SAGA PLC

ANNUAL REPORT AND ACCOUNTS 2023

SAGA

Experience is everything

DELIVERING FOR OUR CUSTOMERS

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

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

Our aim is to become the largest and fastest-growing business for older people in the UK, 'The Superbrand' famous for delivering exceptional experiences every day, building confidence and connections with our customers.

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Chairman's Statement
A statement from our Chairman, Sir Roger De Haan, outlining his view of the year.

"It is evident to me that there is a tremendous opportunity for Saga to broaden its services to its customers, reduce its debt, enlarge its business and increase its profitability and that the Company is now well placed to take advantage of this."

Sir Roger De Haan
Non-Executive Chairman

Our key performance indicators

Underlying Profit/(Loss) Before Tax[1]
£21.5m
2021/22 – (£6.7m)

Loss before tax
(£254.2m)
2021/22 – (£23.5m)

Available Operating Cash Flow[1]
£54.9m
2021/22 – £75.8m

Net Debt[1]
£711.7m
2021/22 – £729.0m

Colleague engagement
8.0 out of 10
2021/22 – 7.7 out of 10

Customer net promoter score
51
2021/22 – 49

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Alternative Performance Measures

In addition to statutory performance measures, the Group also measures performance using Alternative Performance Measures. These are reconciled to statutory measures of performance on page 56 of the Group Chief Financial Officer's Review and defined in full on page 209.

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Group Chief Executive Officer's Statement

Euan Sutherland, Group Chief Executive Officer (**CEO**), summarises the 2022/23 financial year.

> Overall, I am pleased with the progress made during the year as we began to make the strategic pivot towards becoming a capital-light marketing, content and distribution business."

Euan Sutherland
Group Chief Executive Officer

Watch our Group CEO, Euan Sutherland, outlining our vision and three-step growth plan

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Group Chief Financial Officer's Review

James Quin, Group Chief Financial Officer (**CFO**), details our operating and financial performance for the year ended 31 January 2023.

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Our strategy

Details of our three-step strategic plan, aimed at returning Saga to sustainable long-term growth.

> Although the last 12 months have been challenging in both Insurance and Travel, the Group returned to an Underlying Profit Before Tax[1]."

James Quin
Group Chief Financial Officer

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

DEMONSTRABLE PROGRESS

Saga is emerging from the pandemic, focused on returning to growth

Return to underlying profit as Cruise and Travel recovery continued

Following an extended period of uncertainty, initially with the pandemic and more recently geopolitical and macroeconomic uncertainty, Saga reports an Underlying Profit Before Tax[1] of £21.5m after returning to more normal Cruise and Travel operations.

Acquisition of the Big Window to strengthen our insight and understanding

In February 2022, we announced the acquisition of the Big Window, a specialist research and insight business focused on the ageing process. This move allows us to ensure we are developing the products and services our customers want and need.

Launch of our three-step growth plan

To build on the foundations laid over the past two years and return Saga to sustainable growth, we launched our three-step strategic growth plan, focused on maximising our existing businesses, step-changing our ability to scale while reducing debt and creating 'The Superbrand' for older people.

Watch our Group CEO, Euan Sutherland, outlining our growth plan

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Introduction of Saga Media

As part of our ambition to become 'The Superbrand' for older people, we introduced Saga Media, aimed at providing digital media that represents the needs and interests of people over 50, giving them great advice, inspirational stories and a place where they are heard and valued.

Watch the launch of Saga Media at our Capital Markets Event

Launch of new digital Travel business

In the first half of the year, we combined the operations of Saga Holidays and Titan Travel to create the UK's largest and market-leading touring business. We also moved away from a largely paper brochure-based approach to a digital business, with dynamic pricing and an enhanced website and booking platform.

Strengthened leadership team in support of our growth plan

We were pleased to announce six new senior appointments to support the delivery of our strategy and accelerate growth. Peter Bazalgette, Gemma Godfrey and Anand Aithal all joined the Board, alongside three additions to the Executive Leadership Team to drive the areas of Money, Media and Data.

BUILDING OUR FUTURE

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

Our strategy

Our aim is to become the largest and fastest-growing business for older people in the UK. Through our three-step growth plan, we are focused on the following priorities:

1. Maximising our existing businesses

We plan to maximise our existing businesses through a specific plan for each, enabling growth, accountability, efficiency and delivery of a common brand purpose.

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

We will grow our existing businesses while reducing debt, and develop new businesses through innovation, in a capital-light way.

3. Creating 'The Superbrand' for older people

We will commercialise and grow our database, build exceptional insights, deliver a brand repositioning, create a content platform that reaches millions of customers every day, and provide an exceptional colleague experience.

Find out more about our strategy on pages 22-25

Our values

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

Precision pace

Always owning and making things happen

We agree clear goals and plans, move quickly and take ownership for our actions.

Empathy

Always aware of others

We understand and acknowledge how others are feeling and we walk in their shoes.

Curiosity

Always asking why

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

Collaboration

Always one team, the Saga team

We are one team, working together. We are inclusive and value difference.

Reasons to invest in Saga

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

How we are different

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

The model works

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

Confidence in future delivery

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

Our businesses

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

Cruise[1]

Our Cruise business offers a boutique cruising experience consisting of:

- ocean cruises on board our two ships, Spirit of Discovery and Spirit of Adventure; and
- river cruises along Europe's waterways on board our fleet of luxury ships.

Highlights for 2022/23

- Ocean and River Cruise teams combined to deliver the same consistently high service across both products.
- Ocean Cruise delivered target load factor of 75% and per diem of £318.
- Strong Ocean Cruise bookings into 2023/24 with load factor of 72% and per diem of £339 at 26 March 2023.
- Achieved excellent guest satisfaction scores, of 9.0 out of 10 in Ocean and 8.2 in River Cruise at 31 January 2023.

Underlying Loss Before Tax[2]

Ocean Cruise

(£0.7m)

2021/22 – (£47.7m)

River Cruise

(£5.1m)

2021/22 – (£6.4m)

Find out more in our Group Chief Financial Officer's Review on pages 47-48

Travel[1]

Our Travel business, which has always been at the heart of the Saga brand, offers:

- hotel stays;
- escorted tours; and
- Tailor-Made holidays.

Highlights for 2022/23

- Combined the operations of Titan Travel and Saga Holidays to create the UK's largest and market-leading touring business.
- Launched the new Saga Travel business, moving away from a largely paper brochure-based approach to a digital business with dynamic pricing and an enhanced website and booking platform.
- Introduction of our Saga Deluxe and Titan's VIP Travel Services which feature home-to-airport pick-up, airport lounge access and fast-track security clearance at selected UK airports.
- Launched exciting new products including 'Tailor-Made by Saga' and our private jet tours.
- Strong bookings into 2023/24 of £137m at 26 March 2023, 32% ahead of the same point in the prior year.

Underlying Loss Before Tax[2]

(£4.1m)

2021/22 – (£25.2m)

Find out more in our Group Chief Financial Officer's Review on pages 47-48

Insurance

Insurance is the largest part of the Group, providing primarily motor, home, travel and private medical insurance through a panel of underwriters. This panel includes the Group's in-house underwriter, Acromas Insurance Company Limited (**AICL**) which underwrites over 65% of Saga's motor insurance policies.

Highlights for 2022/23

- Successfully implemented new regulatory requirements arising from the Financial Conduct Authority's (**FCA**) review of General Insurance Pricing Practices (**GIPP**).
- Introduced a range of new motor products including a lower-cost standard one-year policy, alongside electric vehicle and multi-car products.
- Maintained pricing discipline while navigating a challenging motor insurance market.
- Continued improvement in motor and home customer retention, now at 83.8% compared with 82.8% in the prior year.

Underlying Profit Before Tax[2]

£88.2m

2021/22 – £120.5m

Find out more in our Group Chief Financial Officer's Review on pages 49-52

Other Businesses

Find out more in our Group Chief Financial Officer's Review on page 53

The Group's Other Businesses include:

- Money, offering equity release and savings products;
- Media, providing engaging content online and through the Saga Magazine;
- Insight, generating unique insights into 'Generation Experience'; and
- CustomerKNECT (formerly MetroMail), our in-house mailing and printing business.

Highlights for 2022/23

- Delivered revenue and customer growth within Saga Money.
- Launch of Saga Exceptional, a new website providing best-in-class consumer advice and inspirational stories.
- Development of a detailed customer segmentation, identifying significant growth opportunities.

Underlying (Loss)/Profit Before Tax[2]

(£0.8m)

2021/22 – £1.8m

1 Cruise was reported within Travel in the 2022 Annual Report and Accounts, however, is now reported separately to reflect the management structure of those businesses

2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

AN EXCITING FUTURE LIES AHEAD

"I am very positive about the future potential of Saga. We have managed our way through three difficult years and, in 2023/24, we expect all of our three main businesses to be profitable. I am confident that our strategy is the right one and will lead to growth and a significant reduction in our levels of debt."

Sir Roger De Haan
Non-Executive Chairman

I am pleased to report that last year the performance of our core Cruise, Travel and Insurance businesses enabled us to return to underlying profitability whilst we also made good progress in relation to the strategy we set out 12 months ago.

Saga continued to build on the progress reported at the half year, with revenue for the Group increasing by over 50% when compared with the previous year, following the return to more normal Cruise and Travel operations post the pandemic.

Our Ocean Cruise business, with its new ships, performed well in the second half of the year, sailing with an average 84% occupancy, testament to the exceptional service we provide on board, the model that we are now mirroring on board our River Cruise vessels. Looking ahead, the level of revenue booked for the 2023/2024 financial year is very encouraging and we are now in a good position to generate our targeted levels of EBITDA, £80m excluding overheads, from the two ships.

There have been exciting new developments in our Travel business in the past year, including the move to a more agile, more digital operation, and the launch of our new "Tailor-Made by Saga" holidays. Currently, demand for our holidays is strong, particularly for our touring programmes.

Our Insurance business operated in the highly competitive market last year following continued disruption and uncertainty created by the regulatory changes to the industry's pricing and the high cost of settling insurance claims. We continued to take a disciplined approach to our pricing.

As we have indicated previously, we have decided to focus on Insurance Broking and to sell our Insurance Underwriting business, a move that will reduce the risk we take and release capital and allow us to further reduce our debt. With this in mind, I was pleased to be able to provide a £50m facility to give the Company additional flexibility.

In order to increase the products and services we offer and the frequency of our customer interactions and the understanding we have of them, I am delighted that we strengthened our leadership team during the year. Three very experienced and talented executives were appointed to set up and lead our new Media business, our Personal Finance operations, Saga Money and our Data team. Each of these areas has great potential.

As I set out in my statement last year, Saga has always had a strong sense of purpose and we have embraced our Environmental, Social and Governance (**ESG**) responsibilities. During the year, we conducted an assessment to understand fully the ESG factors that are most material to our business. Our new sustainability strategy is published later in this report on pages 26-28. In due course we will set out further details of the key metrics that we will use to track our performance.

I am very positive about the future potential of Saga. We have managed our way through three difficult years and, in 2023/24, we expect all of our three main businesses to be profitable. I am confident that our strategy is the right one and will lead to growth and a significant reduction in our levels of debt.

Finally, I'd like to thank the team at Saga for their hard work over the past year. It is evident to me that there is a tremendous opportunity for Saga to broaden its services to its customers, reduce its debt, enlarge its business and increase its profitability and that the Company is now well placed to take advantage of this.

Sir Roger De Haan
Non-Executive Chairman
17 April 2023

Welcoming three new Non-Executive Directors

We were pleased to announce the appointment of three new Non-Executive Directors to the Board, from 1 September 2022, to support the Group's growth strategy and positioning as 'The Superbrand' for older people in the UK.

Peter Bazalgette

Senior Independent Non-Executive Director

Peter Bazalgette brings a wealth of experience from the media and wider creative industries, including with Endemol, ITV, the BBC, YouGov and Channel Four.

Anand Aithal

Independent Non-Executive Director

Anand Aithal has extensive non-executive experience from fintech, insurance broking, asset management and accountancy, bringing an entrepreneurial perspective, having co-founded his own data analytics business.

Gemma Godfrey

Independent Non-Executive Director

Gemma, a founder of two digital businesses, was a boardroom adviser to Arnold Schwarzenegger on The Apprentice USA and is a business and money expert on ITV's Good Morning Britain and Sky News.

Find out more about our Board of Directors on pages 74-75

PREPARING FOR GROWTH

"The progress made throughout the course of the year demonstrates that Saga is on the right track to, in time, deliver long-term sustainable growth for our stakeholders."

Euan Sutherland
Group Chief Executive Officer

Watch our Group CEO, Euan Sutherland, presenting our full year results

Continued pandemic recovery

During 2022/23, we made strong progress against the growth plan that we set out in March 2022, as our Cruise and Travel businesses continued to recover from the pandemic, and we navigated a particularly challenging motor insurance market as it adjusted to regulatory changes, a sharp rise in claims inflation and a highly competitive environment in light of those changes. This was achieved alongside the launch of our new Media business, significant enhancements to our data capabilities and the strengthening of our leadership team.

Return to underlying profit

I am pleased to report that, for the year ended 31 January 2023, Saga generated an Underlying Profit Before Tax[1] of £21.5m, compared with an Underlying Loss Before Tax[1] of £6.7m in the prior year. This reflects significant improvements across Cruise and Travel as those businesses returned to more normal operations, and consistent Insurance Broking performance, which was partially offset by reduced earnings from our Insurance Underwriting business.

After reflecting the £269.0m Insurance goodwill impairment that we reported within our interim results, alongside other smaller one-off below-the-line items, we report a loss before tax of £254.2m. This compares to a loss before tax of £23.5m in the prior year.

In addition, we reduced our level of Net Debt[1] which, at 31 January 2023, was £711.7m and continued to hold significant Available Cash[1] of £157.5m at the same date. Net Debt[1] and Available Cash[1], at 31 January 2022, were £729.0m and £186.6m respectively.

To further reduce debt and increase liquidity ahead of the maturity of our £150m bond in May 2024, we have taken a series of actions which include the initiation of a sales process in relation to our Insurance Underwriting business and the agreement of a £50m loan facility with Sir Roger De Haan.

The progress made throughout the course of the year demonstrates that Saga is on the right track to, in time, deliver long-term sustainable growth for our stakeholders.

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Our growth plan

In March 2022, we set out our ambition to become the largest and fastest-growing business for older people in the UK which we will achieve through delivery of our three-step growth plan. This plan is focused on the following three priorities:

1. Maximising our existing businesses

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

3. Creating 'The Superbrand' for older people

An update on our progress, during the past year, in each of these areas is set out below.

1. Maximising our existing businesses

Cruise

Our Ocean Cruise business reported an Underlying Loss Before Tax[2] of £0.7m for the year ended 31 January 2023. This comprises an underlying loss of £6.9m in the first half and a profit of £6.2m in the second half as the impact of COVID-19 lessened. This compares to an Underlying Loss Before Tax[2] of £47.7m in the prior year.

For the 2022/23 financial year, Ocean Cruise achieved a load factor of 75%, made up of 66% in the first half of the year and 84% in the second, accompanied by a per diem of £318. This compares with a 68% load factor and £299 per diem in the prior year. These factors, when combined, result in Ocean Cruise year-on-year revenue growth in excess of 100%.

Looking ahead to the 2023/24 financial year, our booked load factor positions us well to meet our target of at least 80%. At 26 March 2023, we had secured bookings equivalent to a 72% load factor and £339 per diem. This positions us well to deliver our target of £40m EBITDA per ship, excluding overheads, in the year ending 31 January 2024.

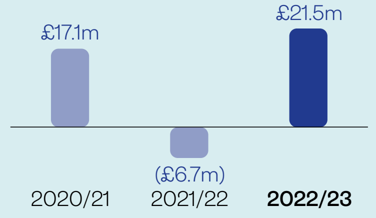
As our Ocean and River Cruise businesses are now managed by the same team, we have taken steps to not only ensure that our River Cruise guests experience the same exceptional service as within Ocean Cruise, but also provide more visibility over the performance of our River Cruise operation.

Our River Cruise business, in line with the guidance within our January Trading Update, reported an Underlying Loss Before Tax[2] of £5.1m which compares with a £6.4m loss in the prior year. This improvement was largely driven by significantly more guests sailing with us, being 12,000 in 2022/23 compared with just 1,000 in the prior year.

Financial performance

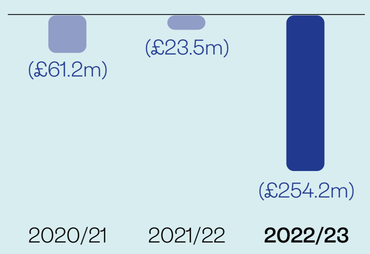
Underlying Profit/(Loss) Before Tax[2,3]

£21.5m



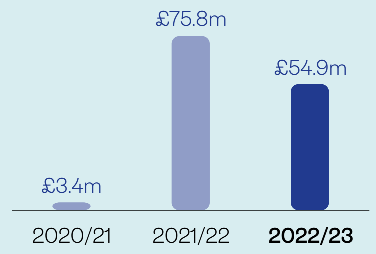
Loss before tax

(£254.2m)



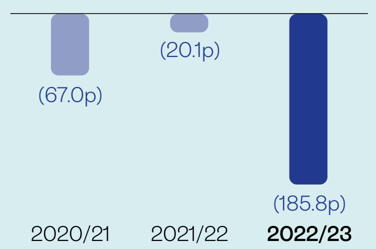
Available Operating Cash Flow[2,3]

£54.9m



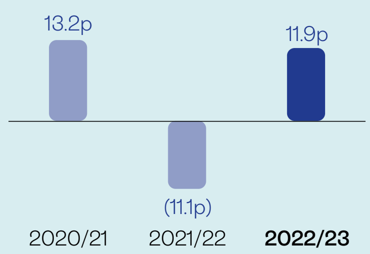
Basic loss per share

(185.8p)



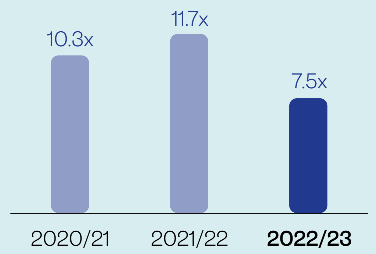
Underlying Earnings/(Loss) Per Share[2]

11.9p



Leverage ratio

7.5x



2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

3 Refer to the key performance indicators on pages 14-15 for definition and explanation

For the 2023/24 financial year, the River Cruise business is expected to generate a small Underlying Profit Before Tax[4] before becoming a more meaningful proportion of the Group's earnings over time. In support of this, bookings for the year ending 31 January 2024 are strong and, at 26 March 2023, we had already secured bookings from more than 12,500 guests which equated to a load factor of 63% and per diem of £298.

