 January 2014.

Cash consideration of £0.7m was paid during the year ended 31 January 2014 in relation to Nestor Healthcare Group as part of the deferred consideration on this acquisition. As at 31 January 2014, £0.3m of the deferred consideration remained outstanding.

13 Goodwill

Goodwill represents that arising via the pooling of interest method detailed in note 2.1, and goodwill acquired through business combinations. Goodwill has been allocated to CGUs on initial recognition and for subsequent impairment testing, and is allocated to the Financial Services and Travel segments. Goodwill relating to the discontinued element of the Healthcare Services segment has been transferred to assets held for sale.

	Note	Goodwill £'m
Cost		
At 1 February 2013		1,636.3
Fair value adjustment		(0.1)
At 31 January 2014		1,636.2
Additions through business combinations	12	13.0
Reclassification to assets held for sale	35	(177.8)
At 31 January 2015		1,471.4
Impairment		
At 1 February 2013		-
Impairment		-
At 31 January 2014		-
Impairment		-
Reclassification to assets held for sale	35	-
At 31 January 2015		-
Net book value		
At 31 January 2015		1,471.4
At 31 January 2014		1,636.2

Goodwill deductible for tax purposes amounts to £22.2m (2014: £22.2m).

14 Intangible fixed assets

	Note	Contracts £'m	Brands £'m	Customer Relationships £'m	Software £'m	Total £'m
Cost						
At 1 February 2013		81.1	1.4	19.1	50.9	152.5
Additions		–	–	–	8.2	8.2
Disposals		–	–	–	(0.4)	(0.4)
At 31 January 2014		81.1	1.4	19.1	58.7	160.3
Additions		–	–	–	8.6	8.6
Acquisitions through business combinations		–	12.7	7.4	0.7	20.8
Reclassification to assets held for sale	35	(81.1)	–	(19.1)	(6.7)	(106.9)
At 31 January 2015		–	14.1	7.4	61.3	82.8
Amortisation and impairment						
At 1 February 2013		35.5	0.3	18.7	29.5	84.0
Amortisation		13.6	0.2	0.4	11.4	25.6
Impairment		3.7	–	–	–	3.7
Disposals		–	–	–	(0.4)	(0.4)
At 31 January 2014		52.8	0.5	19.1	40.5	112.9
Amortisation		9.6	0.8	1.4	10.3	22.1
Reclassification to assets held for sale	35	(62.4)	–	(19.1)	(5.5)	(87.0)
At 31 January 2015		–	1.3	1.4	45.3	48.0
Net book value						
At 31 January 2015		–	12.8	6.0	16.0	34.8
At 31 January 2014		28.3	0.9	–	18.2	47.4

Intangible assets detailed as Contracts, Brands and Customer Relationships at 31 January 2014 represent assets identified at the time of acquisition of various subsidiaries within the Healthcare Services segment. These intangible assets relating to the Allied Healthcare business to be disposed of have been transferred to assets held for sale as the disposal group has met the criteria set out in IFRS 5 (see note 35).

Brands and Customer Relationships assets have been acquired during the year through the business combination relating to Destinology Limited (see note 12). These assets have been reviewed for indicators of impairment at 31 January 2015 (see note 15).

The amortisation charge for the year is analysed as follows:

	Note	2015 £'m	2014 £'m
Administrative and selling expenses	4	11.7	10.7
Discontinued operations:			
Amortisation charge for the year	35	10.4	14.9
Impairment of intangible fixed assets	35	–	3.7
		22.1	29.3

15 Impairment of intangible assets

a. Goodwill

Goodwill acquired through business combinations has been allocated to CGUs on initial recognition and subsequently for impairment testing. Additions to goodwill during the year relating to Destinology Limited have been disclosed as a separate CGU relating to the new subsidiary only. The carrying value of goodwill by CGU is as follows:

	2015 £'m	2014 £'m
Financial Services	1,398.6	1,398.6
Travel	59.8	59.8
Travel – Destinology	13.0	–
Healthcare – reclassified as held for sale	–	177.8
	1,471.4	1,636.2

The Group has tested the goodwill in respect of the Financial Services and Travel CGUs (including the acquired Destinology business) for impairment at 31 January 2015. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value. The goodwill associated with the Destinology business has been considered separately but as this business becomes more integrated into the overall Travel business, it is likely to be necessary to consider this as part of the overall Travel CGU.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five year plan through to the year ending 31 January 2020. Terminal values have been included using 3% as the expected long-term average growth rate of the UK economy, and calculated using the Gordon growth model.

The pre-tax cash flows of each CGU have been discounted considering the weighted average cost of capital of a market participant capable of acquiring a similar business. For the Financial Services CGU, this pre-tax discount rate has been assessed to be 8.8%, and for the Travel and Destinology CGUs, it has been assessed to be 12.4%.

The value-in-use calculation is most sensitive to the assumptions used for growth and for the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to determine whether any reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount.

To undertake the stress testing, terminal values were separately recalculated using 1.5% growth and nil growth, and the relevant discount rate was separately increased by 3%. No evidence of any impairment was seen under any of these stress test scenarios. Consequently, no impairment of the goodwill relating to the Financial Services and two Travel CGUs has been recognised.

As detailed in note 35, the Group has decided to divest the Allied Healthcare business; accordingly, the goodwill which arose on the acquisition of this business has been reclassified as held for sale and considered as part of the realisable value of this business.

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.

The Group has performed a review for indicators of impairment at 31 January 2015 and concluded that no indicators of impairment exist at that date.

As at 31 January 2014, the assessed recoverable amount of acquired contracts was lower than the carrying amount, and consequently an impairment of £3.7m was recognised.

16 Property, plant and equipment

	Note	Freehold Land & Buildings £'m	Long Leasehold Land & Buildings £'m	Cruise Ships £'m	Plant & Equipment £'m	Total £'m
Cost or valuation						
At 1 February 2013		49.5	7.4	115.1	59.2	231.2
Additions		9.4	–	5.9	4.7	20.0
Disposals		(0.5)	–	(40.7)	(7.9)	(49.1)
At 31 January 2014		58.4	7.4	80.3	56.0	202.1
Additions		–	–	5.2	14.2	19.4
Disposals		(0.2)	–	–	(6.0)	(6.2)
Acquired with subsidiaries		–	0.2	–	0.2	0.4
Reclassification to assets held for sale	35	–	–	–	(16.6)	(16.6)
At 31 January 2015		58.2	7.6	85.5	47.8	199.1
Depreciation and impairment						
At 1 February 2013		6.9	1.2	33.3	30.6	72.0
Provided during the year		0.7	0.1	14.8	12.7	28.3
Disposals		–	–	(30.1)	(7.9)	(38.0)
At 31 January 2014		7.6	1.3	18.0	35.4	62.3
Provided during the year		1.1	0.2	7.5	11.3	20.1
Disposals		–	–	–	(6.0)	(6.0)
Reclassification to assets held for sale	35	–	–	–	(10.5)	(10.5)
At 31 January 2015		8.7	1.5	25.5	30.2	65.9
Net book value						
At 31 January 2015		49.5	6.1	60.0	17.6	133.2
At 31 January 2014		50.8	6.1	62.3	20.6	139.8

The net book value of Plant and equipment includes £0.2m (2014: £0.4m) in respect of Plant and machinery held under finance lease agreements. The accumulated depreciation on these assets is £0.3m (2014: £2.9m).

The depreciation charge for the year is analysed as follows:

	Note	2015 £'m	2014 £'m
Cost of sales		9.9	18.9
Administrative and selling expenses	4	7.4	6.8
		17.3	25.7
Discontinued operations	35	2.8	2.6
		20.1	28.3

During the year, the Group disposed of assets with a net book value of £0.2m (2014: £11.1m). The profits and losses arising on disposal were £nil (2014: £1.6m loss) and are all included within Administrative and selling expenses.

17 Financial assets and financial liabilities

a. Financial assets

	2015 £'m	2014 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	1.5	–
Loan funds	19.6	13.0
Hedge funds	33.8	13.1
Equities	8.7	–
	63.6	26.1
Fair value through the hedging reserve		
Foreign exchange forward contracts	4.1	–
	4.1	–
Loans and receivables		
Deposits with financial institutions	479.4	465.8
Amounts owed by parent undertaking	–	1,030.7
Amounts owed by related undertakings	–	0.4
	479.4	1,496.9
Available for sale investments		
Debt securities	71.9	51.2
Money market funds	40.6	107.5
	112.5	158.7
Total financial assets	659.6	1,681.7
Current	234.4	1,600.6
Non-current	425.2	81.1
	659.6	1,681.7

Available for sale investments and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to regulatory restrictions and are not readily available to be used for other purposes within the Group.

Whilst fixed/floating interest securities investments could be realised at short notice, it is anticipated that they will be held until maturity.

17 Financial assets and financial liabilities continued

b. Financial liabilities

	2015 £'m	2014 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	2.1	7.2
Fuel oil swaps	4.5	0.9
	6.6	8.1
Fair value through the hedging reserve		
Foreign exchange forward contracts	4.6	–
Fuel oil swaps	2.5	–
	7.1	–
Loans and borrowings		
Bank loans	692.2	–
Obligations under finance leases and hire purchase	–	0.6
Bank overdrafts	5.8	5.2
Amounts owed to parent undertaking	–	1,779.9
Amounts owed to related undertakings	–	4.6
	698.0	1,790.3
Total financial liabilities	711.7	1,798.4
Current	21.1	1,797.5
Non-current	690.6	0.9
	711.7	1,798.4

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.