We actively encourage our guests to openly express their views and provide feedback in relation to our Cruise offering as it is this that allows us to continuously enhance our guest experience. We are exceptionally proud that, at 31 January 2023, our guest satisfaction score was 9.0 out of 10 for Ocean Cruise and 8.2 for River Cruise.

Travel

Our Travel business returned to more normal operations following the COVID-19 pandemic and, as such, revenue for the year ended 31 January 2023 increased by more than 10 times when compared with the year before. The business reported a small Underlying Loss Before Tax[4] of £4.1m.

2022/23 was a year of transformation for our Travel business, moving from a largely traditional paper-based business to one that offers awe-inspiring holidays through a more digital and agile operating model.

As part of the move, we developed a series of exciting new products, including 'Tailor-Made by Saga', which offers customers a truly personalised travel experience, and our private jet tours which represent our most luxurious holidays yet with a succession of unforgettable encounters and travel exclusively by chartered plane. In addition, all bookings now benefit from our Saga Deluxe and Titan VIP Travel Services which include home-to-airport pick up, airport lounge access and fast-track security clearance at selected UK airports.

> “We developed a series of exciting new products, including 'Tailor-Made by Saga' and our private jet tours which represent our most luxurious holidays yet.”

Customer feedback received to date in relation to our revamped Travel offering has been incredibly positive and is reflected in our forward bookings. At 26 March 2023, booked revenue totalled £136.6m which is 32% ahead of the same point in the prior year. This level of bookings places the business firmly on track to return to profit in 2023/24.

Insurance

The UK insurance market has faced particularly challenging times over the past year as insurers adjusted to market-wide regulatory changes and high levels of claims inflation.

Overall, Insurance Broking reported an Underlying Profit Before Tax[4], on a written basis, of £67.7m which compares to £66.6m in the previous year.

The number of policies in force across all products, at 31 January 2023, was 1.7m or 3% behind the position at 31 January 2022. Total policy sales for the year as a whole were 2% behind the prior year, reflecting a 103% increase in the number of travel insurance policies sold, broadly stable sales of private medical insurance and motor and home sales that were 7% behind the prior year.

While the level of new motor and home policies sold was significantly behind the prior year at 50% and 17% respectively, customer retention improved to 83.8%, or 1.0ppt ahead of the prior year. The average margin per policy was £71, compared with £74 in the year before.

The proportion of customers coming to Saga directly, rather than through price-comparison websites, was 49%, compared with 59% in the prior year, reflecting the competitive nature of the market.

Our Insurance Underwriting business reported an Underlying Profit Before Tax[4] of £19.1m for the year, supported by £25.1m of underlying prior year reserve releases.

Excluding the impact of these reserve releases, and our quota share reinsurance arrangements, our current year underlying combined operating ratio was 125.8% which compares with 96.3% in the prior year. This reflects the expected unwind of the prior year COVID-19 frequency benefits, a sharp rise in inflation to the cost of settling claims and an above-average level of current year large claims.

In response to the rise in claims inflation, throughout the year, we applied material increases to our pricing which incorporated both the level of inflation already observed, and the expected inflation in the coming year.

Money

Our personal finance business, Saga Money, reported an Underlying Profit Before Tax[4] of £2.3m for the 2022/23 financial year, broadly in line with that of the prior year.

In equity release, which was supported by the launch of our new television advertising, total loan volumes were 29% ahead of the prior year, with the average loan value also 19% higher.

Our savings product, provided in partnership with Goldman Sachs, secured 17% more accounts than in the year ended 31 January 2022, with assets under management of around £3.5bn.

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

The second focus within our growth plan is on reducing our level of debt and step-changing our ability to scale the business. At 31 January 2023, Net Debt[4] was £711.7m, £17.3m lower than at 31 January 2022. This represents the Group's gross debt at that date, less £157.5m of Available Cash[4].

Following two years of agreed deferrals, we re-commenced payments on our two ocean cruise ship facilities and a total of £46.4m was repaid during 2022/23. Future Cruise bookings are encouraging and, over time, we expect to generate sufficient cash from Ocean Cruise to meet interest and capital repayments, including catch-up payments on elements deferred during the pandemic.

4 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

To maintain flexibility in relation to our short-term liquidity needs, we concluded discussions with the lending banks behind our revolving credit facility and agreed a series of amendments, including changes to the leverage and interest cover covenants attached to the facility. Full details of the changes and revised covenant levels can be found on page 58.

As part of our property strategy, we are continuously assessing our ways of working and how best to support colleagues. Following the pandemic, and in line with our hybrid working approach, we saw that far fewer colleagues were choosing to work regularly from our Enbrook Park headquarters in Folkestone. We made the decision to close the site in favour of two smaller hubs in Kent, in addition to our existing London hub. This will reduce operating expenses while we explore longer-term options for the site.

As part of our plan to reduce debt and move towards a more capital-light model, we are continuing to evaluate our options in relation to our Insurance Underwriting business and an active sales process is ongoing.

3. Creating 'The Superbrand' for older people

The final step in our growth plan is to create 'The Superbrand' for older people through focus on our brand, data, insights and customer interactions.

Saga is a brand that has exceptionally high awareness amongst people over 50, however, historically too many have seen Saga as something that 'isn't for them'. Over the past couple of years, our mission has been to reframe the conversation with a focus on experience as opposed to age. The brand relaunch in 2021 was only the start and, since then, we have expanded our new marketing campaigns to cover more products, and increased our customer net promoter score (**NPS**) to its highest ever level. When compared to 2021, NPS in the fourth quarter was two points higher, at 51. This reflects improvements within our contact centres which reduce wait times and improve the customer journey.

As we highlighted at our Capital Markets Event in January 2023, the data we hold and the way that we use it, will be key to our success in becoming a superbrand. At the beginning of the year, we set a target to achieve three million new consents by 31 January 2023 which would allow us to communicate our products and services to a wider audience than before. I am pleased to confirm that we achieved this, and more.

The insights we hold about 'Generation Experience' are crucial as they allow us to develop products and services that meet the specific needs of our customers. Following the acquisition of The Big Window Consulting Limited at the start of the year, we have taken great strides in this space. These include developing our detailed customer segmentation, building our Experienced Voices panel which now consists of more than 10,000 of our customers and championing a conversation on positive ageing, most recently supported by the release of our 'Generation Experience' economic study.

In addition, increasing the depth, and frequency, of our interactions with customers is a key part of our superbrand plan. Through this, we are able to learn more about their specific interests and viewpoints, enabling us to continuously improve the products and services we offer. Saga Media, which was launched in January 2023, is pivotal to this process. Through Saga Media, and our brand-new Saga Exceptional website, we are providing people over 50 with an online home and a corner of the internet that is designed specifically for them. Not only does this allow us to become part of our customers' lives and learn more about what they want, but it will also become a profit-generative business in its own right within five years, through advertising and affiliate partnerships.

In order to transform Saga into 'The Superbrand' for older people, we need to create an exceptional colleague experience, giving each and every colleague the opportunity to do the best work of their lives. During 2022/23, we made great progress in this space, providing colleagues with access to a new reward platform and enhancing the financial support available through acceleration of our annual pay review cycle and two additional cost of living support payments for our colleagues with lower earnings.

The engagement of our colleagues, measured through a survey hosted by an independent third party, remains high at 8 out of 10.

Building Saga into the largest and fastest-growing business for older people

We are continuing with the delivery of our three-step growth plan, focused on maximising our existing businesses, reducing debt while step-changing our ability to scale and creating 'The Superbrand' for older people. We will continue to pay down our ocean cruise ship debt, and we expect to repay the £150m bond maturing in May 2024 from Available Cash[5].

Overall, I am pleased with the progress made during the year as we began to make the strategic pivot towards becoming a capital-light marketing, content and distribution business. We now have the right team, strategy and structure in place that will return Saga to sustainable long-term growth.

Finally, I would like to pass my thanks on to our colleagues for their relentless efforts during this period of change. I recognise that any business is only as strong as its colleagues and, looking at the team around me, that fills me with confidence.

Euan Sutherland
Group Chief Executive Officer
17 April 2023

Read our 'Generation Experience' economic study

> "In order to transform Saga into 'The Superbrand' for older people, we need to create an exceptional colleague experience, giving each and every colleague the opportunity to do the best work of their lives."

5 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

RESILIENT PERFORMANCE

During the financial year, the following key performance indicators (**KPIs**) were used to assess the financial and operational performance of the business against our three-step growth plan. These include an additional KPI measuring our marketable database, which is one of several contributing elements to the directors' remuneration.

Financial KPIs

Underlying Profit/(Loss) Before Tax[1]

£21.5m

2022/23	£21.5m
2021/22	(£6.7m)
2020/21	£17.1m
2019/20	£109.9m

1

Purpose and definition

Underlying Profit/(Loss) Before Tax[1] is the Group's primary KPI and a meaningful representation of the Group's underlying trading performance. It is defined as loss before tax excluding items which are not expected to recur. Refer to page 209 for full definition and explanation.

Performance

Increase of £28.2m in comparison to 2021/22, largely as a result of our Cruise and Travel operations returning to more normal operating conditions as we emerge from the pandemic.

Available Operating Cash Flow[1]

£54.9m

2022/23	£54.9m
2021/22	£75.8m
2020/21	£3.4m
2019/20	£92.7m

1

Purpose and definition

Available Operating Cash Flow[1] represents net cash flow from operating activities which is not subject to regulatory restriction, after capital expenditure but before tax, interest paid, restructuring costs, proceeds from business and property disposals and other non-trading items. Refer to page 209 for full definition and explanation.

Performance

Decrease in Available Operating Cash Flow[1] due to higher central costs, movements in working capital, lower dividends from our Underwriting business and higher capital expenditure, partly offset by increased cash generation from Cruise and Travel.

Loss before tax

(£254.2m)

2022/23	(£254.2m)
2021/22	(£23.5m)
2020/21	(£61.2m)
2019/20	(£300.9m)

1

Purpose and definition

Loss before tax as presented in accordance with UK-adopted international accounting standards.

Performance

Loss before tax for the year of £254.2m, reflecting a £269.0m Insurance goodwill impairment alongside other smaller one-off below the line items.

Net Debt[1]

£711.7m

2022/23	£711.7m
2021/22	£729.0m
2020/21	£760.2m
2019/20	£593.9m

2

Purpose and definition

Net Debt[1] represents the sum of the carrying value of the Group's debt facilities, less the amount of Available Cash[1] it holds. Refer to page 59 of the Group Chief Financial Officer's Review for a full breakdown.

Performance

Net Debt[1] reduced by £17.3m compared with 31 January 2022, as a result of the net operating cash generated and dividends received from our Underwriting business being only partially offset by movements in working capital, cash injections into our River Cruise and Travel businesses, capital expenditure and the servicing of debt. Refer to page 54 of the Group Chief Financial Officer's Review for full details.

References to our three-step growth plan

1	Maximising our existing businesses
2	Step-changing our ability to scale while reducing debt
3	Creating 'The Superbrand' for older people
£	2022/23 Bonus KPIs

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Non-financial KPIs

Motor and home insurance customer retention

£

83.8%

2022/23		83.8%
2021/22		82.8%
2020/21		80.5%
2019/20		75.1%

1

Purpose and definition

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

Performance

Motor and home retention is 1.0ppt ahead of 2021/22, due to market-wide regulatory changes that give customers more reason to stay loyal to their insurer.

Ocean Cruise load factor[2]

£

75%

2022/23		75%
2021/22		68%

1

Purpose and definition

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

Performance

Load factor of 75% for 2022/23, reflecting 66% in the first half of the year, following residual impacts from the pandemic and geopolitical uncertainty, and 84% in the second half of the year as we returned to more normal operating conditions.

Ocean Cruise per diem[2]

£

£318

2022/23		£318
2021/22		£299

1

Purpose and definition

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

Performance

The £318 per diem for 2022/23 is significantly ahead of the prior year, reflecting the impact of inflation and improvements made to our Cruise products to enhance the guest experience.

Customer net promoter score (NPS)

51

2022/23		51
2021/22		49
2020/21		44
2019/20		38

3

Purpose and definition

Customer NPS represents the willingness of customers to recommend Saga products and services to family, friends and colleagues. The score is calculated by analysing customer survey responses and subtracting the percentage of detractors (those scoring six or less) from the percentage of advocates (those scoring nine or more) which is then weighted by business unit.

Performance

Customer NPS reached a record high of 51, reflecting improvements within our contact centres which reduce wait times and improve the customer journey.

Colleague engagement[3]

£

8.0 out of 10

November 2022		8.0
November 2021		7.7

3

Purpose and definition

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

Performance

Overall colleague engagement increased to 8.0 from our previous score of 7.7 reflecting higher scores in loyalty and satisfaction as a result of the support that colleagues received in response to the rising cost of living.

Marketable database

£

5.9m

31 January 2023		5.9m
31 January 2022		6.2m
31 January 2021		7.9m
31 January 2020		8.2m

3

Purpose and definition

Our marketable database reflects the number of people over 50 for whom we hold details and are able to contact via either post or email in relation to the products and services offered by at least one of our business units.

Performance

Our marketable database has been in decline due to lapsing permissions and a higher proportion of customers opting out of postal communications. The rate of decline has, however, slowed over time due to an increase in customers opting in to email.

2 No comparative data prior to 2021/22 has been provided for Cruise, as operations were suspended for much of 2020/21, with the offering prior to that not comparable with our two current ocean ships

3 During 2020/21, Saga appointed a new third-party survey provider. As such, the data prior to February 2021 is not comparable

DELIVERING IN CHALLENGING MARKETS

Saga operates in highly attractive markets, serving the fastest-growing and wealthiest demographic with significant opportunity for growth.

There were an estimated

26.1m

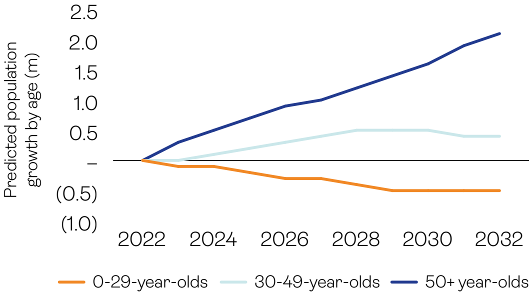
individuals in the UK aged over 50 during 2022[1]

...spending

£292bn

per year on non-household expenditure[2]

...and this population is expected to grow faster than any other age group[1]



Our customers

Saga exists to serve people over 50 with uniquely tailored products and services, accompanied by exceptional experiences. This segment of the UK population is the fastest-growing demographic in the UK today with considerable disposable wealth.

We know that people, their views and their needs change as they age and that these changes impact their spending behaviours. At Saga, we are uniquely positioned to fulfil these needs by utilising our in-depth insights and data to offer meaningful, relevant and compelling products and services to this group.

Our businesses

While we continue to face significant competition in the more commoditised areas of the business, with the use of our unique insight and data, we have, and will continue to develop differentiated products to suit the specific needs of our customers.

Cruise

In Cruise, while we have a significant number of competitors, we are uniquely placed within the market, offering a truly all-inclusive UK-to-UK experience on board smaller, purpose-built luxury ships that consistently deliver exceptional service.

Travel

In what continues to be a commoditised market, our recently relaunched Travel business constantly develops and launches new products that set us apart, with our new private jet tours being a prime example of this.

Insurance

The UK market remains competitive, particularly within motor insurance, following the regulatory changes arising from the FCA's review into GIPP and the impact of inflation on the cost of settling claims. We will continue to grow the range of products we offer our customers, focusing not only on motor and home insurance but also on how we can provide our customers with great value and peace of mind for their wider insurance needs.

1 Office for National Statistics – 2020-based principal projections

2 'Generation Experience' economic study – Total VAT receipts for the 2021/22 tax year were £117.4bn. While no age breakdowns of that data exist, using the Office for National Statistics data on total expenditure per person based on the age of the 'household reference person', we estimate that VAT receipts from individuals aged 50 years and over amount to £58.4bn. Assuming the standard 20% rate of VAT, this equates to an estimated £292bn of non-household expenditure from this age group

Regulatory and legislative developments

Background

Our Insurance Broking and Money businesses are regulated by the FCA, with the Insurance Underwriting business regulated by the Gibraltar Financial Services Commission operating under the Solvency II Directive. The Travel business is regulated by the Civil Aviation Authority and is a member of the Association of British Travel Agents (**ABTA**) as well as an Accredited Agent of the International Air Transport Association. The Cruise business is regulated by the International Maritime Organisation, the Maritime and Coastguard Agency and is a member of the Cruise Lines International Association, the UK Chamber of Shipping and ABTA.

Saga also operates processes and procedures to comply with other regulations and legislation that apply to its business including, but not limited to, the Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and health and safety legislation.

Developments during the year

During 2022, Saga implemented the FCA policy requirements for GIPP to address the difference between new business and renewal pricing for motor and home policies. The changes came into effect on 1 January 2022 and we believe they are positive for consumers as a whole and encourage more focus on service and claims handlings as prices become more aligned across the industry.

In July 2022, the FCA published its policy statement, 'A new Consumer Duty', which incorporates new consumer protection standards in retail financial services, designed to raise overall customer outcomes and to encourage firms to 'get it right first time'. It is supported through a set of rules and four customer outcomes, and is the cornerstone of the FCA's three-year strategy. The new rules come into force on 31 July 2023 and Saga is well positioned to meet these new standards, building upon customer-orientated working practices already embedded and operating to good effect.

Macroeconomic conditions

The macroeconomic environment was volatile during 2022, with rapid changes to sanctions, rising food, energy and wage costs, and supply chain shortages which were partly driven by the Russian invasion of Ukraine, but also impacted by Brexit, the COVID-19 pandemic, UK Government leadership changes, and adjustment to a post-pandemic operating environment. These significant events, often viewed as 'black swan'-type events, have led to interlinked and compounded impacts which have been complex to navigate across industries. The factors which posed the most risk to Saga were increases to claims inflation which impacts our Insurance business, the costs of goods and services, wage inflation, the ability to attract and retain colleagues and the cost of living crisis.

Post-pandemic operating

With no COVID-19 restrictions throughout the majority of 2022 in most jurisdictions, the Cruise business continued its return to service. A COVID-19 crew vaccination programme remained in place to ensure the safety of all on board, and tried and tested COVID-19 protocols are ready to be re-initiated if needed.

Elsewhere in the business, although absences due to COVID-19 fluctuated throughout 2022, they were significantly lower than the previous year. We continue to see higher rates in the contact centre in comparison with other areas however, this is managed through the absence protocols in place.

Increased claims inflation

Material increases in claims inflation have proved a challenging environment for the insurance market, with inflation emerging off the back of changing claims trends through COVID-19 periods and the impacts of the FCA's review into GIPP. Our Underwriting business focused on disciplined management of the result, actioning material price increases as well as developing and delivering a range of initiatives to mitigate inflationary impacts. Claims inflation is now tracking in line with expectations and is forecast to reduce next year.

Recruitment and retention

During the latter half of 2021, UK companies started to suffer high levels of resignations, commonly referred to as the 'Great Resignation'. This elevated attrition continued into 2022 across the industry, and, in Saga, particularly impacted those with less than 12 months' service in the contact centres.

We adapted our recruitment approach during 2022 and began recruiting nationwide to mitigate the issue. Attrition plans were in place throughout 2022 to fully understand and address the reasons behind colleagues leaving, and continued focus on this in 2023 is expected to further reduce colleague turnover.

Cost of living crisis

With rising cost of living pressures in 2022, we supported our colleagues in a number of ways. We awarded all colleagues a 2.5% pay increase in February 2022 and brought forward our February 2023 pay increase to award a further 5% in December 2022 for colleagues below senior leadership level. Additionally, we provided a lump sum payment of £500 in September 2022, and again in February 2023, to all colleagues below senior management level. Overall, for 2022, colleagues below senior management received an average 11% pay increase in the year and senior management received a 7.5% pay increase to assist with the rising cost of living.

Colleagues also had access to a wide range of benefits including an Employee Assistance Programme, mental health first aiders, a hardship fund and retail and supermarket discounts.

BUILDING ON OUR STRENGTHS

Our purpose is to deliver exceptional experiences every day, whilst being a driver of positive change in our markets and communities. We are a direct-to-customer marketing, content and distribution business with unique insights into our customers that help us build long and deep relationships.

Our strengths

Our colleagues and culture

We recognise that our colleagues are key to delivering exceptional experiences every day for our customers. Therefore, focus on, and investment in, our colleagues and the culture in which they work is a priority to ensure that we inspire colleagues to do the best work of their lives, empowering them to better serve our customers.

Find out more in Environmental, Social and Governance on pages 26-43

Our brand

The Saga brand has always been exceptionally well-known amongst people over 50. This is a key strength in the highly competitive markets that we operate in, as the brand is often associated with trust. As part of our strategy, we aim to build Saga into 'The Superbrand' for older people, which will allow us to reach a wider audience and further build on our already distinct brand.

Find out more in our strategy on pages 22-25

Our customers and insight

At Saga, our customers are the heart of our business and we aim to create exceptional experiences for them every day. Through our unique customer insight, we are able to develop a deep understanding of the ageing experience and what is important to this unique group so that we are able to develop products and services that meet their wants and needs.

Supplier partnerships

Our supplier partnerships are integral to our business model as leveraging their specialist expertise, resources and capital allows us to deliver the best possible products and services to our customers.

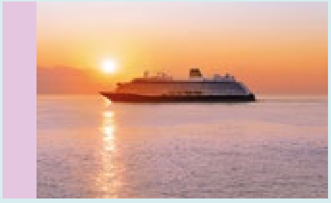
Proprietary data and technology

The size of our database, and the depth of information we hold on our customer group, is one of Saga's core assets. The continual expansion and development of this data, coupled with our unique insights, allows us to develop products and services that are tailored specifically for this unique group.

Our diverse business

Our distinct business units are ambitious and autonomous, whilst leveraging our core strengths to build deep and long-lasting relationships with our customers.

Cruise



What we do

We provide our guests with ocean and river cruises on board our luxury ships.

How we add value

- We offer guests a truly all-inclusive cruising experience which includes all meals and drinks, a chauffeur service, private balconies as standard and selected excursions.
- Guests travel with the added peace of mind through inclusion of travel insurance and a price promise guarantee.

Marketplace and position

We are one of the smaller cruise businesses operating from the UK, however, our unique offering and value for money leaves us well-placed within the market.

Key competitors

Royal Caribbean, Carnival, Fred Olsen and Riviera

Guests travelled

48k

2021/22 – 23k

Travel

What we do

We provide our guests with a variety of travel experiences through hotel stays, escorted tours and Tailor-Made holidays.

How we add value

- Our Saga Deluxe and Titan VIP Travel Services provide ease and reassurance through home-to-airport pick-up, airport lounge access and fast-track security clearance at selected UK airports.
- Customer money is safeguarded in a trust arrangement until they return from their holiday, providing further peace of mind.

Marketplace and position

We are one of the leading travel businesses serving people over 50 in the UK.

Key competitors

TUI, On the Beach, Trailfinders and Kuoni

Guests travelled

47k

2021/22 – 8k

Insurance

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

How we add value
- We offer customers flexibility through a range of products from our lower-cost standard one-year motor policies through to our premium three-year fixed-price policies.
- We use a combination of our own in-house underwriter, AICL, and a third-party panel of underwriters to ensure that customers receive the best price.
- We aim to acquire as many customers as possible directly, reducing the cost of acquisition.

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

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

Total policies in force
1.7m
2021/22 – 1.7m

Other Businesses

What we do
The Group's Other Businesses offer personal finance products through Saga Money and a range of online and printed content through Saga Media. We also operate Saga Insight, which specialises in generating unique insights into 'Generation Experience', and CustomerKNECT (formerly MetroMail), our mailing and printing business.

Saga Money customers[1]
139k
2021/22 – 128k

Saga Media weekly newsletter reach[2]
0.5m

How we add value
- Saga Money partners our in-house expertise with specialist third parties to deliver personal finance products that meet the needs of our customers.
- Saga Media delivers engaging and insightful content through Saga Exceptional and the Saga Magazine.
- Saga Insight specialises in understanding the ageing process and what it means to get older, allowing us to develop products and services that our customers want.

Creating value

Saga is committed to maximising value for our key stakeholders

Customers
Delivering for our customers is what drives us to succeed. We develop tailored, differentiated products that allow them to live a life unlimited.

Colleagues
So that our colleagues feel highly engaged with Saga and their work, we continually invest in their development and wellbeing, creating a culture of high performance and high support across the Group.

Community
Saga strives to have a positive impact on our communities through our colleague volunteering schemes and charitable giving.

Partners and suppliers
To provide our customers with the best products and services possible, we partner with carefully chosen suppliers who, in return for their expertise, experience, or financial resources, gain access to our knowledge, brand and deep customer insight.

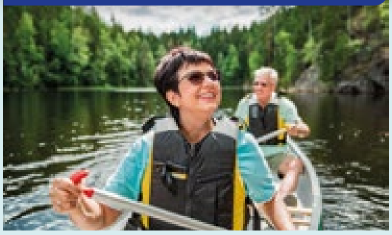
Shareholders and investors
Saga is committed to creating long-term value for our investors by maximising our businesses, returning to sustainable growth and reducing our debt.

Find out more in engaging with stakeholders on pages 20-21

1 2021/22 Saga Money customers have been restated from those published in the 2022 Annual Report and Accounts to align with current reporting methodology
2 No comparable data exists for 2021/22 as the weekly newsletter was introduced in May 2022

CREATING STAKEHOLDER VALUE

Customers



Our customers continue to be the heart of our brand. Our success relies on engaging new customers and building and maintaining the loyalty of our existing customers.

What matters to them

- Value for money products and services that are designed specifically for their needs.
- Exceptional customer service in every interaction with Saga.
- Clear and informative communication in the format that best suits them.

How we engage

Our ambition is to increase the frequency of engagement with our customers from once a year to daily. In addition to our existing telephone and email support, social media interactions, publication of Saga Magazine and utilisation of our customer panel, we also launched a brand-new website, Saga Exceptional, which was created to provide a dedicated space online for people over 50.

How the Board is kept informed

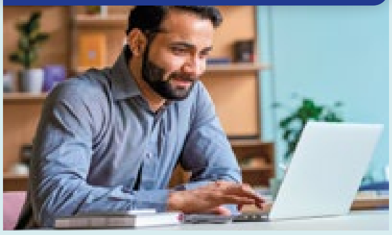
The Board receives regular reports from management based on customer insights and feedback, and reviews NPS scores as part of a range of customer scorecards from each of our business units which are presented at each meeting.

Customer-facing colleagues are also invited to Board meetings to present details of customer experiences.

Customer NPS

51

Colleagues



Our colleagues will always be an integral part of the business and so creating an inclusive and supportive culture that allows them to reach their full potential is crucial.

What matters to them

- A culture where they feel not only accepted but understood and valued for the characteristics that make them individual.
- Regular, honest and open communication that encourages them to speak up and know they'll be heard.
- Receiving fair reward and recognition.

How we engage

We strive to maintain active two-way communication with our colleagues through a variety of channels including our internal communications platform, Workplace, quarterly engagement surveys, regular one-to-one meetings with line managers, collaborative team events, Tell Euan About sessions and through our People Committee.

Find out more in Environmental, Social and Governance on pages 26-43

How the Board is kept informed

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

Colleague engagement

8.0
out of 10

Partners and suppliers

In order for us to deliver exceptional experiences every day for our customers, we depend on the support of our partners and suppliers. Our ambition is to develop long-term, mutually beneficial relationships with all our key suppliers.

What matters to them

- Reliable relationships that support the delivery of their own strategic objectives.
- Regular and open communication.
- Innovation that encourages simplification and efficiency where practicable.

How we engage

Our relationships with our supply chain are governed by our supplier relationship management and supplier risk management policies, which provide a framework for our operations. This ensures that communication with our partners and suppliers is regular and consistent, allowing us to continually develop the way we work together. Our individual business units are responsible for management and control of these relationships.

How the Board is kept informed

The Risk Committee is kept informed of any changes to supplier risk management through the Executive Leadership Team Committee.

Communities

Part of our purpose is to drive positive change in our markets and communities so we therefore aim to understand and carefully consider the impact of every decision we make.

What matters to them

- Maintaining clear and open communication with us to ensure that they are aware of our strategy and plans, as well as any impact it may have on them.
- The chance to share what matters to them and how we may be able to support.
- Opportunity to share knowledge and skills between our colleagues and the wider community.

How we engage

Our Group CEO, alongside specific members of the wider Saga team, host two meetings a year with community stakeholders which include a business update and the opportunity to ask questions and engage with us on key topics.

In addition, our colleagues are each provided with one paid volunteering day per year, allowing them to give back to our communities.

How the Board is kept informed

Our Group CEO attends each meeting, enabling him to directly feed back to the Board.

Colleague volunteering time

1,078

days

Shareholders and investors

We are focused on creating a business which delivers long-term sustainable value to our shareholders. We aim to treat all shareholders fairly, providing them with opportunities to express their views.

What matters to them

- Active engagement with the Group CEO, Group CFO and Investor Relations (**IR**) team.
- Regular updates on the Group's financial performance and progress against our strategy.

How we engage

We have frequent communication with our shareholders and investors through results announcements, press releases, updates to our corporate and shareholder websites, group events, one-on-one meetings and ad hoc telephone and email interaction.

How the Board is kept informed

The agenda for each Board meeting includes review of an IR report that provides an update on investor engagement and feedback received. Our Non-Executive Chairman, Group CEO, and Group CFO meet with investors on a regular basis, assisted by our Head of IR. Additionally, the chair of our Remuneration Committee interacts with shareholders throughout the year and relays any feedback to the Board. Our Annual General Meeting, Capital Markets Events and results presentations also provide the opportunity for in-person interaction with investors.

Regulators

Our regulators set the framework in which we operate, and it is therefore crucial that we maintain strong relationships with them.

What matters to them

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

How we engage

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

How the Board is kept informed

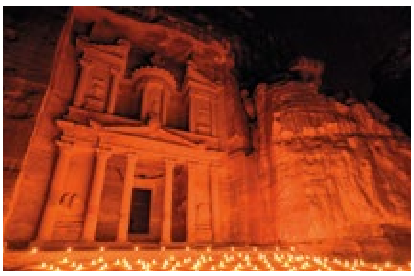
The Risk Committee escalates any matters of strategic or reputational importance to the Board. The chairs of our regulated businesses, Saga Personal Finance (**SPF**) Limited, Saga Services Limited (**SSL**)and AICL, are also plc Directors and report on our relationships with regulators.

Find out more in our Risk Committee Report on pages 90-91

OUR THREE-STEP GROWTH PLAN

1. MAXIMISING OUR EXISTING BUSINESSES

We plan to maximise our existing businesses through a specific plan for each, enabling growth, accountability, efficiency and the delivery of a common brand purpose.



Saga launches exclusive private jet tour

We launched our first ever exclusive private jet tour in June 2022, offering the opportunity for guests to tour a series of unforgettable encounters while travelling in a privately chartered plane and staying in a succession of exquisite hotels. Following the first tour reaching 70% sold just 10 weeks after it was launched, a further two itineraries have now been added.

70%

sold just 10 weeks after launch

SILVER TRAVEL AWARDS 2022

Cruise

Objective

Build Ocean Cruise into an exceptional experience every day, whilst maximising our returns, and build a River Cruise proposition that mirrors Ocean.

Challenges

- Impact of COVID-19 pandemic posing restrictions on the industry, alongside increased consumer caution.
- Geopolitical factors requiring amendments to itineraries and some limited guest cancellations.
- Potential for the cost of living crisis to impact levels of discretionary spending on cruises.
- Regulatory, financial and physical impacts associated with climate change.

Progress in 2022/23

- Appointment of Ian Simkins, who brings a wealth of experience from the luxury travel market, to chair the Cruise board.
- Uninterrupted sailing with the last of the COVID-19 restrictions lifted during summer 2022.
- Ocean Cruise load factor of 75% for the full year and 84% for the second half.
- Awarded 'Best Value For Money Cruise Line' at the 2022 Wave Awards.
- Secured strong bookings for 2023/24 (at 26 March 2023):
  - Ocean Cruise load factor of 72% and per diem of £339.
  - River Cruise load factor of 63% and per diem of £298.
- Ocean and River Cruise teams combined to deliver same exceptionally high service across both products.

Travel

Objective

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

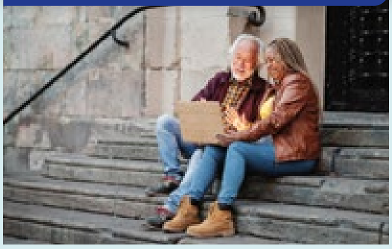
Challenges

- Impact of COVID-19 pandemic posing restrictions on the industry, alongside increased consumer caution.
- Potential for the cost of living crisis to impact levels of discretionary spending on travel.
- Changes to itineraries, financial and regulatory impacts associated with climate change.

Progress in 2022/23

- Successful combination of Saga Holidays and Titan Travel to create the UK's largest and market-leading touring business.
- Launched Saga Travel, a new digital business with dynamic pricing and an enhanced website and booking platform.
- The introduction of our Saga Deluxe and Titan VIP Travel Services, with home-to-airport pick-up, airport lounge access and fast-track security clearance at selected UK airports.
- Launch of our new 'Tailor-Made by Saga' proposition and first ever private jet tour which was awarded the 'Breakthrough Product Innovation' Award at the Silver Travel Awards.
- Strong bookings into 2023/24 of £136.6m as at 26 March 2023, 32% ahead of the same point in the prior year.

Insurance



Objective

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

Challenges

- Potential for the cost of living crisis to change consumer attitudes towards premium products and increase the number of customers who shop around for their insurance.
- Regulatory changes arising from the FCA's review into GIPP causing volatility in the market.
- Inflationary increases on the cost of settling insurance claims causing short-term pressure on earnings.

Progress in 2022/23

- Successful implementation of new regulatory requirements arising from the FCA's review of GIPP.
- Strong recovery in travel insurance with the number of policies sold 103% ahead of the prior year.
- Customer retention within motor and home improved by 1.0ppt to 83.8% with a margin per policy of £71, compared with £74 in the prior year.
- Launch of new products including a lower-cost standard one-year policy, a multi-car proposition and a policy for electric vehicles.
- Achieved 'Highest Rated Home Insurer' in the first ever Woman & Home Smart with Money Awards 2022.

Money

Objective

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

Challenges

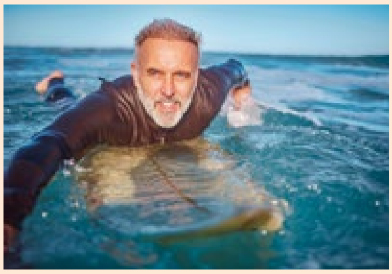
- Risk of interest rate fluctuations causing market uncertainty and lower demand for our products.
- Regulatory restrictions applicable to our third-party partners, limiting the number and value of products that we are able to sell.

Progress in 2022/23

- Appointment of dedicated CEO who will be pivotal in developing Saga Money into a significantly larger business.
- Equity release total loan volumes 29% ahead of the prior year, with the average loan value also 19% higher.
- Increased the number of savings accounts by 17% compared to the prior year, with assets under management of £3.5bn.

2. STEP-CHANGING OUR ABILITY TO SCALE WHILE REDUCING DEBT

Reducing our level of debt is a key driver in creating value for our investors.



Objective

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

Challenges

- Balancing the level of investment required to scale our operations with maximising cash generation and accelerating debt reduction.

Progress in 2022/23

- Net Debt[1], at 31 January 2023, of £711.7m, £17.3m lower than 31 January 2022.
- Following two years of agreed payment deferrals in relation to our ocean cruise ship facilities, repayments recommenced in June 2022 and a total of £46.4m was repaid during the year.
- We concluded discussions with our lending banks to amend the covenants in relation to our revolving credit facility, providing us with greater flexibility in relation to liquidity used for short-term working capital purposes.
- Decision made to close our Folkestone headquarters in favour of multiple smaller hubs, reducing operating expenses.
- Initiated a sales process for our Insurance Underwriting business as part of our ambition to move towards a more capital-light model.

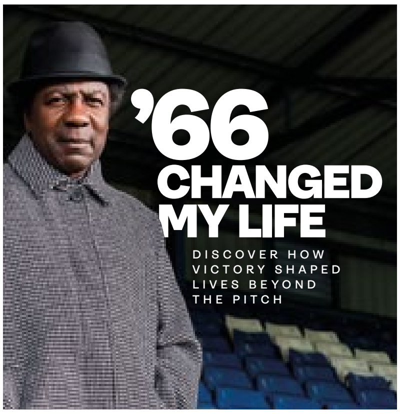
> In 2022/23, our Net Debt[1] reduced from £729.0m to £711.7m with gross debt reducing by £46.4m, all relating to the debt financing of our two ocean cruise ships."

James Quin
Group Chief Financial Officer

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

3. CREATING 'THE SUPERBRAND' FOR OLDER PEOPLE

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



'66 Changed My Life

At Saga, we are a brand that celebrates and champions experience in all its forms, no matter who you are, who you love or where you're from and, through this campaign, we focused on the wonderful stories of people whose lives were changed by that moment in our history.

Watch these amazing life stories that were shaped by the '66 final

Saga Exceptional

In January 2023, we launched Saga Exceptional, a brand-new website made for people over 50, with best-in-class consumer advice and inspirational stories that celebrate this incredible generation.

Over 500k[2]

visits since launch

Read our high-quality, purpose-driven content at Saga Exceptional

Objective

We will commercialise and grow our database, build exceptional insights into 'Generation Experience', deliver a brand repositioning, create a content platform that reaches millions of customers every day and deliver an exceptional colleague experience.