The fair value and carrying value of financial assets and financial liabilities are materially the same. 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 and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted 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.

ii) Level 2 continued

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, CVA/DVA risk adjustment is factored into the fair values of these instruments. As at 31 January 2015, 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 Treasury Committee.

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:

At 31 January 2015

	Note	Fair value measurement using			Total £'m
		Quoted prices in active markets (Level 1) £'m	Significant observable inputs (Level 2) £'m	Significant unobservable inputs (Level 3) £'m	
Financial assets measured at fair value					
Foreign exchange forward contract		–	5.6	–	5.6
Loan funds		–	19.6	–	19.6
Hedge funds		–	33.8	–	33.8
Equities		8.7	–	–	8.7
<i>Available for sale financial assets</i>					
Debt securities		71.9	–	–	71.9
Money market funds		–	40.6	–	40.6
Financial liabilities measured at fair value					
Contingent consideration	12	–	–	6.2	6.2
<i>Derivative financial liabilities</i>					
Foreign exchange forward contracts		–	6.7	–	6.7
Fuel oil swaps		–	7.0	–	7.0
Assets for which fair values are disclosed					
<i>Loans and receivables</i>					
Deposits with financial institutions		–	479.4	–	479.4
Liabilities for which fair values are disclosed					
<i>Loans and borrowings</i>					
Bank loans		–	692.2	–	692.2
Bank overdrafts		–	5.8	–	5.8

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.

17 Financial assets and financial liabilities continued

At 31 January 2014

	Fair value measurement using			Total £'m
	Quoted prices in active markets (Level 1) £'m	Significant observable inputs (Level 2) £'m	Significant unobservable inputs (Level 3) £'m	
Financial assets measured at fair value				
Loan funds	–	13.0	–	13.0
Hedge funds	–	13.1	–	13.1
<i>Available for sale financial assets</i>				
Debt securities	51.2	–	–	51.2
Money market funds	–	107.5	–	107.5
Financial liabilities measured at fair value				
<i>Derivative financial liabilities</i>				
Foreign exchange forward contracts	–	7.2	–	7.2
Fuel oil swaps	–	0.9	–	0.9
Assets for which fair values are disclosed				
<i>Loans and receivables</i>				
Deposits with financial institutions	–	465.8	–	465.8
Amounts owed by parent undertaking	–	1,030.7	–	1,030.7
Amounts owed by related undertakings	–	0.4	–	0.4
Liabilities for which fair values are disclosed				
<i>Loans and borrowings</i>				
Obligations under finance leases and hire purchase contracts	–	0.6	–	0.6
Bank overdrafts	–	5.2	–	5.2
Amounts owed to parent undertaking	–	1,779.9	–	1,779.9
Amounts owed to related undertaking	–	4.6	–	4.6

There were no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year ended 31 January 2014.

d. Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2015, the Group designated 226 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.

The table below summarises the foreign currency cash flow hedging instruments in place as at 31 January 2015:

	Designated in year ended 31 Jan 2015		All current cash flow hedges Fair value	
	Volume	£'m	Volume	£'m
Foreign currency cash flow hedging instruments				
Euro (EUR)	63	(4.2)	63	(4.2)
US dollar (USD)	50	4.0	50	4.0
Other currencies	113	(0.3)	113	(0.3)
Total	226	(0.5)	226	(0.5)

Hedging instruments for other currencies are in respect of Australian dollars, Canadian dollars, Swiss francs, Japanese yen, New Zealand dollars, Norwegian krone, Swedish krona, Thai baht and South African rand.

The table below summarises the present value of the highly probable forecast foreign currency cash flows that have been designated in a hedging relationship as at 31 January 2015. 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	Total £'m
1 February 2015 to 31 July 2015	19.2	9.9	3.4	32.5
1 August 2015 to 31 January 2016	25.8	25.9	5.3	57.0
1 February 2016 to 31 July 2016	15.0	13.7	3.2	31.9
1 August 2016 to 31 January 2017	1.9	2.0	1.1	5.0
Total	61.9	51.5	13.0	126.4

During the year, the Group recognised £4.1m of gains and £4.6m of losses on forward currency cash flow hedging instruments through other comprehensive income into the hedging reserve. The Group recognised a £0.4m loss through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the year ended 31 January 2015 as a result of foreign currency cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. No amounts have been removed from the hedging reserve to be included in either profit or loss or in the carrying value of non-financial assets and liabilities.

ii) Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel oil used by its cruise ships. The Group enters into fixed price contracts (swaps) in the management of its fuel oil price exposures. All fuel oil hedges are designated as cash flow hedges.

These contracts are entered into to reduce the volatility attributable to fluctuations in the price of fuel oil. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The table below summarises the commodity cash flow hedging instruments in place as at 31 January 2015:

Commodity cash flow hedging instruments	Designated in year ended 31 Jan 2015		All current cash flow hedges Fair value	
	Volume	£'m	Volume	£'m
	36	(2.5)	36	(2.5)

The table below summarises the present value of the highly probable forecast fuel oil purchase cash flows that have been designated in a hedging relationship as at 31 January 2015. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	Total £'m
1 February 2015 to 31 July 2015	0.8
1 August 2015 to 31 January 2016	1.5
1 February 2016 to 31 July 2016	0.4
1 August 2016 to 31 January 2017	–
Total	2.7

During the period, the Group recognised £2.5m of losses on commodity cash flow hedging instruments through other comprehensive income into the hedging reserve. The Group recognised a £10,000 loss through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the year ended 31 January 2015 as a result of commodity cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. No amounts have been removed from the hedging reserve to be included in either profit or loss or in the carrying value of non-financial assets and liabilities.

18 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 these 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 hedge funds. 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 the management of 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. The Treasury 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 through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit 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 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 because of changes in market prices. The Group is exposed to the following market risk factors:

- Foreign currency risk
- Commodity price risk
- 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 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, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes.

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 presentation currency) and the Group's net investments in foreign subsidiaries.

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts are not formally designated as hedging instruments and 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.

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% rate change in	Effect on profit after tax and equity
2015	EUR	+/- £3.7m
	USD	+/- £3.7m
2014	EUR	+/- £3.0m
	USD	+/- £2.5m

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 requires 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, and 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 a maximum 24 month forecast of the required fuel oil supply.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the US dollar exchange rate with all other variables held constant. The impact is shown net of tax at the current rate.

£'000	Sensitivity of +/- 5% rate change in	Effect on profit after tax and equity
2015	USD	+/- £0.8m
2014	USD	+/- £0.8m

iii) Interest rate risk

Interest rate risk arises primarily from medium-term 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 all 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 investments such as 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. At 31 January 2015, interest caps are in place to cover a nominal value of interest payable of £510m, up to June 2016.

The following table shows the sensitivity of financial assets and liabilities to changes in the LIBOR rate. The impact is shown net of tax at the current rate.

£'000	Sensitivity of +/- 0.25% rate change in	Effect on profit after tax and equity
2015	LIBOR	+/- £0.7m
2014	LIBOR	+/- £0.8m

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 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 to define the credit limit for each counterparty in accordance with approved Treasury policies.

The credit risk in respect of trade and other receivables is limited as payment from customers is generally required before services are provided, with the exception of the Healthcare Services products.

Credit risk in relation to deposits 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 of the Group 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 by on the reinsurance arrangements in its insurance business when amounts recoverable under those arrangements become due. 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, with no single reinsurer holding more than a 20% of the programme.

18 Financial risk management objectives and policies continued

b. Credit risk continued

The Group's maximum exposure to credit risk for financial assets and trade and other receivables at 31 January 2015 and 31 January 2014 is the carrying amount in the statement of financial position. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk.

Ratings analysis

31 January 2015

£'m	AAA	AA	A	Unrated	Total
Debt securities	71.9	–	–	–	71.9
Money market funds	40.6	–	–	–	40.6
Deposits with financial institutions	30.0	180.3	213.6	55.5	479.4
Derivative assets	–	–	5.6	–	5.6
Loan funds	–	–	–	19.6	19.6
Hedge funds	–	–	–	33.8	33.8
Equities	–	–	–	8.7	8.7
	142.5	180.3	219.2	117.6	659.6
Reinsurance assets	–	33.0	29.5	0.9	63.4
Total	142.5	213.3	248.7	118.5	723.0

31 January 2014

£'m	AAA	AA	A	Unrated	Total
Debt securities	51.2	–	–	–	51.2
Money market funds	107.5	–	–	–	107.5
Deposits with financial institutions	29.0	120.0	310.3	6.5	465.8
Loan funds	–	–	–	13.0	13.0
Hedge funds	–	–	–	13.1	13.1
	187.7	120.0	310.3	32.6	650.6
Reinsurance assets	–	32.0	29.7	0.8	62.5
Total	187.7	152.0	340.0	33.4	713.1

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 and headroom on its revolving credit facility. 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 on contractual undiscounted 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.