Challenges

- The impact of regulatory changes on the number of customers we can communicate with.
- The pace of change in relation to the wants and needs of 'Generation Experience'.
- Converting our exceptional levels of consideration for the Saga brand into customers who believe that Saga is for them.

Progress in 2022/23

- Research conducted by Saga Insight identified eight key segments of people over 50, allowing us to pinpoint significant growth opportunities.
- Appointment of Chief Data Officer to support driving commercial value and radically transforming our database.
- Exceeded our target of three million new marketing consents in the year ended 31 January 2023.
- Launched two new television adverts showcasing our equity release and Tailor-Made travel propositions in addition to our ''66 Changed My Life' campaign to support the repositioning of the Saga brand.
- Launch of Saga Exceptional, allowing us to reach more customers through a broader range of content.
- Colleague engagement increased to 8.0 out of 10.
- Enhanced the financial support available to colleagues through the acceleration of our annual pay review cycle and two additional support payments for our colleagues with lower earnings.

2 Visits refers to a session as defined by Google Analytics

PROGRESS IN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Saga provides an ecosystem of services for older people to create connections, communities and confidence. We aim to create a diverse and inclusive workforce that champions positive ageing, whilst taking responsibility for the environment so that future generations can thrive.

Our ESG strategy

We have been on a journey to enhance our ESG approach, and we are now positioning Saga for sustainable growth. As international travel returns to pre-pandemic levels, and our business continues to evolve, we continue to evaluate our impact on society and the climate as we endeavour to create positive change within our markets and communities.

At Saga, we aim to operate as a responsible and sustainable business and we are aware of the increasing expectations of regulators, stakeholders and customers. In 2022, we achieved a significant milestone by improving our FTSE4Good index score from 2.6 to 4.1 (out of 5), a recognition of our strong performance. We also maintained a 'B' score from CDP (formerly Carbon Disclosure Project), reflecting our commitment to reducing our carbon footprint.

In our 2022 Annual Report and Accounts, we announced our intention to publish an ESG strategy. Over the last year, we have been working hard to deliver on that promise, striving to create an approach with greater scale, ambition and importantly, impact. We are delighted to present our strategic framework in this report.

Our ESG strategy, which was informed by our double materiality assessment, will serve as a roadmap for making decisions and generating meaningful change. The three pillars of our strategic framework: championing positive ageing, acting on climate change and biodiversity and strengthening our exceptional culture, encapsulate our priority ESG topics. The process used to identify these priority topics is outlined on page 28.

In the coming months, we will publish a report detailing the key performance indicators and metrics we will use to track progress against our ESG strategy. We will measure and communicate our progress to stakeholders and adjust our approach as needed.

Our targets and metrics will be published on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).

We are committed to delivering against our ESG responsibilities and continuously improving in this area. We recognise that sustainability is a journey, not a destination. We will be transparent and accountable regarding our sustainability efforts moving forward as we strive to realise our ESG goals.

Paula Kerrigan
Chief Operating Officer (**COO**)
17 April 2023

Our ESG framework

Vision

Saga exists to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities

Strategic pillars

Championing positive ageing

Strategic objectives

The ambition to enhance the lives of older people is at the heart of everything we do.

We lead with a strong social purpose and aim to pioneer the conversation on positive ageing. We will continue to curate purposeful and sustainable products and services that create connection, confidence and experience.

Priority topics

- Customer accessibility and satisfaction
- Purposeful service and product offering

Related Sustainable Development Goals (SDGs)

3 Good health and well-being; 12 Responsible consumption and production

Find out more on page 29

Acting on climate change and biodiversity

Strategic objectives

As we provide opportunities for older people, we must ensure that we protect our environment.

We commit to further evaluating our environmental impact and taking responsibility for our actions. We will work to address our footprint on the oceans and natural world while striving towards achieving net zero.

Priority topics

- Carbon emissions
- Oceans and biodiversity

Related SDGs

13 Climate action; 14 Life below water

Find out more on page 30

Strengthening our exceptional culture

Strategic objectives

An engaged, inclusive and diverse culture encourages our people to thrive.

We embrace diversity and will continue to develop an equitable culture that is focused on growing our exceptional people through engagement and promoting their wellbeing. We promote an inclusive culture where all colleagues have the opportunity to bring their authentic selves to work.

Priority topics

- Diversity, equity and inclusion (**DE&I**)

Related SDGs

8 Decent work and economic growth; 10 Reduced inequalities

Find out more on page 37

Governance

A governance framework that ensures how we work is as important as what we do and why we do it

Priority topics

- Business ethics and compliance
- Data privacy and security
- Fair and decent work

To inform the development of our ESG strategy, we conducted a double materiality assessment. This involved a comprehensive analysis of the ESG landscape and gathering insights from over 400 internal and 900 external stakeholders through online surveys and detailed discussions. We plotted the importance of each ESG topic for stakeholders against business priorities across 16 ESG themes to identify the most material topics for Saga to address.

The outcome of our double materiality assessment is demonstrated in the matrix below. The materiality matrix presents the importance of each topic to our stakeholders (y-axis) and the impact of each on the business (x-axis). The business impact was based on the residual risks associated with key ESG topics.

Sustainability priorities

The materiality matrix helped us understand the topics most important to the business and our stakeholders; however, to ensure a fully holistic understanding, we carried out additional strategic analysis.

By conducting a maturity assessment, competitor analysis and a horizon-scanning exercise, we identified where a step-change was needed. This enabled us to determine the following priorities for Saga:

- Carbon emissions
- Customer accessibility and satisfaction
- DE&I
- Oceans and biodiversity
- Purposeful service and product offerings

These form the foundation of the pillars of our strategic ESG framework. Moving forward, we commit to setting targets on each topic and will report against these going forward.

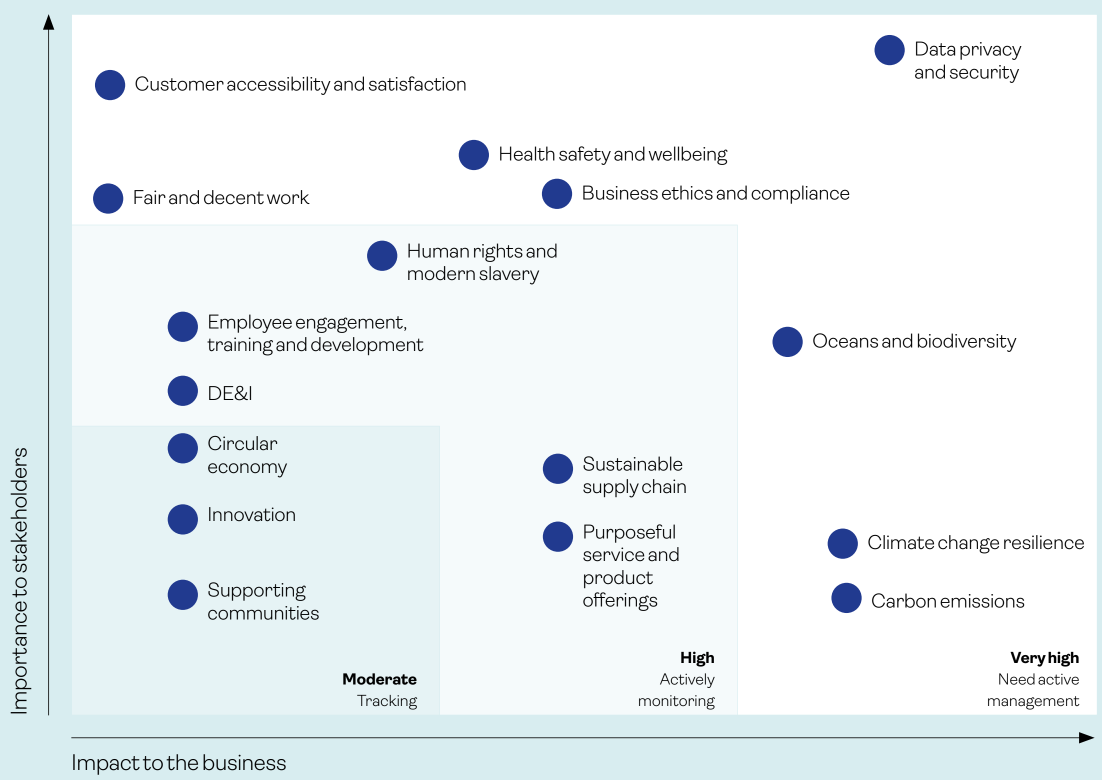
Whilst these five topics have been identified as our key priorities, we have already made significant progress on a number of the remaining topics and will continue momentum in these areas.

ESG governance

At Saga, we understand that the successful implementation of our strategy is dependent on robust, transparent governance. Having clear accountability drives our sustainability ambitions. This year, we appointed a Head of ESG, reporting to our COO demonstrating our commitment to ESG. Euan Sutherland, Group Chief Executive Officer (**CEO**) is the ESG representative on the Board.

> Our ESG strategy, which was informed by our double materiality assessment, will serve as a roadmap for making decisions and generating meaningful change."
>
> **Paula Kerrigan**
> Chief Operating Officer

Double materiality assessment



Championing positive ageing

Our ambition is to enhance the lives of older people. This is at the heart of everything we do.

Championing positive ageing

Priority topics

- Customer accessibility and satisfaction
- Purposeful service and product offering

Related SDGs

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We lead with a strong social purpose and aim to pioneer the conversation on positive ageing. We will continue to curate purposeful and sustainable products and services that create connection, confidence and experience.

Our double materiality assessment shows that customer accessibility and satisfaction is integral to Saga's work and is considered a material topic by stakeholders and the business. Stakeholders also recognised Saga's role in curating purposeful service and product offerings, including sustainable travel opportunities, and responsible ESG underwriting and investment options.

Unmatched insights

During the year, we introduced Saga Insight which has further strengthened our understanding of 'Generation Experience' – discerning, sharp and savvy people over 50 who bring a wealth of vibrant life experience to society and represent over a third of the UK population.

Saga Insight ensures we continue to develop services and products that our customers want and need. We listen to our customers to truly understand who they are and we will continue to innovate to create purposeful products that generate a sense of community and belonging for our customers.

Inclusive of an ageing workforce

We want to ensure our brand is inclusive and a visible driver of positive change in our markets and communities, making us the champions of age at work in the UK. Through Saga Insight, we have shaped an all-colleague upskill on age, challenging perceptions around ageing. We launched a Basics of Ageing learning experience in October 2022 for over 2,000 colleagues to ensure that we understand our customers better than anyone.

We were the first employer to introduce Grandparents' Leave for all colleagues – a week paid time off to celebrate the birth of a grandchild. During the year, 24 colleagues used this benefit, with 125 days of leave taken.

We also supported the launch of the Centre for Ageing Better's employment pledge and are a signatory to this. We are conscious of the wording we use in recruitment advertising, avoiding language which could introduce an age bias. We also look to offer flexibility in hours and location, recognising that this can be valuable to people whatever their age. To gain insight from colleagues about what is working and where we could do better, we hold Age Inclusion Forums, listening sessions on age, with members of our Executive Leadership Team (**ELT**).

Read the Saga case study from the Centre for Ageing Better on their website

Future goals and commitments

Going forward, we commit to continuing to upskill our colleagues on the ageing process and how this influences our customers. We will launch the second part of our Basics of Ageing learning experience, ensuring our colleagues understand our customers better than anyone.

We aim to accelerate digital journeys for our customers, improving ease, while continuing to deliver high levels of service within our contact centres. Through Saga Insight, we will lead the conversation on ageing in the UK.

Case study

A menopause friendly employer

Over the last two years, we have taken active steps to move forward the conversation regarding menopause, upskilling our leaders and role-modelling a more accepting and open culture. We worked closely with industry experts, Henpicked, to create the tools and resources to support our colleagues in the best way. We were delighted to receive The Menopause Friendly Accreditation.

Acting on climate change and biodiversity

As we provide opportunities for older people, we must ensure that we protect our environment.

Acting on climate change and biodiversity

Priority topics

- Carbon emissions
- Oceans and biodiversity

Related SDGs

We commit to evaluating our environmental impact and taking responsibility for our actions. We will work to address our negative footprint on the oceans and natural world whilst striving towards achieving net zero.

As a cruise operator, Saga's internal and external stakeholders recognised the importance of oceans, biodiversity and managing carbon emissions. We support the UK Government's commitment to net zero and recognise the need to better understand our own impacts on climate and biodiversity.

Reducing our environmental impact

Over the coming months, we will be developing targets and metrics to support our strategy, and our ambition is to undertake Scope 3 greenhouse gas (**GHG**) emissions accounting to boost our value chain understanding.

During the year, we worked on a number of sustainability initiatives to reduce energy consumption, emissions and waste. Over the next year we will prioritise creating a robust and joined-up approach to achieving net zero (and setting realistic and meaningful near- and long-term targets).

Reporting our environmental impact

We recognise that in order to make impactful carbon reductions, it is important to evaluate and understand our current impact and where opportunities for improvement lie.

Energy and carbon statement

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

Emissions summary

During the reporting period 1 February 2022 to 31 January 2023, our measured Scope 1 and 2 emissions (location-based) totalled 107,235 tCO_2e.

Overall, our Scope 1 and 2 emissions have increased by 32% compared to 2021/22. This is attributed to an increase in marine fuel consumption by Saga's cruise ships as nearly all COVID-19-related travel restrictions have been removed, leading to a return to usual cruising activity, which was significantly curtailed during the previous two years. In addition, our Scope 1 fleet and business travel have also seen an increase in emissions due to the removal of restrictions. We will work to ensure the bounce-back in emissions is monitored, and actions are taken to avoid further increases.

We have remained focused on implementing a number of energy efficiency measures as detailed on page 32. The past year has seen an increase in Scope 2 energy savings, amounting to an 82 tCO_2e reduction.

Our colleague car scheme offers fully electric or hybrid vehicles as standard, and we continue to purchase 100% of our site-based electricity on a zero carbon renewable tariff. As in previous years, the dual reporting of our emissions (location- and market-based) demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources.

Scope 3 categories reported include business travel, fuel-and-energy-related activities and homeworking emissions. Our measured Scope 3 emissions totalled 3,932 tCO_2e. However, we recognise the value of broader Scope 3 emissions reporting and will develop this during 2023/24.

Greenhouse gas emissions in tonnes of carbon dioxide (tCO_2e)

Emissions scope	2022/23 emissions	2021/22[1] emissions
Scope 1	105,939	79,618
Scope 2 (location-based)	1,296	1,378
Scope 2 (market-based)	–	3
Total Scope 1 and 2 (location-based)	**107,235**	**80,996**
Scope 1 and 2 tCO_2e per £m Trading EBITDA[2]	1,110	1,242
Scope 3	3,932	2,385
Total Scope 1, 2 and 3 (location-based)	**111,167**	**83,381**

1 Saga's emissions are verified following the release of the Annual Report and Accounts and, as such, emissions may be restated slightly year on year. Our 2021/22 emissions vary slightly to those published in the 2022 Annual Report and Accounts due to an immaterial correction in Scope 1 and 2 emissions identified during verification

2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

During the reporting period, our Scope 1 and 2 methane emissions totalled 46.8 tCH_4 and Scope 3 totalled 0.6 tCH_4. Of this, 87% originates from marine fuel (Scope 1) and 11% is from electricity (Scope 2). Our nitrous oxide Scope 1 and 2 emissions totalled 1,461.5 tN_2O and Scope 3 totalled 1.2 tN_2O. Of this, 99% is from marine fuel (Scope 1), and 1% from electricity (Scope 2).

	2022/23 emissions[3]	
Emissions scope	**tCH_4**	**tN_2O**
Scope 1	41.4	1,452.3
Scope 2	5.4	9.2
Scope 3	0.6	1.2
Total Scope 1, 2 and 3	**47.4**	**1,462.7**

Energy summary

During the year, our total fuel and electricity consumption totalled 407,783 megawatt hours. The split between fuel and electricity consumption is displayed below.

Energy usage	**2022/23 MWh**	2021/22 MWh[5]
Electricity	6,704	6,491
Fuels[4]	401,079	336,518
Total energy	**407,783**	**343,009**

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the GHG Protocol Scope 2 Guidance (the **Scope 2 Guidance**). We consolidate our organisational boundary according to the operational control approach, which includes emissions from Saga plc.

We have adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year include:

- **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 own use.
- **Scope 3:** Business travel from air, grey fleet, taxis, rail and hotel stays, transmission and distribution losses associated with electricity consumption and colleague commuting and homeworking emissions.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions in accordance with two different methodologies (**dual reporting**): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

As in previous years, Scope 3 business travel included rail and hotel stays. However, for the first year, Scope 3 business travel emissions from air have been included. Spend was used to calculate business travel emissions when more accurate forms of data were unavailable.

"We are committed to delivering against our ESG responsibilities and continuously improving in this area. We recognise that sustainability is a journey, not a destination."

Paula Kerrigan
Chief Operating Officer

Assumptions and estimations

In some instances, where data is missing, values have been estimated using either an extrapolation of available data from the reporting period, or data from 2021/22 as a proxy.

Natural gas and electricity

Due to low data coverage across natural gas (Scope 1) and electricity (Scope 2), an estimation methodology was used as required.

Where data was available for a site, this was used to extrapolate missing months of data for the same site. Where sites did not have any data for the reporting year, 2021/22 consumption was used as a proxy. For new sites where 2021/22 consumption was not available, 2022/23 consumption was estimated using floor area.

Waste management

With a focus on recycling, and a zero to landfill policy, we collected 38.8 tonnes of waste from our sites, of which 16.3 tonnes were recycled and the residual was diverted to an energy-from-waste facility.

Our 2022 CDP disclosure

Our commitment to understanding and ensuring transparency around our climate-related impacts, risks and opportunities is reflected in our continued participation in the CDP climate change questionnaire. In 2022, we received a score of 'B', which is the same score we received in the previous year.

The CDP questionnaire is an important tool used to assess our progress and identify areas for improvement in terms of our sustainability and environmental impact. We are committed to ongoing improvement and ensuring that our actions align with our values and goals.

3 For N_2O and CH_4 calculations, Scope 3 emissions have been calculated for fuel-and-energy-related activities and business travel (excluding hotels). Therefore, Scope 3 CH_4 and N_2O emissions do not include hotel stays, colleague commuting and homeworking

4 Fuels are comprised of natural gas, diesel, petrol, marine fuel oil and marine gas oil

5 Saga's energy usage is verified following the release of the Annual Report and Accounts and, as such, emissions may be restated slightly year on year. Our 2021/22 energy usage varied slightly to that published in the 2022 Annual Report and Accounts due to an immaterial correction identified during verification

Acting on climate change and biodiversity continued

Environment highlights

Sustainable services

Electric vehicle (EV) insurance

We developed our EV insurance product, providing cover for charging points, equipment and batteries, and allowing our customers to use their breakdown cover for out-of-charge battery incidents as standard. We relaunched our proposition during 2022/23 and have seen an increase of more than 100% in policies taken out compared to the previous financial year.

River cruising

We added Amadeus Elegant to our river cruising fleet, recipient of the river cruising 'Green Award', in recognition of industry-leading performance in safety and environmental standards. Amadeus Elegant's first sailing is planned for May 2023.

60 e-bikes

added to our ocean cruise ships offering guests a sustainable shore exploration option.

Reducing emissions

Cold ironing

We began installation of shore power connectivity on board Spirit of Discovery, with Spirit of Adventure to follow during 2024/25.

This technology allows our ships' engines to be turned off when in port while maintaining on board power, reducing emissions compared to using fuel.

Fuel efficiency

We implemented enhanced hull cleaning to remove marine growth and maximise fuel efficiency on our ocean cruise ships. We also applied new hull coatings to Spirit of Discovery to improve hull cleanliness and fuel efficiency and will apply the same to Spirit of Adventure at its next dry dock.

LED lighting

Our CustomerKNECT (formerly MetroMail) Seaham facility installed LED lighting, achieving a power efficiency saving of over 50%.

Remote monitoring

We set up remote monitoring software to enable real-time analysis and benchmarking of performance data from our ocean cruise ships.

Green fleet

Our green colleague car scheme means that we offer full battery electrical vehicles, or hybrid vehicles as standard.

Our supply chain

We incorporated an ESG questionnaire into our procurement process to ensure that ESG factors in our supply chain are a key part of the decision-making process.

Mitigating the risks of climate change

Our climate-related financial disclosures

In accordance with Listing Rule 9.8.6 (8), we are disclosing our alignment with the Task Force on Climate-Related Financial Disclosures (**TCFD**) recommendations. This is Saga's second annual TCFD report. It sets out our actions and progress against the four pillars of the TCFD framework; governance, strategy, risk management, and metrics and targets.

We deem ourselves to be compliant with the TCFD recommendations other than the recommendation to describe the resilience of the organisation's strategy taking into account different climate related scenarios, and the recommendations to disclose the metrics and targets used to assess climate risk and opportunity.

1 Governance

Find out more on page 33

2 Strategy

Find out more on page 34

3 Risk management

Find out more on page 36

4 Metrics and targets

Find out more on page 36

1 Governance

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

The Board is informed of climate-related issues via updates on ESG topics and through escalation of risk considerations from the Risk Committee. The Board received its latest update on ESG on 22 February 2023, presented by the COO and the Head of ESG. During 2022, the Risk Committee received an update on climate risk management, including risks related to climate change, regulatory expectations, and the process for embedding climate risk consideration throughout the business. The Board receives ESG updates regularly and climate risk considerations are examined quarterly by the Risk Committee as part of the principal risks and uncertainties (**PRUs**). Further formal training around climate issues is being developed for the future.

The Risk Committee meets to discuss the Group's overall risk tolerance, strategy and ability to detect new risks, including those related to climate change, which is captured within the PRU relating to ESG. The Committee Chair reports recommendations to the Board, outlining PRUs, how they are identified, and mitigating actions. Also reporting to the Board, the Audit Committee monitors the integrity of the Group's financial statements and works with the Risk Committee to oversee the efficacy of internal control systems. The Board commits to including climate-related risk formally on the Board agenda, including the oversight of emissions performance, embedding climate resilience and risk management, as well as oversight of the wider ESG strategy. We recognise that the Board has overall accountability for financial risks associated with climate change.

In 2022, a Head of ESG was appointed, reporting to the COO, to oversee and monitor ESG matters, including climate-related considerations and other activities related to sustainability and climate change. The work co-ordinated by the Head of ESG informs the relevant PRU, which is monitored by the ELT. This ensures that oversight, review of performance, and action are delivered throughout the organisation.

The Head of ESG is tasked with ESG delivery, including climate-related risks and ESG strategy performance.

In early 2023, we developed our ESG strategy. The Board was engaged in the development process and approved the final ESG strategy for inclusion in this report.

The ELT considers ESG and climate-related risk. ELT incentives will be partially aligned with progress on climate-related goals where appropriate, beginning with 2023/24 objectives. This will ensure that ESG considerations are embedded into Group strategy, future-proofing the businesses. The ELT reports to the Board via the Group CEO.

Committee responsibilities

- **Audit Committee** – Responsible for monitoring the integrity of the financial statements, reviewing the Group's framework of internal controls (including those related to climate) and maintaining the external auditor relationship.
- **Risk Committee** – Responsible for monitoring the Group's risk management framework and ability to identify and manage new and emerging risks (including those related to climate) and deal with material breaches of risk limits.
- **Remuneration Committee** – Responsible for the Remuneration Policy, performance-linked pay schemes (including ESG considerations) and share-based incentive plans.
- **Innovation and Enterprise Committee** – Responsible for assisting the Board in assessing whether proposals to expand product ranges and services are aligned with the Company's purpose, while ensuring a balance of appropriate levels of governance within entrepreneurship (including ESG strategy considerations).
- **ELT Committee** – Responsible for the development and recommendation of strategy, setting business principles, values, behaviours and standards, monitoring business performance, resource allocation, material projects and capital expenditure proposals, talent management, culture and diversity, equity and inclusion.

Find out more in division of responsibilities on page 82

Acting on climate change and biodiversity continued

2 Strategy

We engaged our Cruise, Travel and Insurance businesses separately to provide a comprehensive and robust analysis to identify and assess climate-related risks and the resilience of our businesses to manage the links between our climate-related risks and opportunities and our business strategy. We aim to set emissions reduction targets as part of our ESG strategy development and will communicate details when finalised. This is a key management control for our climate-related risks, including reputation and market risks. An initial assessment of the climate-related risks and opportunities for our Cruise, Travel and Insurance businesses was determined over three different time horizons: short- (end of 2023), medium- (2024-2035) and long-term (2036-2050) as assessed by TCFD. Risks and opportunities for each time frame are expanded to the right.

We are assessing the controls and processes in place to mitigate and manage our climate-related risks, as well as capture our climate opportunities. We will also assess where we need to strengthen our approach to climate risk management to embed climate into everyday business decision-making and planning. Saga acknowledges that climate risk and strategy are interrelated and should be managed in unison. During 2023, we will continue to review climate resilience and control effectiveness to ensure an integrated approach to climate strategy and climate risk.

Scenario analysis

We recognise the importance of performing climate scenario analysis. It is our ambition to integrate the completion of 2°C and 1.5°C climate scenario modelling within the executive bonus structure across each business unit for 2023/24 to ensure that this activity is completed in a meaningful way. We intend to disclose the results of this analysis in our next TCFD report.

Risks

Group-wide

Short-term (end of 2023)

Saga has identified two short-term climate-related risks that could potentially impact all business units dependent on government policy decisions. First, direct and indirect carbon pricing and cost pass-on within our supply chains could reduce Saga's financial returns as upstream supply material costs increase, specifically on energy and fuel-intensive materials. Second, Saga's market valuation may be impacted by investors challenging Saga's dedication to, or progress on, climate-change commitments in line with their own obligations.

To mitigate increased climate scrutiny, we are focusing on achieving gains in ratings from FTSE4Good, CDP and other rating agencies. We are publishing our ESG strategy, which has a focus on climate. We are also considering full Scope 3 value-chain emissions inventory to broaden our understanding and drive reductions.

Long-term (2036-2050)

Disruption of office-based and on-site operations could be caused by incidents of climate-related diseases similar in effect to COVID-19. Increasing physical risk of extreme weather events, including storms, may damage Saga's offices, disrupting business operations. Warmer temperatures, inducing a wetter climate, particularly in the UK, increase the likelihood of floods and damage to property. To moderate these risks, Saga has adopted a hybrid working model allowing colleagues to work from anywhere while also replacing owned property with rented office spaces. Further, Saga has the ambition to utilise smaller regional hubs rather than a single main office going forward.

Another long-term climate-related risk is changing consumer expectations. Linked to our short-term reputational risks, Saga will also face the long-term risk of changing consumer trends around low-carbon travel options, shrinking the potential market for Saga if not addressed. We will consider options for sustainable travel solutions.

Cruise and Travel

Short-term (end of 2023)

Our businesses will face short-term risks including increased fuel costs and financial strain on Saga's key partners (such as airlines) as carbon taxation drives climate transition, particularly in relation to fossil fuels. We are investigating opportunities in new technologies in Cruise to create emissions reductions, and carbon offsetting for our jet tours as mitigating controls for this risk. This will also be considered when performing our full Scope 3 value chain emissions inventory to drive further reductions.

Medium-term (2024-2035)

The businesses face the medium-term risk of increasing emissions regulations introducing a burden on cruise and tour operators and a financial burden on Saga. Also, primarily for our Cruise and Travel businesses, but also for our Insurance and Money businesses, there is an increased risk of public health issues. Pandemics and extreme weather could impact itineraries and customer travel plans. To mitigate this risk, we adjust itineraries, as required, in response to any outbreaks.

Long-term (2036-2050)

Extreme weather events are important long-term climate-related risks that Saga takes seriously. Acute events like extreme weather, or chronic changes such as sea level rises, may damage critical supply chain locations including cruise ports and airports, causing disruption to operations, requiring Saga to cancel or reschedule trips, resulting in revenue loss or increased costs. These same extreme weather events could also affect holiday destinations, food and beverage supply, and entertainment, therefore limiting or changing our product offerings to our customers, potentially resulting in the loss of revenue. We will adjust itineraries, as required, in response to extreme weather events.

Insurance and Money

Medium-term (2024-2035)

In our Insurance and Money business units, and in some parts of the Cruise and Travel businesses (such as sourcing), we face increased costs as a medium-term climate-related risk. The impacts of these increased costs include Saga's ability to quickly repair or replace insured physical assets, suppliers' ability to service a replacement (particularly given the rate of technological change in sustainable vehicles), and increased costs of products driving up the cost for Saga to repair or replace underlying insured assets. We have developed our electric vehicle insurance offering and seek to review our supply chain to understand where efficiency gains can be made.

Seasonal diseases such as COVID-19, started or accelerated by climate drivers, could impact pay out for medical and travel insurance products as well as increase pay outs for insured assets, and supply chain products covered in Saga's current and future policies (such as smart home technologies), damaged by climate-related extreme weather.

Opportunities

Group-wide

Short-term (end of 2023)

There is a short-term climate-related opportunity linked to energy efficiency and carbon reduction. We can reduce our exposure to the rising price of carbon by reducing our carbon footprint and contribution to climate change through, for example, utilising technology to optimise fuel consumption on our ships and implement a rented property model for our office hubs. We have already taken the opportunity to change our colleague car scheme to include hybrid or electric cars as standard.

Cruise and Travel

Short-term (end of 2023)

Our businesses can achieve a high ESG profile by responding to customers' interest in climate-related issues and by demonstrating a responsible and sustainable approach to ESG. This has the potential to enable increased investment capacity through new green financing opportunities. In addition, for our ships and our operations specifically, we can achieve increased climate leadership and a reduction in our carbon footprint by collaborating with new low-carbon partners and exploring and taking advantage of fuel-efficient technologies.

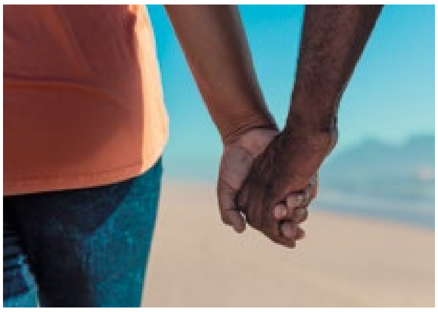
Medium-term (2024-2035)

Further to the above short-term climate-related opportunities, we can achieve increased climate leadership as well as a reduction in our carbon footprint in the medium-term by collaborating with new, low-carbon partners and exploring and taking advantage of fuel-efficient technologies.

Insurance and Money

Short-term (end of 2023)

In our Insurance and Money business units, we can develop product lines to support the shift to a low-carbon economy, including strengthening our electric vehicle insurance offering.



Acting on climate change and biodiversity continued

3 Risk management

To identify the risks detailed above, we carried out workshops and consulted with internal subject matter expects, which enabled us to identify and assess the risks and opportunities we face. Short-, medium- and long-term climate change risk is managed within the ESG PRU for the Group (see page 67). A combination of overarching risks apply to all business units, and more distinct risks apply to specific business units.

Process for identifying risks

A new risk team was established in 2022/23 to align with our new operating model. Revisions are being made to the risk management framework to improve our ability to more maturely capture, manage and report climate risks.

Climate risk considerations are built into the Group risk management framework and this is being further enhanced during 2023/24. Currently, a risk identification process is in place across the organisation to support colleagues in identifying their risks against a categorisation system. Identification of all risks is completed against the risk assessment matrix which scores frequency and probability against severity.

Our approach to scoring risks (see page 65) lists various impacts and quantifies what each score means in that context. Most ESG risks would currently be scored based on the financial, regulatory, or business disruption impacts. This helps to ensure that the scoring of ESG risks is consistent with other risks. A further improvement on this process is to add an ESG-specific category in the risk assessment matrix. This will help to improve the accuracy of ESG risk scoring.

Process for integrating climate-related risks into risk management

Risks identified as part of the risk identification process must have the relevant key controls documented against them. This is the same for all risks, regardless of whether they are climate-related or not.

Saga's PRUs are discussed regularly at the Risk Committee, including the scoring of the overarching risks and what mitigation is in place. This Committee has Board-level attendance, and where risks are considered out of appetite, or further mitigation is required, actions are assigned to resolve this. During 2023/24, further improvements to our risk appetite approach are being made, which will further support management in assessing their top risks against the agreed risk appetite and establishing their comfort level with risk exposure. Risk appetite status, and any action plans required to bring risks back within appetite are reported to the Risk Committee. Building ESG considerations more explicitly into our risk appetite approach will help to drive conversation on our key ESG risks at a senior level.

Process to manage climate-related risks

Please see page 62 for details on how Saga assesses the size, and scope, of identified risks and details about the risk terminology framework.

We understand the critical importance of delivering sustainable growth, and we have taken steps to measure our current impact on the environment and set targets to mitigate this. Our Energy and Carbon Statement has been prepared in accordance with our regulatory obligation to report GHG emissions, which can be found on page 30. To ensure transparency and accuracy, we also commit to having our carbon footprint verified by a third party, and our 2022 CDP report can be found on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/). We aim to score an 'A' for our climate change CDP disclosure in the coming years.

4 Metrics and targets

We will develop new targets and metrics, to be published later in 2023/24, to support our ESG strategy. In the meantime, Saga's current focus is on Scope 1 and 2 GHG emissions. We intend to disclose the targets used by the organisation to manage climate related risks and opportunities and performance against these targets in our next TCFD report.

During the reporting period 1 February 2022 to 31 January 2023, our measured Scope 1 and 2 emissions (location-based) totalled 107,235 tCO_2e, and reported Scope 3 emissions totalled 3,932 tCO_2e. These emissions have been calculated in line with the Greenhouse Gas Protocol.

Our ambition is to set a science-based target for our carbon and GHG emissions, aligned to our business strategy and to the 1.5°C warming scenario set out within the Paris Agreement. For details of our emissions, see page 30.

We are proud of our progress so far, purchasing 100% of our site-based electricity from a 100% renewable supply, and significantly reducing our Scope 2 emissions under market-based reporting. As in previous years, the dual reporting of our emissions demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources, but we recognise that we are only at the start of our journey.

Strengthening our exceptional culture

An inclusive and diverse culture allows our colleagues to thrive.

Strengthening our exceptional culture

Priority topics

- DE&I

Related SDGs

We embrace diversity and will continue to develop an equitable culture that is focused on growing our exceptional people. We promote inclusion and aim to lead the conversation on age diversity in the workplace. Our materiality assessment recognised the importance of DE&I among our colleagues.

Engagement

Colleague engagement

At Saga, we understand that, to strengthen our exceptional culture, we need to listen to our colleagues. Continuous listening is part of our culture and provides us with opportunities for colleagues' voices to be heard through a range of channels. Each channel helps to support and drive positive change and can be measured by our colleague engagement survey.

We received our highest colleague survey response rate to date, at 94%, and have seen a significant improvement in our overall colleague engagement score, increasing to 8.0 (from 7.7 in 2021). Our focus is on ensuring all managers have an action plan in place, addressing what they can do to make colleagues' working experiences exceptional.

We know that flexibility is one of the things most valued by our colleagues, and we continue to offer a flexible, hybrid way of working.

Overall colleague engagement

8.0
out of 10

Employee net promoter score (eNPS)

40
(13 points above industry benchmark)

Peak participation in colleague engagement surveys

94%
(92% across the year)

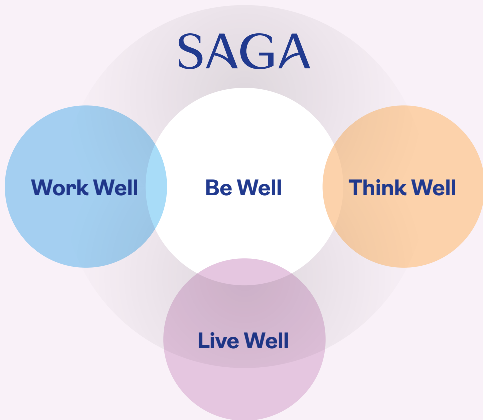
Strengthening our exceptional culture continued

Wellbeing

We continue to focus on colleague wellbeing through a suite of products and services, including private medical insurance and the mental health app, Unmind. We strengthened our colleague commitment by appointing a Head of Wellbeing to develop our longer-term strategy and commitment in this space.

Our vision for wellbeing at Saga is to be known for a culture of high care and high trust that delivers high performance. We take care of ourselves and each other, giving us the energy to perform and be our best. To support this vision, in October 2022, we launched our new wellbeing brand and proposition, Be Well, which is made up of three core pillars; Work Well, Live Well and Think Well.

In support of keeping colleagues engaged with wellbeing, we started a weekly newsletter, Be Well Wednesdays, covering health and wellbeing awareness campaigns such as World Mental Health Day, Stress Awareness Month, Mental Health Awareness Week and nutrition campaigns.



Work Well

Creating healthy work and embedding wellbeing as a core business performance skill

We introduced our flagship wellbeing programme, Performance Energy, in partnership with Dr Bill Mitchell, a clinical psychologist with a wealth of experience in managing workplace stress. We also rolled out workshops to all our senior leaders and people managers.

Live Well

Physical, social, and financial wellbeing

45 of our colleagues completed the Saga-sponsored Folkestone 10k and 60 colleagues took part in a football tournament. We ran a financial wellbeing campaign in the fourth quarter, supporting our colleagues with helpful information and advice on how to manage their finances.

We also offered all colleagues a free flu vaccination.