31 January 2015

£'m	On demand	Less than 1 year	1-2 years	2-5 years	over 5 years	Total
Loans and borrowings	5.8	–	–	700.0	–	705.8
Interest on loans and borrowings	3.4	18.1	22.0	53.4	–	96.9
Insurance contract liabilities	–	187.5	186.7	236.2	125.7	736.1
Contingent consideration	–	6.2	–	–	–	6.2
Other liabilities	135.2	–	–	–	–	135.2
Trade and other payables	158.7	–	–	–	–	158.7
Derivative liabilities	–	12.0	1.7	–	–	13.7
	303.1	223.8	210.4	989.6	125.7	1,852.6

31 January 2014

£'m	On demand	Less than 1 year	1-2 years	2-5 years	over 5 years	Total
Loans and borrowings	1,788.3	0.5	1.5	–	–	1,790.3
Insurance contract liabilities	–	135.4	152.7	294.6	161.7	744.4
Contingent consideration	–	–	–	–	–	–
Other liabilities	122.4	–	–	–	–	122.4
Trade and other payables	164.9	–	–	–	–	164.9
Derivative liabilities	–	7.3	0.8	–	–	8.1
	2,075.6	143.2	155.0	294.6	161.7	2,830.1

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 and 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 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 analyses of underwriting experience for each rating factor and combinations 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 claims reserves. Cash flow projections are undertaken for PPO claims to estimate the gross and net of reinsurance provisions required. For PPOs, the provisions are discounted for future investment returns.

An important source of uncertainty is the risk of future legislative changes affecting bodily injury awards including the ongoing Ministry of Justice review of the discount rate.

iii) Reinsurance

The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophe event. The Group 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 written motor business. The Group has quota share reinsurance in place for third-party branded motor business for drivers aged under 50.

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.

18 Financial risk management objectives and policies continued

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a 1 percentage point variation in the recorded loss ratio at 31 January 2015 and 31 January 2014. The impact of a 1% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate.

	2015	2014
Impact of 1 percentage point change in loss ratio	+/- £2.6m	+/- £2.8m
Impact of 1% change in claims outstanding	+/- £3.9m	+/- £3.9m
Impact of a 0.25 percentage point change in discount rate for PPOs	+/- £9.0m	+/- £9.0m

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.

All of the Group's operations are dependent on the proper functioning of its IT and communication systems; on its properties and other infrastructure assets; on the need to adequately maintain and protect customer and employee data and other information; and on the ability of the Group to attract and retain staff. Specific areas of operational risk by segment include:

i) Financial Services

The Financial Services 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.

iii) Healthcare Services

The Healthcare Services segment provides a range of domiciliary and non-domiciliary, medical and non-medical services to a range of customers, clients and other end-users. Risk to the operation of these services arises mainly from the availability of appropriately skilled staff to deliver the level and standard of care required by the end-user, and from the clinical oversight of the delivery of these services.

The Healthcare Services business which serves local authorities, Allied Healthcare, is being divested which will, in due course, reduce the Group's exposure to risk in this segment.

19 Interests in unconsolidated structured entities

A structured entity is one which 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 as described below:

- Investment funds in the form of hedge funds
- Investment funds in the form of bank loan funds
- Investment funds in the form of money market funds

The nature and purpose of the hedge and bank loan funds is to diversify the assets held within the investment portfolio and enhance the overall yield, whilst maintaining an acceptable level of risk for the portfolio as a whole.

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 primary activity of the hedge funds is to invest in a wide range of securities and markets, and the funds may take a variety of positions in these markets. Bank loan funds invest in secured loans to companies rated below investment grade.

The money market funds used by the Group are all members of the International Money Market Funds Association and are therefore required to maintain specified liquidity and diversification characteristics on 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.

As at 31 January 2015, the Group's total interest in unconsolidated structured entities was £94.0m analysed as follows:

	Carrying value £'m	Interest income £'m	Fair value gains £'m
Loan funds	19.6	-	-
Hedge funds	33.8	-	-
Money market funds	40.6	-	-

These investments are typically managed under insurance risk management as described in note 18. 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 have not been presented.

20 Inventories

	2015 £'m	2014 £'m
Raw materials	0.9	1.0
Finished goods	4.4	3.8
	5.3	4.8

21 Trade and other receivables

	2015 £'m	2014 £'m
Trade receivables	127.7	160.2
Other receivables	8.7	30.7
Prepayments	15.8	13.8
Deferred acquisition costs	9.3	8.7
Other taxes and social security costs	2.2	3.0
	163.7	216.4

The ageing of trade receivables is as follows:

	Total £'m	Neither past due nor impaired £'m	Past due but not impaired				
			< 30 days £'m	30-60 days £'m	61-90 days £'m	91-120 days £'m	> 120 days £'m
2015	127.7	116.7	3.8	1.5	1.0	0.8	3.9
2014	160.2	135.1	7.1	2.9	1.8	1.6	11.7

21 Trade and other receivables continued

As at 31 January 2015, impairment provisions totalling £9.0m (2014: £9.0m) were made against trade receivables with an initial value of £136.7m (2014: £169.2m). The movements in the provision for impairment of receivables are as follows:

	Individually impaired £'m	Collectively impaired £'m	Total £'m
At 1 February 2013	1.2	9.1	10.3
Charge for the year	0.4	7.0	7.4
Unused amounts reversed	(0.9)	(7.8)	(8.7)
At 31 January 2014	0.7	8.3	9.0
Charge for the year	0.2	8.0	8.2
Utilised in the year	–	(0.9)	(0.9)
Unused amounts reversed	–	(6.7)	(6.7)
	0.9	8.7	9.6
Reclassification to assets held for sale	(0.6)	–	(0.6)
At 31 January 2015	0.3	8.7	9.0

See note 18 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

22 Cash and cash equivalents

	Note	2015 £'m	2014 £'m
Cash at bank and in hand		66.5	52.4
Short-term deposits		132.3	98.9
Cash and short-term deposits		198.8	151.3
Money market funds		40.6	107.5
Bank overdraft		(5.8)	(5.2)
Cash held by disposal group	35	4.3	–
Cash and cash equivalents in the cash flow statement		237.9	253.6

Included within cash and short-term deposits are amounts held by the Group's Travel and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £85.2m (2014: £66.8m).

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.

23 Trade and other payables

	2015 £'m	2014 £'m
Trade payables	84.8	92.1
Other taxes and social security costs	9.2	12.3
Other payables	24.5	16.3
Accruals	40.2	44.2
	158.7	164.9

All trade and other payables are current in nature.

24 Retirement benefit schemes

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

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the employers' contributions for defined contribution schemes was £1.3m (2014: £0.9m). Employees' contributions amounted to £1.3m (2014: £0.9m).

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

b. Defined benefit plans

The Group operates three funded defined benefit schemes. Two of these schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ('Nestor schemes'), provide benefits based on final salary and are closed to new members. The Saga Pension Scheme ('Saga scheme') is open to new members who accrue benefits on a career average salary basis. The assets of all schemes are held separately from those of the Group in independently administered funds.

These plans are governed by the employment laws of the UK, which require final salary payments to be adjusted for the consumer price index once in payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund is governed by the Board of Trustees, which 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 schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the schemes. To meet those objectives, each 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 to the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk.

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

	Note	Saga scheme £'m	Nestor schemes £'m	Total £'m
At 31 January 2015				
Fair value of scheme assets		212.3	54.0	266.3
Present value of defined benefit obligation		(252.7)	(68.7)	(321.4)
Defined benefit scheme liability		(40.4)	(14.7)	(55.1)
Reclassification to assets held for sale	35	–	14.7	14.7
		(40.4)	–	(40.4)

	Saga scheme £'m	Nestor schemes £'m	Total £'m
At 31 January 2014			
Fair value of scheme assets	171.2	48.3	219.5
Present value of defined benefit obligation	(186.1)	(57.7)	(243.8)
Defined benefit scheme liability	(14.9)	(9.4)	(24.3)

The valuations used have been based on a full assessment of the liabilities of the schemes. 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 method.

24 Retirement benefit schemes continued

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2015:

	Saga scheme			Nestor schemes			Total
	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Defined benefit scheme liability £'m
1 February 2014	171.2	(186.1)	(14.9)	48.3	(57.7)	(9.4)	(24.3)
Pension cost charge to income statement							
Service cost	–	(5.6)	(5.6)	–	(0.1)	(0.1)	(5.7)
Net interest	7.6	(8.1)	(0.5)	2.1	(2.4)	(0.3)	(0.8)
Included in income statement	7.6	(13.7)	(6.1)	2.1	(2.5)	(0.4)	(6.5)
Benefits paid	(3.3)	3.3	–	(2.8)	2.8	–	–
Return on plan assets (excluding amounts included in net interest expense)	29.7	–	29.7	2.9	–	2.9	32.6
Actuarial changes arising from changes in demographic assumptions	–	(0.4)	(0.4)	–	(0.9)	(0.9)	(1.3)
Actuarial changes arising from changes in financial assumptions	–	(47.0)	(47.0)	–	(10.4)	(10.4)	(57.4)
Experience adjustments	–	(8.7)	(8.7)	–	–	–	(8.7)
Included in other comprehensive income	26.4	(52.8)	(26.4)	0.1	(8.5)	(8.4)	(34.8)
Contributions by employer	7.1	(0.1)	7.0	3.5	–	3.5	10.5
31 January 2015	212.3	(252.7)	(40.4)	54.0	(68.7)	(14.7)	(55.1)

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2014:

	Saga scheme			Nestor schemes			Total
	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m	Defined benefit scheme liability £'m
1 February 2013	160.8	(160.8)	–	44.2	(56.8)	(12.6)	(12.6)
Pension cost charge to income statement							
Service cost	–	(5.0)	(5.0)	–	(0.1)	(0.1)	(5.1)
Net interest	7.6	(7.5)	0.1	2.1	(2.6)	(0.5)	(0.4)
Included in income statement	7.6	(12.5)	(4.9)	2.1	(2.7)	(0.6)	(5.5)
Benefits paid	(2.9)	2.9	–	(1.7)	1.7	–	–
Return on plan assets (excluding amounts included in net interest expense)	(1.2)	–	(1.2)	0.3	–	0.3	(0.9)
Actuarial changes arising from changes in demographic assumptions	–	(6.0)	(6.0)	–	–	–	(6.0)
Actuarial changes arising from changes in financial assumptions	–	(9.6)	(9.6)	–	(2.8)	(2.8)	(12.4)
Experience adjustments	–	–	–	–	2.9	2.9	2.9
Included in other comprehensive income	(4.1)	(12.7)	(16.8)	(1.4)	1.8	0.4	(16.4)
Contributions by employer	6.9	(0.1)	6.8	3.4	–	3.4	10.2
31 January 2014	171.2	(186.1)	(14.9)	48.3	(57.7)	(9.4)	(24.3)

The major categories of plan assets are as follows:

At 31 January 2015	Saga scheme £'m	Nestor schemes £'m	Total £'m
Equities	62.7	26.9	89.6
Government bonds	86.6	–	86.6
Corporate bonds	30.4	23.7	54.1
Property	20.2	–	20.2
Insurance policies	–	3.2	3.2
Cash and other	12.4	0.2	12.6
Total	212.3	54.0	266.3

At 31 January 2014	Saga scheme £'m	Nestor schemes £'m	Total £'m
Equities	48.9	24.7	73.6
Government bonds	63.0	–	63.0
Corporate bonds	23.3	20.3	43.6
Property	17.1	–	17.1
Insurance policies	–	3.0	3.0
Cash and other	18.9	0.3	19.2
Total	171.2	48.3	219.5

Equities, Government bonds and Corporate bonds are all quoted in active markets whilst Property and Insurance policies are not.

The principal assumptions used in determining pension benefit obligations for both the Saga scheme and the Nestor schemes are shown below:

	2015	2014
Real rate of increase in salaries	0%	0%
Real rate of increase of pensions in payment	0%	0%
Real rate of increase of pensions in deferment	0%	0%
Discount rate – Pensioner	2.9%	4.1%
Discount rate – Non Pensioner	3.2%	4.5%
Inflation – Pensioner	2.6%	3.2%
Inflation – Non Pensioner	2.9%	3.4%

Mortality assumptions are set using standard tables based on scheme-specific experience where available. Each scheme's mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 65 will live on average for a further 26.1 years if they are male. The Nestor scheme assumption is that an active male retiring in normal health currently aged 65 will live on average for a further 23.6 years.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2015 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy	Future salary
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%		
Sensitivity					+/- 1 year	+/- 0.25%
Impact £'m	(17.8)	19.1	11.8	(12.3)	+/- 10.2	+/- 0.0

Note: a negative impact represents an increase in the net defined benefit liability.

The above sensitivity analysis is 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.

24 Retirement benefit schemes continued

For the Saga scheme, the expected contribution to the plan for the next year is £8.8m and the average duration of the defined benefit plan obligation at the end of the reporting period is 22 years. For the Nestor schemes, the expected contribution to the plan for the next year is £3.5m and the average duration of the defined benefit plan obligation at the end of the reporting period is 18 years.

Formal actuarial valuations take place every three years for each scheme. The assumptions adopted for actuarial valuations are determined by the Trustee 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 Trustee may agree a deficit recovery plan.

The latest valuations of the three schemes were at 31 January 2014 for the Saga scheme, 5 April 2012 for the Nestor Healthcare Group Retirement Benefits Scheme, and 31 October 2012 for the Healthcall Group Limited Pension Scheme. Further to these valuations, recovery plans are in place for all three schemes.

Under the agreed recovery plans, the Group made additional payments totalling £3.4m during the year ended 31 January 2015 to the Nestor schemes, and will make payments totalling a further £19.2m over the next six years, with the last payment being made by 5 April 2020. On the Saga scheme, the Group will make payments totalling £20.0m over the next ten years, with the last payment being made by 28 February 2024. Total additional payments of £5.2m will be made during the year ending 31 January 2016. These amounts are included in the expected contributions of £8.8m and £3.5m.

25 Insurance contract liabilities and reinsurance assets

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

	2015 £'m	2014 £'m
Gross		
Claims outstanding	552.4	566.9
Provision for unearned premiums	152.3	161.4
Total gross insurance liabilities	704.7	728.3
	2015 £'m	2014 £'m
Recoverable from reinsurers		
Claims outstanding	60.2	58.3
Provision for unearned reinsurance premiums	3.2	4.2
Total reinsurers' share of insurance liabilities	63.4	62.5
	2015 £'m	2014 £'m
Net		
Claims outstanding	492.2	508.6
Provision for unearned premiums	149.1	157.2
Total net insurance liabilities	641.3	665.8

	Note	2015 £'m	2014 £'m
Reconciliation of movements in claims outstanding			
Gross claims outstanding at 1 February		566.9	542.4
Less: reinsurance claims outstanding		(58.3)	(41.8)
Net claims outstanding at 1 February		508.6	500.6
Gross claims incurred		182.9	254.7
Less: reinsurance recoveries		(3.6)	(17.7)
Net claims incurred	3b	179.3	237.0
Gross claims paid		(197.4)	(230.2)
Less: received from reinsurance		1.7	1.2
Net claims paid		(195.7)	(229.0)
Gross claims outstanding at 31 January		552.4	566.9
Less: reinsurance claims outstanding		(60.2)	(58.3)
Net claims outstanding at 31 January		492.2	508.6

	Note	2015 £'m	2014 £'m
Reconciliation of movements in the provision for net unearned premiums			
Gross unearned premiums at 1 February		161.4	178.9
Less: unearned reinsurance premiums		(4.2)	(2.5)
Net unearned premiums at 1 February		157.2	176.4
Gross premiums written		324.2	358.2
Less: outward reinsurance premium		(6.6)	(8.4)
Net premiums written		317.6	349.8
Gross premiums earned		(333.3)	(375.7)
Less reinsurance premium earned		7.6	6.7
Net premiums earned	3a	(325.7)	(369.0)
Gross unearned premiums at 31 January		152.3	161.4
Less: unearned reinsurance premiums		(3.2)	(4.2)
Net unearned premiums at 31 January		149.1	157.2

The total loss on purchasing reinsurance recognised during the year was £4.0m (2014: £11.0m profit).

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% (2014: -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 £736.1m (2014: £744.4m) gross of reinsurance and £599.1m (2014: £605.8m) net of reinsurance.

The period between the balance sheet 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 47 years (2014: 50 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2014: 2.0%).

Notes to the consolidated financial statements continued

25 Insurance contract liabilities and reinsurance assets continued

b. Analysis of net claims incurred: claims development tables

The following table details the Group's initial estimate of ultimate net claims incurred over the past six years and the re-estimation at subsequent year ends. The table details incurred claims (net of reinsurance recoveries) on an accident year basis.

	Financial Year ended 31 January						Total £'m	Claims Paid	Claims Outstanding
	2010 £'m	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m			
Accident Year									
2009 and earlier	(5.5)	–	(9.2)	(11.0)	(1.2)	(3.2)		–	39.9
2010	202.1	–	(4.3)	(4.0)	(5.5)	(3.1)	185.2	(163.8)	21.4
2011		266.0	(2.8)	(5.2)	(4.6)	(13.3)	240.1	(195.6)	44.5
2012			302.3	(25.6)	(31.1)	(0.6)	245.0	(184.4)	60.6
2013				315.4	(14.6)	(22.9)	277.9	(187.8)	90.1
2014					276.8	(14.7)	262.1	(150.8)	111.3
2015						219.1	219.1	(105.0)	114.1
	196.6	266.0	286.0	269.6	219.8	161.3			481.9
Claims handling costs	9.0	10.1	15.6	17.4	17.2	18.0			10.3
	205.6	276.1	301.6	287.0	237.0	179.3			492.2

The development of the associated loss ratios on the same basis is as follows:

	Financial Year ended 31 January					
	2010	2011	2012	2013	2014	2015
Accident Year						
2010	73%	73%	72%	70%	68%	67%
2011		78%	78%	76%	75%	71%
2012			76%	70%	62%	62%
2013				75%	72%	66%
2014					75%	71%
2015						67%

26 Provisions

	Note	Property Leases £'m	Property Dilapidations £'m	Other £'m	Total £'m
At 1 February 2013		3.6	1.9	3.8	9.3
Utilised during the year		(1.3)	(0.3)	(1.3)	(2.9)
Released unutilised during the year		(0.2)	–	–	(0.2)
Unwinding of discount rate		0.1	–	–	0.1
Charge for the year		–	0.4	2.5	2.9
At 31 January 2014		2.2	2.0	5.0	9.2
Utilised during the year		(1.1)	(0.5)	(1.3)	(2.9)
Released unutilised during the year		(0.2)	–	(0.3)	(0.5)
Unwinding of discount rate		–	–	–	–
Charge for the year		–	0.6	2.6	3.2
		0.9	2.1	6.0	9.0
Reclassification to assets held for sale	35	(0.9)	(2.1)	(0.1)	(3.1)
At 31 January 2015		–	–	5.9	5.9
Current		–	–	4.8	4.8
Non-current		–	–	1.1	1.1
At 31 January 2015		–	–	5.9	5.9
Current		0.7	0.6	4.2	5.5
Non-current		1.5	1.4	0.8	3.7
At 31 January 2014		2.2	2.0	5.0	9.2

The provisions in respect of property leases and dilapidations relate to the Group's Healthcare Services business and represent future lease costs of vacant properties, net of expected sub-letting income, together with future costs anticipated to be incurred on these properties at the end of each lease. Further to the decision to divest this business, the provisions have been included as part of the liabilities of the disposal group (see note 35).