Think Well

Mental and emotional wellbeing

We have 35 trained Mental Health First Aiders who support colleagues with their mental health.

In November, we supported Movember for Men's Mental Health Month, and contributed £2,500 to charity. We promoted colleague awareness and utilisation of our Employee Assistance Programme.

Be well | SAGA

Experience yourself at your best

DE&I

We remain committed to a culture that is inclusive, and where all colleagues have the opportunity to bring their full and authentic selves to work.

We continued to evolve our DE&I strategy and take positive steps forward in this space. Our strategy focuses on five key areas, and the highlights of what we delivered during the year are presented below.

We are passionate about our DE&I strategy and this is integral to who we are as a business.

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

Moving into 2023/24, we will continue our DE&I journey, and further build on the success of the last year. Over the coming months, we will be developing targets and metrics to support our strategy and will publish these later in the year.

Our five key focus areas

We have five key focus areas for our DE&I work. Here are the highlights of what we delivered under each during 2022.

Culture

Levelling the playing field through an inclusive culture.

Being a culture enabler and a driver of increased colleague engagement.

- We were recognised in industry awards for our DE&I activity, winning 'Best Benefits to Support Colleagues Post-Pandemic' for our policy improvements; and 'Most Dynamic Mentoring Organisation' in Moving Ahead's 30% Club Awards.
- We held focused DE&I upskilling for our Talent Acquisition and People Analytics teams, and reviewed and updated our people policies, ensuring that they are future-facing and fit for purpose.

Talent

Diversity of thought helps us stay relevant, expand our reach and create a sustainable talent pool.

Creating an inclusive culture that enables high performance.

- We extended our partnership with Moving Ahead and the 30% Club, with 31 colleagues participating in external mentoring programmes in 2022/23.
- We launched MyMentor, our internal mentoring programme to support female colleagues.

#BeYou

Building a reputation internally and externally as an employer of choice for diverse talent and a culture of inclusion.

- Throughout 2022, we organised a calendar of events, including in-person events such as Pride and International Women's Day, alongside virtual speaker events, inclusion forums and broadcasts.
- Colleagues have continued to be central to our DE&I strategy, sharing their feedback and stories across the business – bringing the DE&I conversation to life.

Champions of age

Being the champion of age at work in the UK. Ensuring our brand is inclusive and a visible driver of positive change in our markets and communities.

- Through Saga Insight, we shaped an all-colleague up-skilling programme on age, challenging perceptions around ageing and ensuring our colleagues are true champions in this space.
- We supported the launch of the Centre for Ageing Better's employment pledge and are a signatory of this.
- We are delighted to have been independently certified as a menopause friendly employer.

Data and insights

Building transparency and accountability.

- We continue to welcome and respond to colleague feedback and offer inclusive bank holidays, giving all colleagues choice around when they take these.
- We have supported our colleagues, empowering them to grow and continue to have a voice.
- We have better representation of women in senior positions and improved ethnic diversity among colleagues.
- We reduced our gender pay gap and made firm commitments to take this further.

Strengthening our exceptional culture continued

Gender pay report

We support the UK Government's ambition to address the gender pay gap and are delighted that our gender pay gap reduced in 2022. Our commitment to equal pay for equal work is central to this. Our report detailing our gender pay gap and commitments can be found on our website (www.saga.co.uk/gender-pay-review).

"We embrace diversity and will continue to develop an equitable culture that is focused on growing our exceptional people."

Our gender diversity

Board

Gender	%
Female	30%
Male	70%

Senior managers

Gender	%
Female	41%
Male	59%

Other colleagues

Gender	%
Female	47%
Male	53%

	Male		Female		
	Actual	%	Actual	%	Total
Board[6]	7	70%	3	30%	10
Senior managers[7]	33	59%	23	41%	56
Other colleagues[8]	2,116	53%	1,882	47%	3,998
All	**2,156**	**53%**	**1,908**	**47%**	**4,064**

6 Directors of Saga plc

7 Senior management includes all colleagues within our ELT and Senior Leadership Team

8 All Saga colleagues other than Board members and senior managers

Supporting our colleagues

People Committee and Colleague Forums

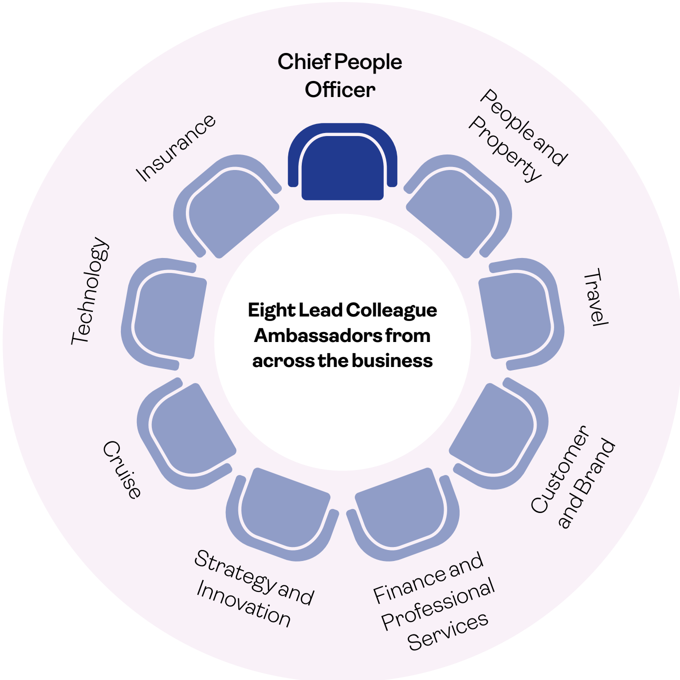
We remain committed to creating ongoing conversations with our colleagues, enabling them to have their say through multiple channels, including our People Committee and Colleague Forums which will grow in 2023/24 to reflect our new business areas such as Saga Media.

Our People Committee is:

- chaired by our Chief People Officer;
- attended by Lead Colleague Ambassadors from across the Group; and
- typically meets during the first week of every month (quarterly as a minimum).

Our Colleague Forums are:

- chaired by the ELT member of the business unit or function;
- attended by a Lead Colleague Ambassador for each business unit or function;
- held during the third week of every month; and
- fed back to the People Committee by our Lead Colleague Ambassadors.



Workplace

Since implementing our flexible hybrid working model, Workplace has been our primary communications platform for colleagues. The platform enables colleagues to be part of the conversation and instantly share opinions, thoughts, and feedback, as well as recognise and celebrate success.

24k posts	**379k** reactions	**80k** comments
61% were active at least 10 times a month	An average of **113** connections per day (more than double compared with 2020)	**96%** of colleagues were active

Strengthening our exceptional culture continued

Community

We believe volunteering is critical, enabling our colleagues to share their time and skills to benefit the communities in which they live and work. During the 2022/23 financial year:

1,078
colleagues used their volunteer day, equating to over 7,500 hours and £71,000 of social value[9]. This is an increase of 120% from the previous year.

12 volunteer days
provided to those colleagues in uniformed and voluntary public duties roles, recognising the positive impact these roles play in the community.

£200k+
charitable donations made by Saga, supporting charities local to our office hubs, the cost of living crisis and the conflict in Ukraine.

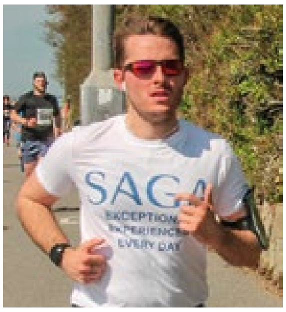
443
children of our Filipino crew received an educational bursary during the 2022/23 academic year.

6
Saga cadets, of which three are female, started their journey to become officers of the future, taking part in career inspiration sessions alongside sixth-form students on Spirit of Discovery during Maritime Week.

100
guests joined us for our Christmas community lunch, giving older members of the community a chance to socialise and enjoy time together.

85
festive hampers donated, packed and delivered to families needing a little extra help through the Shepway Foodbank at Christmas.

£100k+
raised by colleagues and customers for good causes.



£12k+
in hardship fund grants given to colleagues when unexpected costs arise. During the year, we supported 80 colleagues, providing funding toward replacement white goods, clothing (including school uniforms) and food vouchers.

9 Calculated using the national living wage

Governance

Our governance framework ensures that how we work is as important as what we do and why we do it.

We know that good governance is essential to achieving our sustainability goals. Our materiality assessment showed that stakeholders care about governance, with both data privacy and security and business ethics and compliance featuring as significant ESG topics. Fair and decent work was also considered material by stakeholders. Our strong governance controls play a critical role in ensuring that we operate in a sustainable way.

Anti-bribery and corruption

We take our responsibility for ethical and transparent governance seriously and we recognise our duty to protect our customers from bribery and corruption. As a result we have a zero-tolerance approach to any incidents that may arise.

Our Anti-Bribery and Anti-Corruption Policy is available on our corporate website (www.corporate.saga.co.uk/media/1608/anti-bribery-and-anti-corruption-policy.pdf).

Modern slavery, human rights, and labour standards

We conduct our business operations with a strong emphasis on ethics and transparency, and our policies are aligned with human rights principles, including those related to non-discrimination, health and safety, wellbeing, and environmental factors.

In addition, we are committed to ensuring that our supply chains are free from modern slavery and human trafficking. Our Modern Slavery Statement, which outlines our approach and efforts to address this issue, is available on our website (www.saga.co.uk/modern-slavery-statement).

Responsible investments

Our approach to investing continues to consider ESG factors. Saga's subsidiary boards consider investment decisions, including requiring external investment managers to consider ESG risk factors and report on ESG metrics where appropriate, and the Saga plc Board considers and approves all material investments. Our investment book, through our in-house underwriter, scored a Morgan Stanley Capital International rating of 'AA' in February 2023.

Case study

Risk management and ESG

During 2023, we will develop our risk assessment process to take account of ESG considerations, including impacts around climate change and social and governance factors. This new approach ensures that ESG factors are integrated when considering risks and opportunities for our businesses.

Find out more in risk management on page 62.

RETURN TO UNDERLYING PROFIT IN A CHALLENGING YEAR

"Our focus now is on growing earnings and significantly reducing leverage as our Cruise and Travel businesses continue their positive momentum and as we capitalise on investment in Media, Money and data."

James Quin
Group Chief Financial Officer

Watch our Group CFO, James Quin, presenting our full year results

Although the last 12 months have been challenging in both Insurance and Travel, in 2022/23 the Group returned to an Underlying Profit Before Tax[1] of £21.5m compared to an Underlying Loss Before Tax[1] of £6.7m in the prior year. This was mainly due to a £69.4m improvement in the results of our Cruise and Travel operations, offset by a £35.0m reduction in the results from Insurance Underwriting.

For Cruise and Travel, the first half of 2022/23 was far from 'plain sailing'. The Cruise business was affected by ongoing impacts from COVID-19, which led to the curtailing of two ocean cruises and higher cancellations on other departures. The Travel business was impacted by lower demand and also experienced higher-than-normal cancellations, in part due to the operational issues impacting the industry. These factors were much less of an issue in the second half, although revenues and profitability have yet to recover to levels anticipated pre-pandemic.

Insurance Broking has been under pressure from a combination of pricing reforms, inflation squeezing distribution margins and from a generally highly competitive environment. This led to a significant decline in new business sales for motor and home. The overall Insurance Broking result was at a similar level to the prior year, with lower motor and home profits offset by improved results on other products, especially travel insurance.

Results for Insurance Underwriting were, however, much lower than in the prior year. Part of this was expected, with the prior year benefiting from reduced motor claims frequency during periods of lockdown.

This reduction in claims frequency reversed as we expected, but results for the second half of the year were adversely impacted by a sharp increase in claims inflation and an increase in large losses. This resulted in us reporting an underlying current year combined operating ratio (**COR**) of 125.8% for the full year, considerably adverse to expectations, albeit with a significant portion of the lower result ceded to our reinsurers.

While the Group generated an Underlying Profit Before Tax[1], we reported a loss before tax of £254.2m, mainly due to a £269.0m impairment of the goodwill related to our Insurance business, included in our interim results.

1 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

As reported at the half year, the combination of a very competitive motor market and regulatory changes equalising new business and renewal pricing are adversely impacting motor and home new business sales and pricing, which in turn has led to a reduction in the discounted cash flows that underpin the carrying value of Insurance goodwill.

For the 2023/24 financial year, we expect to see a further recovery in the Cruise and Travel businesses. Ocean Cruise bookings are positive, and we expect our load factors for the current year to be in line with the levels expected pre-pandemic. The River Cruise and Travel businesses are also starting to see much better booking momentum and we are on track to return to profit in 2023/24. In Insurance Broking, we expect policy sales to continue to reduce, as lower new business in 2022/23 translates into lower renewals in 2023/24, with motor and home margins of around £60 per policy, as previously indicated.

For Insurance Underwriting, we expect a broadly break-even result; while underlying performance should be considerably better than in 2022/23, significant rate increases will not be fully reflected in earned premiums until the second half and improvement in results will, in the first instance, go towards reducing reinsurer losses. In addition, we also expect only limited reserve releases in future years.

In terms of our financial position, in 2022/23, our Net Debt[2] reduced from £729.0m to £711.7m with gross debt reducing by £46.4m, all relating to the debt financing of our two ocean cruise ships, of which £29.1m was financed from a reduction in Available Cash[2]. While this was a lower pace of reduction than we had anticipated, reflecting the challenges we faced in 2022/23, we continue to have significant liquidity, with £157.5m of Available Cash[2] at 31 January 2023.

Over the course of the past year, we have taken a series of actions which increase our financial flexibility. These include amendments in relation to our revolving credit facility, the initiation of a sales process for our Insurance Underwriting business and, most recently, the agreement of a loan facility with Sir Roger De Haan. This facility, which was provided on an arm's-length basis, commences on 1 January 2024 and would allow the Group to draw down up to £50m, as required, to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024.

Our focus now is on growing earnings and significantly reducing leverage as our Cruise and Travel businesses continue their positive momentum and as we capitalise on investment in Media, Money and data.

Operating performance

Group income statement

£m	12m to Jan 2023	*Change*	12m to Jan 2022
Revenue[3]	581.1	*54.1%*	377.2
Underlying Profit/(Loss) Before Tax[2]			
Cruise and Travel	(9.9)	*87.5%*	(79.3)
Insurance Broking (earned)	69.1	*4.1%*	66.4
Insurance Underwriting	19.1	*(64.7%)*	54.1
Total Insurance	88.2	*(26.8%)*	120.5
Other Businesses and Central Costs	(34.9)	*(19.1%)*	(29.3)
Net finance costs[4]	(21.9)	*(17.7%)*	(18.6)
Underlying Profit/(Loss) Before Tax[2]	**21.5**	***420.9%***	**(6.7)**
Impairment of Insurance goodwill	(269.0)		–
Other exceptional items	(6.7)		(16.8)
Loss before tax	**(254.2)**	***(981.7%)***	**(23.5)**
Tax expense	(5.0)	*(11.1%)*	(4.5)
Loss after tax	**(259.2)**	***(825.7%)***	**(28.0)**
Basic earnings per share:			
Underlying Earnings/(Loss) Per Share[2]	11.9p	*207.2%*	(11.1p)
Loss per share	(185.8p)	*(824.4%)*	(20.1p)

2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation
3 Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £111.3m (2022: £123.8m)
4 Net finance costs exclude Cruise and Travel finance costs, net fair value gains/(losses) on derivatives and IAS 19R pension interest

The Group's business model is based on providing high-quality and differentiated products to its target demographic, predominantly focused on cruise, travel and insurance. The Cruise and Travel business comprises Ocean Cruise, River Cruise and Travel. The Insurance business operates mainly as a broker, sourcing underwriting capacity from selected third-party insurance companies, and, for motor and home, also from the Group's in-house underwriter. Other Businesses comprises Saga Money, Saga Media, Saga Insight and CustomerKNECT (formerly MetroMail), a mailing and printing business.

Revenue[5]

Revenue[5] increased by 54.1% to £581.1m (2022: £377.2m) due to increased trading in the Cruise and Travel businesses. The current year has a full year of trading in Cruise and Travel compared to a suspension of these businesses for the majority of the first half of the prior year.

Underlying Profit/(Loss) Before Tax[6]

The Group generated a total Underlying Profit Before Tax[6] of £21.5m in the current year compared to an Underlying Loss Before Tax[6] of £6.7m in the prior year. This is primarily due to a £69.4m reduction in Cruise and Travel losses, of which £47.0m relates to the Ocean Cruise business. This was partially offset by a reduction in Insurance Underwriting profitability due to lower reserve releases and an increased current year loss ratio.

Net finance costs[7] in the year were £21.9m (2022: £18.6m), which excludes finance costs that are included within the Cruise and Travel businesses of £19.2m (2022: £19.5m). The increase of 17.7% was due to the higher bond interest costs following the completion of the new bond issue in July 2021. This was partially offset by a reduction in debt issue costs in current year compared with the prior year.

Loss before tax

Loss before tax for the year of £254.2m includes a £269.0m impairment to Insurance goodwill and other exceptional items of £6.7m. Other exceptional items are made up of £1.1m of impairments to assets (net of amounts recoverable under quota share arrangements), £3.7m of restructuring costs, a £2.0m foreign exchange loss on river cruise ship leases, £0.6m IFRS 16 adjustment loss on river cruise ships, £0.7m acquisition costs on the purchase of The Big Window Consulting Limited and a £1.4m fair value gain on derivatives de-designated in the year.

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

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

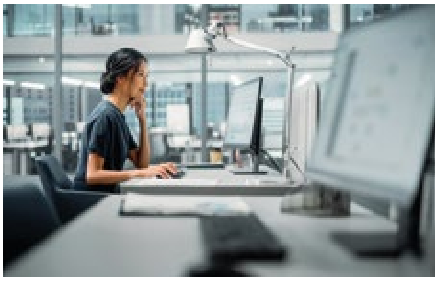
Tax expense

The Group's tax expense for the year was £5.0m (2022: £4.5m), representing a tax effective rate of 33.8% (2022: negative 19.1%), excluding the Insurance goodwill impairment charge. In the prior year, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19%, was mainly due to the Group's Ocean Cruise business being in the tonnage tax regime.

There was also an adjustment in the current year for the under-provision of prior year tax of £0.8m (2022: £1.0m). In the prior year, there was an adjustment for the impact of the change in the tax rate on opening deferred tax balances of a £2.6m credit. Excluding the impact of the Ocean Cruise business being in the tonnage tax regime, Insurance goodwill impairment and adjustments to prior year tax, the tax effective rate for the current period is 28.4%.

Earnings/(loss) per share

The Group's Underlying Basic Earnings Per Share[6] was 11.9p (2022: Loss of 11.1p). The Group's reported basic loss per share was 185.8p (2022: loss of 20.1p).



5 Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £111.3m (2022: £123.8m)

6 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

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

Cruise and Travel

Our Cruise business comprises our Ocean and River Cruise operations while Travel offers hotel stays, escorted tours and Tailor-Made holidays.

	12m to Jan 2023					12m to Jan 2022			
£m	Ocean Cruise	River Cruise	Travel	Total Cruise and Travel	*Change*	Ocean Cruise	River Cruise	Travel	Total Cruise and Travel
Revenue	**168.3**	**28.8**	**108.4**	**305.5**	***222.6%***	**82.5**	**1.7**	**10.5**	**94.7**
Gross profit/(loss)	**40.2**	**1.5**	**20.9**	**62.6**	***863.4%***	**(7.7)**	**0.2**	**(0.7)**	**(8.2)**
Marketing expenses	(11.0)	(3.2)	(10.2)	(24.4)	*(17.3%)*	(12.1)	(2.2)	(6.5)	(20.8)
Other operating expenses	(10.7)	(3.4)	(14.8)	(28.9)	*6.5%*	(9.2)	(3.8)	(17.9)	(30.9)
Investment return	–	–	–	–	*(100.0%)*	0.1	–	–	0.1
Finance costs	(19.2)	–	–	(19.2)	*1.5%*	(18.8)	(0.6)	(0.1)	(19.5)
Underlying Loss Before Tax[8]	**(0.7)**	**(5.1)**	**(4.1)**	**(9.9)**	***87.5%***	**(47.7)**	**(6.4)**	**(25.2)**	**(79.3)**
Average revenue per passenger (£)	4,675	2,400	2,306	3,216	*5.3%*	3,750	1,700	1,313	3,055
Ocean Cruise passengers ('000)	36			36	*63.6%*	22			22
Ocean Cruise load factor	75%			75%	*7ppts*	68%			68%
Ocean Cruise per diem (£)	318			318	*6.4%*	299			299
River Cruise passengers ('000)		12		12	*1,100.0%*		1		1
Travel passengers ('000)			47	47	*487.5%*			8	8

Ocean Cruise

Ocean Cruise returned to more normal operating conditions and achieved a load factor of 75% (2022: 68%) and a per diem of £318 (2022: £299). These two factors, when combined, equate to year-on-year revenue growth in excess of 100% and have resulted in a significantly reduced Underlying Loss Before Tax[8] from £47.7m to £0.7m. The first half of the prior year only included a month of Spirit of Discovery trading and a few days of Spirit of Adventure trading, at a government-enforced load factor restriction of 50% that was removed towards the end of July 2021.

In the first half of the current year, there were some adverse impacts on a small number of cruises due to COVID-19, while the conflict in Ukraine dampened customer demand for departures to the Baltics and Black Sea, resulting in late itinerary changes and some limited cancellations, which led to a first half load factor of 66%.

In the second half of the year, as impacts from the pandemic lessened and customer demand continued to build, a load factor of 84% was achieved.

River Cruise

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

This resulted in a reduced Underlying Loss Before Tax[8] from £6.4m to £5.1m.

Travel

The Travel business, which includes both the Saga Holidays and Titan brands, has seen much increased volumes compared to the prior year, with passenger numbers increasing from 8k to 47k. The recovery in volumes has been impacted by a level of disruption from a variety of factors, including operational challenges faced by airlines and airports, particularly in the first half.

The recovery in passenger volumes led to an improvement in the Underlying Loss Before Tax[8] from £25.2m to £4.1m.

In the second half of the year, we saw customer cancellations returning closer to pre-pandemic levels, with multiple initiatives underway to return to growth, including the recently launched 'Tailor-Made by Saga' proposition.

8 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Cruise and Travel continued

	Current year departures		
	26 March 2023	*Change*	27 March 2022
Ocean Cruise revenue (£m)	175.1	*6.6%*	164.2
Ocean Cruise load factor	72%	*(3ppts)*	75%
Ocean Cruise per diem (£)	339	*6.3%*	319
River Cruise revenue (£m)	34.0	*29.8%*	26.2
River Cruise passengers ('000)	12.5	*22.5%*	10.2
River Cruise load factor	63%	*n/a*	n/a
River Cruise per diem (£)	298	*n/a*	n/a
Travel revenue (£m)	136.6	*31.7%*	103.7
Travel passengers ('000)	49.2	*17.1%*	42.0

Forward Cruise and Travel sales

Ocean Cruise load factors for 2023/24 are behind the same point last year for 2022/23 by 3ppts. This is partly due to the release of itineraries in the prior year being earlier than usual as we emerged from COVID-19 lockdowns, and partly due to the prior year including bookings which had been postponed during the period of COVID-19 suspension. The per diem for 2023/24 is 6.3% higher than the same point last year for 2022/23 as the Group has reflected the inflationary impact on operating costs in customer pricing.

Ocean Cruise revenue (at 26 March 2023)

£175.1m

27 March 2022 – £164.2m

River Cruise revenue (at 26 March 2023)

£34.0m

27 March 2022 – £26.2m

Travel revenue (at 26 March 2023)

£136.6m

27 March 2022 – £103.7m

River Cruise revenue and passengers booked for 2023/24 are ahead of the same point last year for 2022/23 by 29.8% and 22.5% respectively. This is due to increased customer demand for 2023/24 compared to customer caution in respect of Central Europe in 2022/23. For 2023/24, the Cruise team have aligned management information for the River Cruise business to the Ocean Cruise business so load factor and per diems are now key performance indicators for River Cruise.

Travel bookings for 2023/24 are ahead of the same point last year for 2022/23 by 31.7% and 17.1% for revenue and passengers respectively. The increased revenue is due in part to higher passengers but also increases in operating costs being incorporated in customer pricing and a move towards a higher revenue, higher margin product range. The increase in passengers is due to higher uptake of long-haul travel within our Titan brand as customer confidence returns.

"For the 2023/24 financial year, we expect to see a further recovery in the Cruise and Travel businesses. Ocean Cruise bookings are positive, and we expect our load factors for the current year to be in line with the levels expected pre-pandemic."

James Quin
Group Chief Financial Officer

Insurance

Insurance encompasses our Motor, Home and Other Broking operations and our in-house Insurance Underwriting business.

Insurance Broking

The Insurance Broking business provides tailored insurance products and services, principally motor, home, private medical and travel insurance.

Its role is to price the policies and source the lowest cost of risk, whether through the panel of motor and home underwriters or through solus arrangements for private medical and travel insurance. The Group's in-house insurer, AICL, sits on the motor and home panels and competes for that business with other panel members on equal terms.

AICL offers its underwriting capacity on the home panel through a coinsurance deal with a third party, and so the Group takes no underwriting risk for that product. Even if underwritten by a third party, the product is presented as a Saga product and the Group manages the customer relationship.

	12m to Jan 2023					12m to Jan 2022			
£m	Motor Broking	Home Broking	Other Broking	Total	Change	Motor Broking	Home Broking	Other Broking	Total
Gross written premiums (**GWP**):									
Brokered	105.0	150.1	123.9	379.0	*6.9%*	105.0	153.2	96.5	354.7
Underwritten	180.9	–	3.2	184.1	*(11.9%)*	205.5	–	3.4	208.9
GWP	285.9	150.1	127.1	563.1	*(0.1%)*	310.5	153.2	99.9	563.6
Broker revenue	31.4	26.5	42.1	100.0	*(5.1%)*	43.2	29.0	33.2	105.4
Instalment revenue	6.4	3.0	–	9.4	*(4.1%)*	6.6	3.2	–	9.8
Add-on revenue	9.2	10.4	–	19.6	*(10.5%)*	11.0	10.9	–	21.9
Other revenue	26.1	17.7	3.2	47.0	*0.9%*	27.4	17.1	2.1	46.6
Written revenue	**73.1**	**57.6**	**45.3**	**176.0**	***(4.2%)***	**88.2**	**60.2**	**35.3**	**183.7**
Written gross profit	**70.4**	**57.6**	**48.6**	**176.6**	***(2.6%)***	**85.6**	**60.2**	**35.6**	**181.4**
Marketing expenses	(13.0)	(6.7)	(5.5)	(25.2)	*10.6%*	(17.5)	(7.1)	(3.6)	(28.2)
Written gross profit after marketing expenses	**57.4**	**50.9**	**43.1**	**151.4**	***(1.2%)***	**68.1**	**53.1**	**32.0**	**153.2**
Other operating expenses	(39.3)	(28.4)	(16.0)	(83.7)	*3.3%*	(38.0)	(27.9)	(20.7)	(86.6)
Written Underlying Profit Before Tax (PBT)[9]	**18.1**	**22.5**	**27.1**	**67.7**	***1.7%***	**30.1**	**25.2**	**11.3**	**66.6**
Written to earned adjustment	1.4	–	–	1.4	*800.0%*	(0.2)	–	–	(0.2)
Earned Underlying PBT[9]	**19.5**	**22.5**	**27.1**	**69.1**	***4.1%***	**29.9**	**25.2**	**11.3**	**66.4**
Policies in force	800k	645k	207k	1,652k	*(2.5%)*	884k	682k	129k	1,695k
Policies sold	849k	670k	206k	1,725k	*(2.4%)*	943k	696k	129k	1,768k
Third-party panel share[10]	32.7%				*2.6ppts*	30.1%			

9 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation
10 Third-party underwriter's share of the motor panel for policies

Insurance continued

Insurance Broking Underlying Profit Before Tax[11] on a written basis (which excludes the impact of the written to earned adjustment) increased slightly to £67.7m from £66.6m, and on an earned basis (which includes the impact of the written to earned adjustment), increased to £69.1m from £66.4m.

A key metric for the Insurance Broking business is written gross profit, after deducting marketing expenses, but before deducting overheads. This reduced from £153.2m in the prior year to £151.4m in the current year due to reduced new business volumes and lower renewal margins on motor and home business. The fall of £12.9m in written gross profits after marketing expenses in motor and home was partially offset by an £11.1m improvement in Other Broking, mainly due to a recovery in sales of travel insurance compared to the prior year.

For motor and home insurance, in terms of the total gross margin after marketing expenses, new business profits increased by £9.5m, while there was a £22.4m reduction in renewal profits.

Motor and home customer retention

83.8%

2022 – 82.8%

The changes in profitability of motor and home business are, in part, attributable to the equalisation of pricing between new business and renewals following the implementation of the General Insurance Pricing Practices (**GIPP**) review by the Financial Conduct Authority (**FCA**) from 1 January 2022. This led to an improvement in new business margins, partially offset by a 50% and 17% reduction in motor and home new business policies sold respectively compared to the prior year. The reduction in renewal profits is due to lower motor and home renewal margins, partially offset by a 7% increase in motor renewal policies sold.

The average gross margin per policy for motor and home combined, calculated as written gross profit less marketing expenses, divided by the number of policies sold, was £71.3 in the current year, compared with £73.9 in the prior year. Comparison of margins across the two years is impacted by a significant reduction in the sales of lower margin new business relative to the number of renewals. Based on the same mix of new business and renewals as in 2021/22, the average gross margin per policy in 2022/23 would have been £67.2.

While the pricing implications of the FCA's review into GIPP have impacted Insurance Broking earnings in the year, it has also impacted some of the key metrics in the past 12 months:

- Motor and home policies in force decreased by 7.7% in the year.
- Increase in customer retention at 83.8% across motor and home from 82.8% in the prior year.
- 714k three-year fixed-price policies were sold in the year; 47% of total motor and home policies incepting, with 35% of direct new business taking the product.
- Direct new business sales for motor and home were 49% of the total, 10ppts lower than the prior year with the Group balancing volumes and renewals post the GIPP reforms across direct and price-comparison website distribution channels.

Written profit and gross margin per policy for motor and home are stated after allowing for deferral of part of the revenues from three-year fixed-price policies, which is then recognised in profit or loss when the option to renew those policies at a predetermined fixed price is exercised or lapses, recognising inflation risk inherent in this product. As at 31 January 2023, £9.7m (2022: £8.7m) of income had been deferred in relation to three-year fixed-price policies, £7.9m (2022: £7.3m) of which related to income written in the year to 31 January 2023.

Motor Broking

Gross written premiums decreased by 7.9% due to a 10.0% decrease in core policies sold, partially offset by a 2.3% increase in average premiums. Gross written premiums from business underwritten by AICL decreased 12.0% to £180.9m (2022: £205.5m) due to a 13.0% decrease in core policies sold that were underwritten by AICL, offset by a 1.2% increase in average premiums.

Written gross profit minus marketing expenses was £57.4m (2022: £68.1m), contributing £67.6/policy (2022: £72.2/policy). The decrease in written gross profits and margin per policy is mainly due to lower renewal margins, partially offset by a 7% increase in renewal policies and higher new business margins.

Home Broking

Gross written premiums decreased by 2.0% due to a 3.7% reduction in core policies sold, partially offset by a 1.8% increase in average premiums.

Written gross profit minus marketing expenses was £50.9m (2022: £53.1m) and, on a per policy basis, this was £76.0/policy (2022: £76.3/policy). The decrease is due to lower renewal margins and a 17% decrease in new business policies sold, partially offset by higher new business margins.

11 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Other Broking

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

Gross written premiums increased 27.2% as a result of higher sales of travel insurance, with policy sales increasing from 77k in the prior year to 158k as a result of increased customer confidence in the travel outlook and fewer restrictions on travel than in the prior year.

Gross profits after marketing costs relating to travel insurance products increased by £9.5m.

While sales of the PMI product were broadly stable, gross profit after marketing costs was £2.2m higher. This increase is a result of increased renewal margins, alongside a higher profit share.

Insurance Underwriting

		12m to Jan 2023				12m to Jan 2022		
£m		**Reported**	**Quota share**	**Underlying[12]**	***Change***	**Reported**	**Quota share**	**Underlying[12]**
Net earned premium		49.6	(98.7)	148.3	*(8.2%)*	51.5	(110.0)	161.5
Other revenue		25.6	22.9	2.7	*(38.6%)*	33.2	28.8	4.4
Revenue	a	**75.2**	**(75.8)**	**151.0**	***(9.0%)***	**84.7**	**(81.2)**	**165.9**
Claims costs	b	(79.0)	83.0	(162.0)	*(22.7%)*	(44.3)	87.7	(132.0)
Reserve releases	c	27.0	1.9	25.1	*(40.4%)*	18.3	(23.8)	42.1
Other cost of sales	d	(4.1)	12.7	(16.8)	*(1.2%)*	(3.9)	12.7	(16.6)
	e	**(56.1)**	**97.6**	**(153.7)**	***(44.3%)***	**(29.9)**	**76.6**	**(106.5)**
Gross profit		**19.1**	**21.8**	**(2.7)**	***(104.5%)***	**54.8**	**(4.6)**	**59.4**
Operating expenses	f	(3.7)	7.4	(11.1)	–	(4.2)	6.9	(11.1)
Investment return		3.7	(3.9)	7.6	*(2.6%)*	3.5	(4.3)	7.8
Quota share net income/(cost)		–	(25.3)	25.3	*1,365.0%*	–	2.0	(2.0)
Underlying Profit Before Tax[13]		**19.1**	**–**	**19.1**	***(64.7%)***	**54.1**	**–**	**54.1**
Reported loss ratio	(b+c)/a	*69.1%*		*90.7%*	*(36.5ppts)*	*30.7%*		*54.2%*
Expense ratio	(d+f)/a	*10.4%*		*18.5%*	*(1.8ppts)*	*9.6%*		*16.7%*
Reported COR	(e+f)/a	*79.5%*		*109.1%*	*(38.2ppts)*	*40.3%*		*70.9%*
Current year COR	(e+f-c)/a	*115.4%*		*125.8%*	*(29.5ppts)*	*61.9%*		*96.3%*
Number of earned policies				*662k*	*(6.9%)*			*711k*
Policies in force – Saga motor				*535k*	*(15.0%)*			*629k*

The Group's in-house underwriter, AICL, underwrites over 65% of the motor business sold by Insurance Broking. AICL also underwrites a portion of the home panel, although all home underwriting risk is passed to third-party insurance and reinsurance providers. AICL also has excess of loss and funds-withheld quota share reinsurance arrangements in place relating to its motor underwriting line of business, which transfer a significant proportion of motor insurance risk to third-party reinsurers.

Excluding the impact of the quota share reinsurance arrangements[12], net earned premiums decreased by 8.2% to £148.3m (2022: £161.5m) reflecting a 6.9% reduction in the number of earned policies underwritten by AICL coupled with a 1.6% decrease in average earned premiums.

The reduction in the number of earned policies was due to lower volumes on non-Saga panels.

Also excluding the impact of the quota share arrangements[12], AICL saw an increase in the current year underlying COR to 125.8% (2022: 96.3%) and the current year reported COR to 115.4% (2022: 61.9%).

The first half of the prior year benefited from significantly reduced motor claims frequency due to customers driving fewer miles during the COVID-19 lockdown, with motor claims experience in the second half of the prior year broadly in line with pricing assumptions.

In the current year, motor attritional claims experience and claims inflation have been well in excess of pricing assumptions for the current accident year, with claims inflation estimated to have averaged around 13% for the year as a whole. In addition, there was a modest increase in claims frequency and an above-average level of current year large losses. In response to these trends, we have been taking significant actions to re-price the motor book, in line with technical pricing. These price increases will begin to flow through to earned premium in 2023/24 and will be reflected in full in the 2024/25 result.

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

13 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Insurance continued

Underlying prior year reserve releases of £25.1m (2022: £42.1m) resulted in an underlying reported COR of 109.1% (2022: 70.9%). The Group retains an economic interest in motor reserve development with reserve releases on other lines typically having limited net impact on AICL profit. Reserve releases for the past two years can be analysed as follows:

	12m to Jan 2023				12m to Jan 2022		
£m	**Reported**	**Quota share**	**Underlying[14]**	***Change***	**Reported**	**Quota share**	**Underlying[14]**
Motor insurance	23.8	(3.2)	27.0		16.0	(26.5)	42.5
Home insurance	1.2	0.7	0.5		–	0.1	(0.1)
Other insurance	2.0	4.4	(2.4)		2.3	2.6	(0.3)
	27.0	1.9	25.1	*(40.4%)*	18.3	(23.8)	42.1

Reserve releases reflect continued favourable experience on large bodily injury claims relating to prior accident years. Also, the final part of the additional component of reserve margin for the increased uncertainty over claims development held in respect of the 2020/21 accident year was released in the first half of this year.

While the Group remains prudently reserved and expects to see a level of reserve releases in 2023/24, these are expected to be at a much lower level than in 2022/23.

Excluding the impact of the quota share arrangement[14], the investment return decreased by £0.2m to £7.6m (2022: £7.8m) due to a reduced investment portfolio and lower reinvestment yields.

During 2022/23, the Group recorded a recovery from quota share reinsurance of £25.3m, compared to a cost of £2.0m in the prior year. The recovery is due to the high underlying current year COR of 125.8%, with 80% of current year losses in excess of an underlying current year COR of around 105% ceded to quota share reinsurers. The result for the last 12 months will be aggregated with the results of the next two financial years in determining the final outcome for the current quota share contract.