Other provisions primarily comprise claims in respect of clinical incidents, provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date, credit hire claims handling provision, and fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date. These items are reviewed and updated annually.

27 Other liabilities

	2015 £'m	2014 £'m
Advance receipts	122.3	99.3
Deferred revenue	7.0	9.8
Other liabilities	–	4.1
	129.3	113.2
Current	129.3	108.8
Non-current	–	4.4
	129.3	113.2

Advance receipts 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 Financial Services segment in respect of insurance policies which commence after the reporting date.

Deferred revenue represents the unearned elements of revenue relating to the Media and Central Costs segment. The amount comprises subscriptions for magazines to be delivered after the reporting date and revenue for advertising to be included after the reporting date.

28 Loans and borrowings

	2015 £'m	2014 £'m
Bank loans, maturing 2019	700.0	–
Accrued interest payable	3.4	–
	703.4	–
Less: deferred issue costs	(11.2)	–
	692.2	–

On 17 April 2014, the Group entered into a Senior Facilities Agreement in order to provide appropriate debt finance and to ensure the availability of sufficient liquidity reserves for the Group going forward. Prior to this, these facilities had been provided to the Group via its parent undertaking.

The amounts available to the Group under the Senior Facilities Agreement included (i) a term loan facility of £825.0m maturing in 2019 ('Facility A'), (ii) a term loan facility of £425.0m maturing in 2020 ('Facility B') and (iii) a multicurrency revolving credit facility of £150.0m.

On 25 April 2014, the Group drew £825.0m under Facility A and £425.0m under Facility B. At the end of May 2014, following the receipt of £550.0m from the Group's flotation, Facility B was repaid in full and £125.0m of Facility A was repaid, leaving the outstanding principal on the Group's borrowings at £700.0m.

Further to the repayment of £550.0m, interest on the debt is incurred at a variable rate of LIBOR plus 2.25%. To protect the Group from significant increases in interest rates, interest rate caps which cap LIBOR at 3.0% are in place to cover £510.0m of the debt through to June 2016.

During the period the Group charged £34.6m to the income statement in respect of fees and interest associated with the Senior Facilities Agreement.

29 Called up share capital

	Ordinary shares Number	Nominal value £	Nominal value £	Value £'m
Allotted, called up and fully paid				
On incorporation – 5 December 2013	1	1.00	–	–
Issue of shares – 4 March 2014	2	1.00	–	–
Bonus issue allotment – 1 May 2014	7,999,997	1.00	–	8.0
	8,000,000	1.00	–	8.0
Sub-division of shares – 1 May 2014	(8,000,000)	1.00		(8.0)
Sub-division of shares – 1 May 2014	800,000,000		0.01	8.0
Issue of share capital on flotation	310,705,405		0.01	3.1
As at 31 January 2015	1,110,705,405		0.01	11.1

On incorporation on 5 December 2013, the Group issued a single share with a nominal value of £1 to its parent, increasing this to 8,000,000 shares on 1 May 2014 via the issue of two shares on 4 March 2014, and a bonus issue on 1 May 2014. Following the bonus issue, the issued share capital was sub-divided into 800,000,000 ordinary shares of £0.01 each.

On 29 May 2014, Saga plc was admitted to the London Stock Exchange, and issued 297,297,297 shares, raising £550m of funds which were utilised to repay part of the Group's bank debt (see note 28). The share premium arising on this transaction was £547.0m.

On the same date, the Group issued 13,408,108 shares into the associated Employee Benefit Trust predominantly in respect of the share options issued to certain Directors and employees on the same date (see note 32).

a. Bonus issue – free shares

As part of the IPO, an offer was made to customers and employees of the Group under which they would receive one free share for every 20 shares purchased in the Initial Public Offering and held continuously for a period of one year following flotation. At 29 April 2015, shareholders owning a total of 138.5m shares still qualify for this offer and on this basis, a bonus issue of approximately 7 million shares will be made on or around 29 May 2015.

b. Employee Benefit Trust

The Employee Benefit Trust purchased 13,408,108 shares at their nominal value of £134,000 during the year. There were no associated transaction costs.

During the year, employees exercised options over 539,320 of these shares which were transferred from the Employee Benefit Trust into the direct ownership of the employee. The remaining 12,868,788 shares have been treated as treasury shares at 31 January 2015.

30 Corporate restructuring

In preparation for the listing of the Group on the London Stock Exchange, a corporate restructuring took place to establish the Group in its current legal form, and to settle outstanding balances between the Group and its parent undertaking.

Prior to entering into the new Senior Facilities Agreement (see note 28), the Group's existing debt facilities were provided by Acromas Mid Co Limited, an intermediate parent company, and distributed to the Group via intercompany loans.

Dividend distributions totalling £2,063.0m were made in order to facilitate the repayment of Acromas Mid Co Limited's borrowings following the draw-down of the new Group facilities on 25 April 2014, and to eliminate other intercompany liabilities. The amount of £2,063.0m comprises £1,269.5m paid to Acromas Bid Co Limited by Saga plc and £793.5m paid to Acromas Bid Co Limited by Saga Mid Co Limited and which has been included in accordance with the basis of preparation (see note 2.1).

Finally, the Group used part of its distributable reserves to release its parent undertakings from the remaining balance due to it. Following these transactions, the amounts owed by and to parent undertakings were reduced to £nil.

31 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 includes issued capital, share premium and all other capital reserves attributable to the equity holders of the parent. It also includes capital, share premium and all other capital reserves of any subsidiaries within the Group which are required to comply with any specific requirements in respect of its capital or other resources.

The Group operates in a number of regulated markets. Its Financial Services businesses are regulated primarily by the Financial Services Commission ('FSC') in Gibraltar and by the Financial Conduct Authority ('FCA') in the UK; and the capital requirements of its Travel businesses are regulated by the Civil Aviation Authority 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.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 January 2015 or 31 January 2014, other than those driven from changes to the requirements of the various regulators.

The Group's regulated underwriting business is based in Gibraltar and regulated by the FSC. The underwriting business is required to comply with various tests to ensure that it has a sufficient level of capitalisation. The FSC requires the underwriting business to hold solvency capital of at least twice the required minimum margin ('RMM'), and current levels are approximately 277% of the RMM. The Group monitors its compliance with this and other tests on a monthly basis including forward-looking compliance using budgets and forecasts.

The Group's underwriting business will be required to comply with the European Union's Solvency II Directive for insurance companies when it comes into force. Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry which establishes a revised set of capital requirements and risk management standards with the aim of increasing protection for policyholders. The new regime applies to all insurance companies with gross premium income exceeding €5m or gross technical provisions in excess of €25m, and is expected to be effective from January 2016. The Group has been monitoring its ability to comply with the requirements of Solvency II when it comes into force and current calculations indicate comfortable margins using both the standard formula and the business's internal model.

The Group's regulated insurance distribution businesses are based in the UK and regulated by the FCA. Due to the nature of these businesses, the capital requirements are less significant than the underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 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 these businesses.

The regulated Travel businesses are required to comply with two main tests covering liquidity and leverage. The Group monitors its compliance with these tests on a monthly basis including forward-looking compliance using budgets and forecasts, and is required to comply with agreed covenants on the last day of each quarter in respect of these tests.

The Group treats all cash and other financial assets held within its regulated businesses as restricted and not therefore available to be used by the Group for any purposes outside of those of the relevant restricted business. The Group enters into regular open communication with its regulators and any distribution of capital from those businesses to the Group is agreed in advance.

32 Share-based payments

During the year, 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 granted at the time of the IPO

These share options were granted to certain Directors and employees at the time of the IPO in recognition for their service leading up to Saga plc's listing on the London Stock Exchange. Options over 13,132,410 shares of Saga plc were issued with no exercise price and have no service or performance vesting conditions.

The fair value of these options is calculated as the fair value of the shares at the date of the grant. There are no cash settlement alternatives.

32 Share-based payments continued

b. Share options granted to the Group Chief Executive Officer at the time of the IPO

Share options over 2,162,162 shares of Saga plc were issued to the Group Chief Executive Officer on 29 May 2014. Vesting occurs 25% on the third anniversary of the IPO, 25% on the fourth anniversary of the IPO and 50% on the fifth anniversary of the IPO. The Group Chief Executive Officer must remain in the employment of Saga plc during this time in order for the share options to vest.

This award will be equity settled and has no cash alternative. The exercise price of the share options is £1.85.

c. Free shares offer granted to customers and employees at the time of the IPO

Under the offer made in the prospectus for the IPO, eligible customers and employees who acquired their shares under the customer or employee offers will receive one free share for every 20 shares they acquired at the IPO and hold continuously for one year to 29 May 2015.

As these are free shares, there is no exercise price and there is also no cash alternative settlement. The fair value of the potential free shares is equal to the fair value at the Admission date.

d. Long-Term Incentive Plan ('LTIP')

The LTIP is a discretionary executive share plan. Under the LTIP, the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. These options have a non-market vesting condition (50%) and a market vesting condition (50%). The fair value of the options has been calculated using a Black-Scholes valuation.

During the year, share options over 4,015,508 shares were issued to certain Directors and employees on 30 June 2014 and on 2 December 2014, both of which vest and become exercisable on the third anniversary of the grant date and are 50% linked to EPS performance and 50% linked to TSR performance.

The expense recognised for share-based payments during the year is shown in the following table:

	2015 £'m
Expense arising from equity-settled share-based payment transactions	41.8
Expense arising from cash-settled share-based payment transactions	–
Total expense arising from share-based payment transactions	41.8

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	IPO Options	CEO Options	LTIP	Total
Outstanding at 1 February 2014	–	–	–	–
Granted during the year	13,132,410	2,162,162	4,015,508	19,310,080
Forfeited during the year	–	–	(130,642)	(130,642)
Exercised during the year	(539,320)	–	–	(539,320)
Outstanding at 31 January 2015	12,593,090	2,162,162	3,884,866	18,640,118
Exercise price	£nil	£1.85	£nil	£0.62
Exercisable at 31 January 2015	12,593,090	–	–	12,593,090
Average remaining contractual life	9.3 years	3.6 years	2.4 years	7.2 years
Average fair value at grant	£1.85	£0.39	£1.74	£1.50

The following information is relevant in the determination of the fair value of options granted during the year under the share-based remuneration schemes operated by the Group:

	CEO Options	LTIP – EPS tranche	LTIP – TSR tranche
Model used	Black-Scholes	Black-Scholes	Monte-Carlo
Dividend yield (%)	2.63%	n/a	n/a
Risk-free interest rate (%)	3 years: 1.2% p.a. 4 years: 1.5% p.a. 5 years: 1.8% p.a.	1.4% p.a.	1.4% p.a.
Expected life of share option (years)	3/4/5 years based on tranche of the award	3 years	3 years
Share price (£)	£1.85	£1.74	£1.74
Share price volatility	3 years: 31.8% 4 years: 31.1% 5 years: 32.0%	31.8%	31.8%

As historical data for the Group's share price is not 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 2015 is £41.8m. This has been charged to administrative and selling expenses (£1.0m) and exceptional expenses (£40.8m) (note 4b).

The Group did not enter into any share-based payment transactions with parties other than employees and customers during the year.

33 Cash flow from operating activities

	Note	2015 £'m	2014 £'m
Operating activities			
Profit before tax from continuing operations		113.8	171.3
Loss before tax from discontinued operations		(222.4)	(22.1)
(Loss)/profit before tax		(108.6)	149.2
Depreciation and impairment of property, plant and equipment	16	20.1	28.3
Amortisation and impairment of intangible assets	14	22.1	29.3
Loss on disposal of property, plant and equipment	16	–	1.6
Share-based payment expense	32	41.8	–
Loss on re-measurement of disposal group held for sale	35	209.5	–
Finance costs	6	35.1	10.6
Finance income	7	(2.9)	(0.1)
Share of post-tax profits of joint venture		(1.2)	–
Interest income from investments	5	(13.9)	(12.7)
Movement in reinsurance assets		(0.9)	(18.2)
Movement in inventories		(0.5)	1.6
Movement in trade and other receivables		15.8	33.3
Movement in prepayments		(4.3)	6.4
Movement in retirement benefit scheme obligations		(4.5)	(4.5)
Movement in gross insurance contract liabilities		(23.6)	7.0
Movement in provisions		(0.2)	(0.2)
Movement in other liabilities		16.1	(7.5)
Movement in trade and other payables		(1.6)	(5.6)
		198.3	218.5
Interest received		8.9	12.6
Interest paid		(19.7)	–
Debt issue costs		(22.6)	–
Interest on finance lease agreements		–	(0.1)
Income tax paid		(9.6)	(56.9)
Net cash flows from operating activities		155.3	174.1

34 Commitments and contingencies

a. Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain land and buildings and plant and machinery. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 January are as follows:

	Land and Buildings		Plant and Machinery	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Within one year	2.1	3.8	0.3	0.5
Between one and five years	6.2	7.2	1.8	0.3
After five years	7.2	15.9	–	–
	15.5	26.9	2.1	0.8

b. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal and no purchase options. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present values of the net minimum lease payments are as follows:

	2015 £'m	2014 £'m
Within one year	0.1	0.5
Between one and five years	0.1	0.1
After five years	–	–
Total minimum lease payments	0.2	0.6
Less amounts representing finance charge	–	–
Present value of minimum lease payments	0.2	0.6

c. Commitments

Capital amounts contracted for but not provided in the financial statements amounted to £nil (2014: £nil).

On 28 January 2015, the Group announced its commitment to acquire Bennetts, the UK's premier motorbike insurance specialist, from BGL Group Limited, for a total consideration of £26.3m. The acquisition is subject to FCA and other regulatory approvals and certain other contractual requirements and is required to be completed by 5 August 2015, although it is both parties' intention to complete the purchase earlier than that.

d. Contingent liabilities

At 31 January 2015, the Group had secured £31.0m (2014: £nil) of financial bonds and other guarantees on a revolving credit facility provided to Saga Mid Co Limited. If these bonds were called, the facility would be treated as drawn and recognised as a liability on the Group's balance sheet. The revolving credit facility is secured by a floating charge over the Group's assets.

The Association of British Travel Agents regulates the Group's UK tour operating business and requires the Group to put in place bonds to provide customer protection. These bonds are included within the financial bonds described above.

35 Discontinued operations and assets held for sale

On 15 January 2015, the Group announced its decision to divest the local authority section of its Healthcare business, Allied Healthcare. As at 31 January 2015, the requirements of IFRS 5 were met and accordingly Allied Healthcare has been classified as a disposal group held for sale in the statement of financial position and as a discontinued operation in the income statement. The sale of the business is expected to be completed by 31 January 2016.

The loss after tax in the income statement in respect of the discontinued operation is comprised as follows:

	2015 £'m	2014 £'m
(Loss)/profit after tax, before amortisation and impairment	(0.3)	0.3
Amortisation of associated intangible assets	(10.4)	(14.9)
Impairment of associated intangible assets	–	(3.7)
Loss on re-measurement of disposal group to fair value	(209.5)	–
	(220.2)	(18.3)

The impact of the discontinued operation on the reported earnings per share was as follows:

	2015	2014
Basic and diluted earnings per share from discontinued operations	(21.9p)	(2.4p)

35 Discontinued operations and assets held for sale continued

a. Results of Allied Healthcare for the year

	2015 £'m	2014 £'m
Revenue	283.2	313.8
Cost of sales	(199.8)	(224.7)
Gross profit	83.4	89.1
Administrative and selling expenses	(74.4)	(81.6)
Trading EBITDA	9.0	7.5
Depreciation	(2.8)	(2.6)
Exceptional expenses	(8.4)	(7.9)
Net finance expense on retirement benefit schemes	(0.3)	(0.5)
Loss before tax	(2.5)	(3.5)
Tax expense	2.2	3.8
(Loss)/profit for the year from discontinued operations	(0.3)	0.3
Attributable to:		
Equity holders of the parent	(0.7)	(0.8)
Non-controlling interests	0.4	1.1
	(0.3)	0.3

The exceptional costs of £8.4m (2014: £7.9m) relate to an ongoing programme of restructuring within the business.

b. Amortisation of associated intangible assets

During the year, the Group charged amortisation on the intangible assets acquired with the Allied Healthcare business to the income statement totalling £10.4m (2014: £14.9m amortisation, £3.7m impairment).

c. Loss on re-measurement

The assets and liabilities of Allied Healthcare classified as held for sale as at 31 January 2015 are as follows:

	Book value £'m	Measurement to fair value £'m
Assets		
Goodwill	177.8	–
Intangible assets	19.9	–
Property, plant and equipment	6.1	–
Deferred tax assets	5.4	3.0
Trade and other receivables	40.4	40.4
Cash and short-term deposits	4.3	4.3
	253.9	47.7
Liabilities		
Trade and other payables	17.8	17.8
Financial liabilities	0.3	0.3
Deferred tax liabilities	4.1	–
Retirement benefit scheme obligations	14.7	14.7
Provisions	3.1	3.1
Other liabilities	4.4	4.4
Provision for loss/costs of disposal	–	7.4
	44.4	47.7
Net assets directly associated with disposal group	209.5	–
Loss on re-measurement to fair value	(209.5)	
Fair value of disposal group	–	

Following the classification of Allied Healthcare as a discontinued operation, a write-down of £209.5m was recognised on 31 January 2015 to reduce the carrying amount of the net assets in the disposal group to £nil.

The fair value of the business was determined by considering the current asset and liability position, the future profit cash flows and associated capital investment set out within the five year plan for the business, the risks attaching to the various cash flows, and the expected costs of disposing of the business. In determining the fair value, reference was made to other market transactions, and standard valuation techniques were adopted.

Having determined the fair value of £nil, the write-down was allocated first to the non-current assets with a provision created of £7.4m for the costs of disposal and any associated loss.

d. Net cash flows of Allied Healthcare during the year

	2015 £'m	2014 £'m
Operating	3.6	7.3
Investing	(3.5)	(2.8)
Financing	-	-
Net cash inflow	0.1	4.5

36 Subsidiaries

The principal operating subsidiary undertakings of Saga plc, all of which are wholly owned, are listed below. All of the principal subsidiary undertakings of Saga plc are indirectly held by the Company, with the exception of Saga Mid Co Limited which is directly held.

All subsidiaries are included in the consolidated financial statements.

Name	Country of registration	Nature of business
Saga Mid Co Limited	England	Holding company
Saga Leisure Limited	England	Holding company
Saga Group Limited	England	Holding company
Saga Services Limited	England	Financial services
Direct Choice Insurance Services Limited	England	Insurance services
Acromas Financial Services Limited	England	Regulated investment products
Acromas Holidays Limited	England	Tour operating
Acromas Shipping Limited	England	Cruising
Destinology Limited	England	Tour operating
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house
CHMC Limited	England	Motor accident management
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
Nestor Healthcare Group Limited	England	Holding company
Nestor Primecare Services Limited	England	Primary and social care
Allied Healthcare Group Holdings Limited	England	Holding company
Allied Healthcare Holdings Limited	England	Holding company
Allied Healthcare Group Limited	England	Primary and social care

37 Related party transactions

The following table provides the total value of transactions with related parties during the year:

	2015 £'m	2014 £'m
Sales to the AA group		
Insurance underwriting related	18.3	52.7
Non insurance underwriting related	2.7	10.4
Purchases from the AA group		
Insurance underwriting related	7.0	14.8
Non insurance underwriting related	0.3	0.8
Reinsurance transactions with the AA group		
Reinsurance premium payments	0.2	0.8
Reinsurance claims receipts	0.2	0.3
Receipts from/(payments to) related parties		
Parent undertaking	774.9	814.7
Related group undertaking	(4.1)	(1,262.2)

On 26 June 2014, the Acromas group sold its entire shareholding in the AA group and the Group's related party relationship ceased with it on that date.

a. Other transactions during the year

C N C Sherwood, a Non-Executive Director of Saga plc, is also a Partner of Permira Advisers, where he serves on the firm's holding company board and investment committee. Mr Sherwood also serves as Non-Executive Director on the boards of a number of Permira's investments and as a Non-Executive Director of Acromas Holdings Limited, the ultimate controlling party of Saga plc. The ultimate controlling parties of Acromas Holdings Limited include funds advised by Permira Advisers.

Acromas Financial Services Limited, an indirectly held subsidiary of Saga plc, traded with Just Retirement Group plc during the year, acting as agent in respect of the latter's care funding annuity and equity release products, earning commission and fixed contributions. Permira Advisers are the ultimate controlling party of Just Retirement Group plc.

During the year ended 31 January 2015, Acromas Financial Services Limited earned commission and fixed contributions relating to Just Retirement Group plc's care funding and equity release products of £1.3m. As at 31 January 2015, amounts invoiced and owed to Acromas Financial Services Limited by Just Retirement Group plc were £0.4m.

In January 2015, Acromas Financial Services Limited entered in to a joint venture with Tilney Bestinvest to provide investment products to Saga's customers. Permira Advisers are the ultimate controlling party of Tilney Bestinvest. During the year ended 31 January 2015, no commission or revenue was received by Acromas Financial Services Limited from Tilney Bestinvest. As at 31 January 2015, amounts invoiced and owed to Acromas Financial Services Limited by Tilney Bestinvest were £nil.

G Williams, an independent Non-Executive Director of Saga plc, serves on the board of WNS (Holdings) Limited, a company which Acromas Insurance Company Limited, an indirectly held subsidiary of Saga plc, traded with during the year. WNS (Holdings) Limited provides claims handling management services to Acromas Insurance Company Limited and during the year ended 31 January 2015 earned fees of £5.8m (2014: £6.0m); further payments to WNS (Holdings) Limited in respect of repair costs on claims handled by them totalled £41.9m (2014: £45.5m). As at 31 January 2015, amounts owing to WNS (Holdings) Limited for fees and repair costs were £3.7m (2014: £2.6m).

38 Ultimate parent undertaking

The immediate parent undertaking is Acromas Bid Co Limited, a company which is registered in England and Wales.

The financial statements of the Company are consolidated in the group financial statements of Acromas Holdings Limited (the ultimate parent undertaking), which is registered in England and Wales.

39 Ultimate controlling party

The Directors considers the ultimate controlling party to be funds advised by Charterhouse General Partners, CVC Capital Partners and Permira Advisers acting in concert.

Company financial statements of Saga plc Balance sheet

	Note	31 January 2015 £'m	2 May 2014 £'m
Fixed assets			
Investment in subsidiaries	2	2,099.2	3,539.6
		2,099.2	3,539.6
Current assets			
Debtors	3	0.2	-
		0.2	-
Creditors – amounts falling due within one year	4	33.8	-
Net current liabilities		(33.6)	-
Net assets		2,065.6	3,539.6
Capital and reserves			
Called up share capital	5	11.1	8.0
Share premium account	6	519.4	-
Profit and loss reserve	6	1,494.3	3,531.6
Other reserves	6	40.8	-
Shareholders' funds		2,065.6	3,539.6

The notes on pages 170-173 form an integral part of these financial statements.

Signed for and on behalf of the Board on 29 April 2015 by



L H L Batchelor
Group Chief Executive Officer



S M Howard
Group Chief Financial Officer

Overview

Strategy

Performance

Governance

Financial statements

Additional information

1 Accounting policies

a. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in section 464 of the Companies Act 2006.

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006. The loss included in the financial statements of the Company, determined in accordance with the Act, was £768.8m.

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with fellow Group undertakings.

Investments in subsidiaries are accounted for at the lower of cost and net realisable value and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

b. Cash flow statement

The Directors have taken advantage of the exemption available under FRS 1 'Cash Flow Statements' from the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the consolidated financial statements of the Group.

c. Investments

Investments in Group undertakings are stated at the lower of cost and net realisable value.

d. Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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 Profit and loss account, 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.

2 Investment in subsidiaries

	£'m
Cost:	
Additions	3,539.6
At 2 May 2014	3,539.6
Additions	544.8
Capital contributions arising from share-based payments	41.2
At 31 January	4,125.6
Amounts provided for:	
Amounts provided in the period	2,026.4
At 31 January	2,026.4
Net book value:	
At 31 January 2015	2,099.2
At 2 May 2014	3,539.6

On 4 March 2014, the Company acquired a 100% holding in the shares of Saga Mid Co Limited for a total cost of £3,539.6m via a share-for-share exchange. In settlement of this transaction, the Company issued two shares with a nominal value of £1 each to Acromas Bid Co Limited.

Following the Company's admission to the London Stock Exchange, on 29 May 2014, the Company invested a further £544.8m in Saga Mid Co Limited to facilitate the repayment of £550.0m of the Saga Group's bank debt.

a. Impairment

As part of the corporate restructuring (see note 30 to the consolidated financial statements), Saga plc's immediate subsidiary undertaking, Saga Mid Co Limited, made a £2,063.0m distribution to Saga plc's immediate parent undertaking, Acromas Bid Co Limited. This distribution led to a reduction in the net assets of Saga Mid Co Limited resulting in an impairment of Saga plc's investment in Saga Mid Co Limited of £2,026.4m.

3 Debtors

	31 January 2015 £'m	2 May 2014 £'m
Deferred tax asset	0.1	-
Other debtors	0.1	-
	0.2	-

All amounts above are due in less than one year.

4 Creditors – amounts falling due in less than one year

	31 January 2015 £'m	2 May 2014 £'m
Amounts owed to group undertakings	31.1	-
Other creditors	2.7	-
	33.8	-

5 Called up share capital

	Ordinary shares Number	Nominal value £	Nominal value £	Value £'m
Allotted, called up and fully paid				
On incorporation – 5 December 2013	1	1.00	–	–
Issue of shares – 4 March 2014	2	1.00	–	–
Bonus issue allotment – 1 May 2014	7,999,997	1.00	–	8.0
	8,000,000	1.00	–	8.0
Sub-division of shares – 1 May 2014	(8,000,000)	1.00		(8.0)
Sub-division of shares – 1 May 2014	800,000,000		0.01	8.0
As at 2 May 2014	800,000,000		0.01	8.0
Issue of share capital on flotation	310,705,405		0.01	3.1
As at 31 January 2015	1,110,705,405		0.01	11.1

On incorporation, 5 December 2013, the Company issued a single share with a nominal value of £1 to its parent company, Acromas Bid Co Limited. The amount due was settled through an intercompany receivable.

On 4 March 2014, the Company issued to its parent company, Acromas Bid Co Limited, two ordinary shares with a nominal value of £1 each as payment for its acquisition of Saga Mid Co Limited. The share premium arising on this transaction was £3,539.6m.

On 1 May 2014, the Company capitalised £7,999,997 from its share premium account and issued 7,999,997 ordinary shares of £1 each by way of a bonus issue. The issued share capital of 8,000,000 ordinary shares of £1 each was then sub-divided into 800,000,000 ordinary shares of £0.01 each. This removed all of the existing share premium account.

On 29 May 2014, Saga plc was admitted to the London Stock Exchange, issuing 310,705,405 £0.01 shares, raising £550m of funds to clear existing bank debt (note 28 to the consolidated financial statements). The share premium arising on this transaction was £547.0m.

6 Reconciliation of movements in shareholders' funds

	Called up share capital £'m	Share premium account £'m	Profit and loss reserve £'m	Share-based payment reserve	Total shareholders' funds £'m
Ordinary shares issued on incorporation – 5 December 2013	–	–	–	–	–
Share premium on issue of ordinary shares issued on 4 March 2014	–	3,539.6	–	–	3,539.6
Bonus issue of ordinary shares on 1 May 2014	8.0	(8.0)	–	–	–
Capital reduction of ordinary shares on 1 May 2014	–	(3,531.6)	3,531.6	–	–
At 2 May 2014	8.0	–	3,531.6	–	3,539.6
Issue of share capital on flotation	3.0	547.0	–	–	550.0
Costs associated with issue of share capital	–	(27.6)	–	–	(27.6)
Issue of treasury shares	0.1	–	–	–	0.1
Loss for the period	–	–	(768.8)	–	(768.8)
Dividends paid	–	–	(1,269.5)	–	(1,269.5)
Share-based payment charge	–	–	–	41.8	41.8
Exercise of share options	–	–	1.0	(1.0)	–
At 31 January 2015	11.1	519.4	1,494.3	40.8	2,065.6

The issues of ordinary shares on 5 December 2013 and 4 March 2014, and the bonus issue of shares on 1 May 2014 are discussed in note 5.

On 1 May 2014, the Company capitalised £7,999,997 from its share premium account and issued 7,999,997 ordinary shares of £1 each by way of a bonus issue. The remaining share premium account was cancelled through a capital reduction for the purpose of creating distributable profit and loss reserves. As a result the entire profit and loss reserve at the balance sheet date is distributable.

7 Ultimate parent undertaking

The immediate parent undertaking is Acromas Bid Co Limited, a company which is registered in England and Wales.

The financial statements of the Company are consolidated in the group financial statements of Acromas Holdings Limited (the ultimate parent undertaking), which is registered in England and Wales.

8 Ultimate controlling party

The Directors consider the ultimate controlling party to be funds advised by Charterhouse General Partners, CVC Capital Partners and Permira Advisers acting in concert.

Financial calendar

2015 Annual General Meeting – 23 June 2015

Dividend dates

Announcement date – 30 April 2015

Ex-dividend date – 4 June 2015

Record date – 5 June 2015

Payment date – 30 June 2015

Shareholder information online

Saga plc is able to notify shareholders when shareholder information is made available on the website. A letter or email will be sent to you when information such as the company's interim and full year results are on the website and you will then be able to read and print these documents at your own convenience. The method of communication is dependent upon your chosen communication preference and by registering on the Saga Shareholder Services Portal www.sagashareholder.co.uk, which is provided by the Company's registrars, Capita Asset Services, you can change this preference. In order to register on the shareholder portal you require your 11-digit investor code, which is shown on your share certificate or nominee statement. The Saga Shareholder Services Portal allows you to easily and securely manage your shares and by providing your bank account details dividends can be paid directly to your account.

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 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 potentially lose your money. 5,000 people contact the FCA about share fraud each year, with victims losing an average of £20,000. 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 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Advisers

Corporate brokers and financial advisers

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

Media relations advisers

FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

Independent auditors

Ernst & Young LLP
1 More London Riverside
London SE1 2AF

Legal advisers

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HT

Information for investors

Information for investors is provided on the internet as part of the Group's corporate website which can be found at <http://corporate.saga.co.uk/>

Investor enquiries

Enquiries can be directed via our website or by contacting:

Tel: Freephone 0800 015 5429
Email: enquiries@sagashareholder.co.uk

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

www.capitaassetservices.com/contact-us.cshtml

Tel: 0871 664 0300 (calls cost 10p per minute plus network extras). From outside the UK: +44 (0) 208 639 3399.
Lines are open 9.00am to 5.30pm UK time, Monday to Friday.

Registered office

Saga Plc
Enbrook Park
Sandgate
Folkestone
Kent CT20 3SE

Corporate websites

Information made available on the Group's websites does not, and is not intended to, form part of these Results.

ABC1 households social grading based on a system of demographic classification used in the UK, as defined by Experian Mosaic data

Accident year the financial year in which an insurance loss occurs

Active customer a customer that has purchased an insurance policy in the last twelve months, or a holiday in the last three years, or has a live personal finance product or Saga Magazine subscription

Add-on an insurance policy that is actively marketed and sold as an addition to a core policy

AGM Annual General Meeting

AICL Acromas Insurance Co Limited

Available operating cash flow net cash flow from operating activities after capital expenditure but before tax and interest paid and exceptional expenses, which is available to be used by the Group as it chooses and is not subject to regulatory restriction

Average number of products held the average number of Saga products held by each active customer as at a certain date. Active customers include those customers who hold an insurance product, have taken a holiday in the last three years or have a live personal finance or Saga Magazine product

Board Saga plc Board of Directors

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, IBNR and associated claims handling costs

Code the UK Corporate Governance Code published by the UK Financial Reporting Council from time to time setting out guidance in the form of principles and provisions to address the principal aspects of corporate governance

Combined operating ratio the ratio of the claims costs and expenses incurred in selling and administering insurance underwritten (numerator) to the net earned premium (denominator) in a given period. Can otherwise be calculated as the sum of the loss ratio and expense ratio

Companies Act the UK Companies Act 2006, as amended from time to time

Company Saga plc

Contactable households the number of households that are recorded on the proprietary Group Marketing Database, with a household being defined as a single person or couple living at the same address

Contactable people the number of people that are recorded on the Group's proprietary marketing database that have not opted out of all marketing preferences

Continuing operations operations that are not classified as discontinued

Core policy an insurance policy that is actively marketed and sold on its own

DBP Deferred Annual Bonus Plan

Discontinued operations operations divested or those that have been classified as held for sale whose trading activities relate to a separate line of business or geographical area

DTR (Disclosure Rules and Transparency Rules) rules published by the UK Financial Conduct Authority 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 from continuing operations (basic) profit after tax from continuing operations attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period

Expense ratio the ratio of expenses incurred in selling and administering insurance underwritten (numerator) to the net earned premium (denominator) in a given period

Financial Conduct Authority (FCA) the independent UK body that regulates the financial services industry, which includes general insurance

FTE (Full Time Equivalent) the number of full-time and part-time employees expressed as an equivalent number of full-time employees

GHG Protocol a global standard for how to measure, manage, and report greenhouse gas emissions

Gross revenue statutory accounting revenue plus any net premiums paid to third party insurers who underwrite insurance sold by the Group

Gross written premiums the total premium charged to customers for an 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

Group the Saga plc group

Holidays passengers the number of passengers that have travelled on a Saga, Titan or Destinology holiday in a given period

IASB International Accounting Standards Board

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

IFRS International Financial Reporting Standards

IPO (Initial Public Offering) the first sale of shares by a previously unlisted company to investors on a securities exchange

Leverage ratio the ratio of net debt to Trading EBITDA

LIBOR London inter-bank offered rate

Like-for-like profit before tax profit from continuing operations shown before tax, one-off costs associated with the IPO and the issuance of the Group's own debt facilities, interest and service costs associated with this debt for which there is no comparative cost, and net fair value gains and losses on derivatives

Liquidated damages payments received in respect of the early termination of management and franchise contracts, where applicable

Load factor in relation to cruise ships, the number of passenger days travelled divided by the maximum number of passenger days that could be travelled, in a given period

Loss ratio a ratio of the claims costs (numerator) to the net earned premium (denominator) in a given period

LR (Listing Rules) a set of mandatory regulations set from time to time by the UK Financial Conduct Authority and applicable to a company listed in the UK

LTIP Long-Term Incentive Plan

Malus an arrangement that permits the forfeiture of unvested remuneration awards, in circumstances the Company considers appropriate

M&A Mergers and Acquisitions

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 debt bank debt and borrowings, excluding any overdrafts held by restricted trading subsidiaries, net of available cash

Net earned premium earned premium net of any outward earned reinsurance premium paid

Net interest expense finance costs less finance income

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

Operating EPS (earnings per share) earnings per share that is presented to exclude items which are not considered to be part of the Group's operating performance. This is achieved by removing the impact of non-recurring exceptional items, and by measuring prior to net fair value gains and losses on derivatives not designated as hedges under IAS 39 as these movements arise and reverse across financial periods and are not representative of the actual effectiveness of the Group's economic hedging activities

Operating profit profit before interest payable, tax, exceptional expenses and fair value gains and losses on derivative financial instruments

PBT profit before tax

PMI Private Medical Insurance

Policies sold the number of core and add-on insurance policies sold to customers in a given period, measured by reference to the cover start date of the policy

PPO (Periodical payment order) claims payments as awarded under the Courts Act 2003. PPOs are used to settle large personal injury claims, and they generally provide claimants who require long-term care with a lump sum award plus inflation-linked annual payments

Pro forma Operating EPS operating EPS that has been adjusted for pro forma interest charges, plc costs and underlying adjustments to allow a like-for-like comparison between periods

RDR 1 and RDR 2 residence, domicile and the remittance basis UK tax rules

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

RMM (required minimum margin) a measure used to assess the minimum level of solvency capital an insurance underwriter must retain

RPI Retail Price Index

Ship passenger days the total number of days passengers have travelled on a ship, or ships, in a given period

SIP Share Incentive Plan

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. Solvency II is due to become effective from 1 January 2016

TBI Tilney Bestinvest

tCO₂e Tonnes of carbon dioxide equivalent, which is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO₂

Trading EBITDA earnings before interest payable, tax, depreciation and amortisation, exceptional expenses and fair value gains and losses on derivative financial instruments

TSR (Total Shareholder Return) the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity

Underlying adjustment an adjustment made to the income statement of a prior accounting period to remove the effect of material one-off transactions that are not indicative of normal and continuing trading activities or that would have been recognised in different accounting periods with hindsight

Unearned premium an amount of insurance premium that has been written but not yet earned

UW underwriting



Designed and produced by Luminous
www.luminous.co.uk

Saga plc

Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