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

Other Businesses and Central Costs

	12m to Jan 2023				12m to Jan 2022		
£m	**Other Businesses**	**Central Costs**	**Total**	***Change***	**Other Businesses**	**Central Costs**	**Total**
Revenue:							
Money	7.9	–	7.9	*33.9%*	5.9	–	5.9
Media and printing	10.3	–	10.3	*4.0%*	9.9	–	9.9
Insight	0.6	–	0.6	*100.0%*	–	–	–
Other	–	1.0	1.0	*(33.3%)*	–	1.5	1.5
Total revenue	**18.8**	**1.0**	**19.8**	***14.5%***	**15.8**	**1.5**	**17.3**
Gross profit	**8.1**	**2.6**	**10.7**	***17.6%***	**5.7**	**3.4**	**9.1**
Operating expenses	(8.9)	(37.7)	(46.6)	*(26.6%)*	(3.9)	(32.9)	(36.8)
Investment income	–	1.0	1.0	*100.0%*	–	–	–
IAS 19R pension charge	–	–	–	*100.0%*	–	(1.6)	(1.6)
Net finance costs	–	(21.9)	(21.9)	*(17.7%)*	–	(18.6)	(18.6)
Underlying (Loss)/Profit Before Tax[15]	**(0.8)**	**(56.0)**	**(56.8)**	***(18.6%)***	**1.8**	**(49.7)**	**(47.9)**

The Group's Other Businesses include Saga Money, Saga Media, Saga Insight and CustomerKNECT.

Underlying Profit Before Tax[15] for Other Businesses combined has decreased by £2.6m from £1.8m to an Underlying Loss Before Tax[15] of £0.8m, partly due to an investment in marketing in the Saga Money business of £2.7m above the prior year, which has been partially offset by a £2.0m increase in revenue. A further £1.9m of investment has been made in Saga Media and Saga Insight in the year.

Central operating expenses increased to £37.7m (2022: £32.9m). Administration costs, adjusted for transfers to local business units, decreased by £1.0m in the year, but net costs increased by £4.8m due to lower Group recharges to the business units, particularly Travel. The IAS 19R pension charge ceased following the closure of the defined benefit pension scheme in the second half of the prior year.

Net finance costs in the year were £21.9m (2022: £18.6m), which excludes finance costs that are included within the Cruise and Travel businesses of £19.2m (2022: £19.5m). The increase of 17.7% was due to the higher bond interest costs following the completion of the new bond issue in July 2021.

15 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Cash flow and liquidity

Available Operating Cash Flow[16]

£m	12m to Jan 2023	Change	12m to Jan 2022
Insurance Broking Trading EBITDA[16]	75.9	4%	73.2
Other Businesses and Central Costs Trading EBITDA[16]	(29.5)	(37%)	(21.5)
Trading EBITDA[16, 17] from unrestricted businesses	**46.4**	**(10%)**	**51.7**
Dividends paid by Insurance Underwriting business	25.0	(29%)	35.0
Working capital and non-cash items[18]	(6.5)	(143%)	15.2
Capital expenditure funded with Available Cash[16]	(15.8)	(26%)	(12.5)
Available Operating Cash Flow[16] before cash injections to Cruise and Travel operations	**49.1**	**(45%)**	**89.4**
Cash injection into River Cruise and Travel businesses	(17.8)	51%	(36.4)
Ocean Cruise Available Operating Cash Flow[16]	23.6	4%	22.8
Available Operating Cash Flow[16]	**54.9**	**(28%)**	**75.8**
Restructuring costs	(1.4)	18%	(1.7)
Interest and financing costs	(38.0)	10%	(42.4)
Business and property (acquisitions)/disposals	(0.9)	(120%)	4.5
Tax receipts	2.4	(58%)	5.7
Other receipts/(payments)	0.3	103%	(10.7)
Change in cash flow from operations	17.3	(45%)	31.2
Change in bond debt	–	(100%)	150.0
Change in bank debt	–	100%	(70.0)
Change in ship debt	(46.4)	(100%)	–
Cash at 1 February	186.6	148%	75.4
Available Cash[16] at 31 January	**157.5**	**(16%)**	**186.6**

Available Operating Cash Flow[16] is made up of the cash flows of unrestricted businesses and the dividends paid by restricted companies, less any cash injections to those businesses. Unrestricted businesses include Insurance Broking (excluding specific ring-fenced funds to satisfy FCA regulatory requirements), Other Businesses and Central Costs, and the Group's Ocean Cruise business. Restricted businesses include AICL, River Cruise and Travel.

Excluding cash transfers to and from the Cruise and Travel businesses, the Group continued to be cash generative in the year, with an Available Operating Cash Flow[16] of £49.1m compared with £89.4m in the prior year. Trading EBITDA[16,17] from unrestricted businesses reduced by £5.3m, mainly due to lower Group recharges from the Other Businesses and Central Costs segment.

There was also a decrease in working capital which fell from a £15.2m inflow to a £6.5m outflow, mainly relating to the Insurance Broking segment, and a £10.0m reduction in dividends paid by AICL.

For River Cruise and Travel, the Group provided £17.8m of cash to the business to cover trading cash flows in the current year. This is a reduction of £18.6m when compared with the £36.4m funded in the prior year. The Group continues to provide additional liquidity into the River Cruise and Travel businesses, although at a lower level, to meet supplier and other trading payments as both businesses operate under a ring-fenced trust arrangement and so cannot access customer cash from the trust until they have returned from their river cruise or holiday. At 31 January 2023, the ring-fenced businesses held cash of £44.3m, of which £36.2m was held in trust. The Group must hold a minimum of £5.9m of cash outside of trust within the ring-fenced businesses as agreed with the Civil Aviation Authority.

The Ocean Cruise business reported an operating cash inflow of £23.6m (2022: £22.8m), with net trading income of £31.6m (2022: net trading costs of £2.7m), partially offset by a decrease in advance customer receipts of £4.1m (2022: increase of £28.5m), and capital expenditure of £3.9m (2022: £3.0m). Net of interest costs of £15.2m (2022: £15.2m), the Ocean Cruise business reported net cash inflow before any capital repayments on the ship debt of £8.4m for 2022/23 compared to £7.6m in the prior year.

As a result of a reduction in cash generation from unrestricted businesses, partially offset by a reduction in cash injections to the River Cruise and Travel businesses, Available Operating Cash Flow[16] decreased from an inflow of £75.8m in the prior year to £54.9m in the current year.

16 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

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

18 Adjusted to exclude IAS 19R pension current service costs

Other cash flow movements

Interest and financing costs were higher in the prior year due to the debt issue costs associated with the new bond, the tender of the bond due in May 2024 and amendments to the revolving credit facility (**RCF**). This has been partially offset by higher interest costs on the new bond in the current year.

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

The Group continued to make the agreed payments to the defined benefit pension fund as part of the deficit recovery plan of £5.8m (2022: £4.2m). These are included within other receipts/(payments).

During the year, the Group released £5.0m of restricted cash to Available Cash[19] that it had previously agreed with the FCA to hold on a temporary basis. The Group has also released a further £1.1m in respect of the Threshold Condition 2.4 balance that the Insurance Broking business holds as restricted cash. Both of these are included within other receipts/(payments).

In the current year, the Group restarted capital repayments against its ship debt facilities, with two payments totalling £30.6m on Spirit of Discovery's debt facility and one payment totalling £15.8m on Spirit of Adventure's debt facility. In the prior year, the Group issued a five-year £250m fixed-rate unsecured bond. The proceeds of the bond were used to fund the settlement of £100m of the existing bond and to repay, in full, the £70m term loan.

Available Operating Cash Flow[19]

£54.9m

2021/22 – £75.8m

19 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Reconciliation between operating and reported metrics

Available Operating Cash Flow[20] reconciles to net cash flows from operating activities as follows:

£m	12m to Jan 2023	12m to Jan 2022
Net cash flow from operating activities (reported)	(13.9)	46.5
Exclude cash impact of:		
Trading of restricted divisions	35.3	3.8
Non-trading costs	7.5	3.6
Interest paid	37.6	34.2
Tax paid	0.9	4.6
	81.3	46.2
Cash released from/(paid) to restricted divisions	7.2	(1.4)
Include capital expenditure funded from Available Cash[20]	(15.8)	(12.5)
Include Ocean Cruise capital expenditure	(3.9)	(3.0)
Available Operating Cash Flow[20]	**54.9**	**75.8**

Trading EBITDA[20] reconciles to Underlying Profit/(Loss) Before Tax[20] as follows:

£m	12m to Jan 2023	*Change*	12m to Jan 2022
Insurance Broking Trading EBITDA[20]	75.9		73.2
Insurance Underwriting Trading EBITDA[20]	19.3		54.3
Ocean Cruise Trading EBITDA[20,21]	39.0		(12.7)
River Cruise and Travel Trading EBITDA[20]	(8.1)		(28.1)
Other Businesses and Central Costs Trading EBITDA[20]	(29.5)		(21.5)
Trading EBITDA[20]	**96.6**	***48.2%***	**65.2**
Depreciation and amortisation	(34.0)		(32.2)
Pension charge IAS 19R	–		(1.6)
Net finance costs (including Cruise and Travel)	(41.1)		(38.1)
Underlying Profit/(Loss) Before Tax[20]	**21.5**	***420.9%***	**(6.7)**

Adjusted Trading EBITDA[20] is used in the Group's leverage calculation for the RCF covenant and is calculated as follows:

£m	12m to Jan 2023	*Change*	12m to Jan 2022
Trading EBITDA[20]	**96.6**	***48.2%***	**65.2**
Impact of IFRS 16 'Leases'	(1.3)		(3.1)
Spirit of Discovery and Spirit of Adventure Trading EBITDA[20,21]	(39.0)		11.5
Adjusted Trading EBITDA[20]	**56.3**	***(23.5%)***	**73.6**

20 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

21 EBITDA includes central Ocean Cruise overheads

Statement of financial position

Goodwill

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

The Group's revised five-year financial forecasts incorporated the modelled impact of the changes in the market environment, including also an expected reduction in margins from a switch to more standard products and lower sales of more feature-rich policies.

Further stress tests were also considered including the continuation of the current competitive environment for an extended period and further downsides compared to revised base case assumptions. This resulted in management taking the decision to impair Insurance goodwill by £269.0m in the first half of 2022/23. Consistent with the approach taken in prior years, this impairment is not included within Underlying Profit Before Tax[22].

At 31 January 2023, the Group conducted a further impairment review of the remaining £449.6m goodwill asset relating to the Insurance business and concluded that its recoverable amount was above the carrying value, and no further impairment was considered necessary.

Carrying value of ocean cruise ships

At 31 July 2022 and 31 January 2023, the carrying value of the Group's ocean cruise ships was £612.5m and £607.0m respectively (31 January 2022: £621.3m). Due to the continued challenging operating environment in the first half of the year for the Ocean Cruise business, the Group carried out an impairment review of both of its vessels at 31 July 2022. The results of the review showed that there was headroom in the central and stress test scenarios for both Spirit of Discovery and Spirit of Adventure, with no impairment required.

In the second half of the year, further COVID-19 restrictions were lifted for cruise passengers and trading was in line with forecasts. Discount rates have risen, but not to the extent that they materially change the headroom in the impairment calculation. The Directors therefore concluded that there were no additional indicators of impairment at 31 January 2023 and, accordingly, no further impairment review was deemed necessary.

Investment portfolio

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

The amount held in invested funds decreased by £50.3m to £279.9m (31 January 2022: £330.2m), partly due to payment of £25.0m of dividends from AICL in the year. At 31 January 2023, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is in line with the prior period and reflects the relatively stable credit risk rating of the Group's investment holdings.

£m			**Credit risk rating**			
At 31 January 2023	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
Insurance Underwriting investment portfolio:						
Debt securities	23.5	74.9	64.2	91.8	–	254.4
Money market funds	19.6	–	–	–	–	19.6
Loan funds	–	–	–	–	5.9	5.9
Total invested funds	43.1	74.9	64.2	91.8	5.9	279.9
Derivative assets	–	–	2.5	–	–	2.5
Total financial assets	**43.1**	**74.9**	**66.7**	**91.8**	**5.9**	**282.4**

£m			**Credit risk rating**			
At 31 January 2022	AAA	AA	A	BBB	Unrated	Total
Insurance Underwriting investment portfolio:						
Deposits with financial institutions	–	–	14.0	–	–	14.0
Debt securities	20.2	94.4	68.0	98.2	–	280.8
Money market funds	29.2	–	–	–	–	29.2
Loan funds	–	–	–	–	6.2	6.2
Total invested funds	49.4	94.4	82.0	98.2	6.2	330.2
Derivative assets	–	–	1.8	0.1	–	1.9
Total financial assets	**49.4**	**94.4**	**83.8**	**98.3**	**6.2**	**332.1**

22 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Statement of financial position continued

Insurance reserves

Analysis of insurance contract liabilities at 31 January 2023 and 31 January 2022 is as follows:

	At 31 January 2023			At 31 January 2022 (restated)		
£m	**Gross**	**Reinsurance assets[23]**	**Net**	**Gross**	**Reinsurance assets[23]**	**Net**
Reported claims	231.1	(60.4)	170.7	227.4	(55.8)	171.6
Incurred but not reported[24]	47.3	(1.7)	45.6	57.5	(3.3)	54.2
Claims handling provision	6.8	–	6.8	7.9	–	7.9
Total claims outstanding	285.2	(62.1)	223.1	292.8	(59.1)	233.7
Unearned premiums	83.1	(6.7)	76.4	93.9	(6.3)	87.6
Total	**368.3**	**(68.8)**	**299.5**	**386.7**	**(65.4)**	**321.3**

The Group's total insurance contract liabilities, net of reinsurance assets, decreased by £21.8m in the year to 31 January 2023 from the previous year end, primarily due to a £11.2m reduction in unearned premiums, coupled with an £8.6m decrease in net incurred but not reported claims reserves. The reduction in net incurred but not reported claims reserves is due to reserve releases that reflect continued favourable experience on large bodily injury claims relating to prior accident years. In addition, the final part of the additional component of reserve margin held in respect of the 2020/21 accident year was released in the current year. The 31 January 2022 position has been restated due to an incorrect classification between reported claims and incurred but not reported of £16.1m. The restatement had no net impact on total claims outstanding.

Financing

At 31 January 2023, the Group's Net Debt [25] was £711.7m, £17.3m lower than at the beginning of the financial year.

In the first half of 2022/23, the RCF agreement was reduced from £100m to £50m and was simplified by the removal of certain clauses that were introduced during the pandemic, including:

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

In the second half of the year, we concluded discussions with our lending banks and agreed the following amendments to the facility which, in aggregate, provide us with increased financial flexibility:

- The introduction of a restriction whereby no utilisation of the facility is permitted prior to repayment of the 2024 bond if leverage exceeds 5.5x, or liquidity is below £170m.
- During 2023 and 2024, should the RCF be drawn, leverage covenant testing will be quarterly.
- Repayment of the 2024 bond, ahead of maturity, is restricted while leverage remains above 3.75x.
- Amendments to the leverage and interest cover covenants attached to the facility, as follows:

	Leverage (excl. Ocean Cruise)	**Interest cover**
31 January 2023	4.75x	2.5x
30 April 2023	6.75x	n/a
31 July 2023	6.75x	2.5x
31 October 2023	5.5x	n/a
31 January 2024	5.5x	2.75x
30 April 2024	5.5x	n/a
31 July 2024	5.5x	3.0x
31 October 2024	5.5x	n/a
31 January 2025	4.75x	3.0x

23 Excludes funds-withheld quota share arrangement

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

25 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

The Group's total leverage ratio was 7.5x as at 31 January 2023 (31 January 2022: 11.7x). Excluding the impact of debt and earnings relating to the ocean cruise ships, the Group's leverage ratio relating to the RCF was 4.3x as at 31 January 2023 (31 January 2022: 3.0x), within the 4.75x covenant.

The Group resumed repayments on its ship debt facilities with repayments made on its Spirit of Discovery ship facility in June 2022 and December 2022 and on its Spirit of Adventure ship facility in September 2022.

Net Debt[26] is analysed as follows:

£m	Maturity date[28]	31 January 2023	31 January 2022
3.375% Corporate bond	May 2024	150.0	150.0
5.5% Corporate bond	July 2026	250.0	250.0
Revolving credit facility	May 2025[27]	–	–
Spirit of Discovery ship loan	June 2031	204.2	234.8
Spirit of Adventure ship loan	September 2032	265.0	280.8
Less Available Cash[26, 29]		(157.5)	(186.6)
Net Debt[26]		**711.7**	**729.0**

Adjusted Net Debt[26] is used in the Group's leverage calculation and reconciles to Net Debt[26] as follows:

£m	31 January 2023	31 January 2022
Net Debt[26]	711.7	729.0
Exclude ship loans	(469.2)	(515.6)
Exclude Ocean Cruise Available Cash[26]	1.4	4.7
Adjusted Net Debt[26]	**243.9**	**218.1**

The Group entered into a £50m unsecured loan facility with Sir Roger De Haan on 3 April 2023. This facility can be drawn, on 30 days' notice, from 1 January 2024 and terminates on 30 June 2025. As is the case with the senior bonds in issue and with the RCF, the loan is guaranteed by Saga plc, Saga MidCo and Saga Services Limited. The Group is able to use the funds drawn under the facility for general corporate purposes although in practice would only do so to support repayment of the £150m bonds due in May 2024.

The interest rate paid on the drawn funds under this facility is 10%. In addition, a drawing fee of 2% is payable, alongside milestone payments of 2% of any uncancelled amounts of the facility on each of 31 March 2024 and 31 December 2024. The facility would automatically terminate on the completed sale of AICL.

26 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

27 At 31 January 2022, the terms also included a requirement to repay the RCF on 1 March 2024 if the remaining £150m of the 3.375% bond notes had not been redeemed prior to this date. This term has now been removed and does not apply at 31 January 2023

28 Maturity date represents the date that the principal must be repaid, other than the ship loans, which are repaid in instalments over the next 10 years

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

Statement of financial position continued

Pensions

The Group's defined benefit pension scheme surplus, as measured on an IAS 19R basis reduced by £13.2m to a £12.1m liability at 31 January 2023 (£1.1m surplus as at 31 January 2022).

£m	31 January 2023	31 January 2022
Fair value of scheme assets	224.1	412.0
Present value of defined benefit obligation	(236.2)	(410.9)
Defined benefit pension scheme (liability)/surplus	**(12.1)**	**1.1**

During the year ended 31 January 2023, the net position of the scheme decreased by £13.2m, resulting in an overall scheme deficit of £12.1m. The movements observed in the scheme's assets and obligations have been impacted significantly by macroeconomic factors during the year where, at a global level, there have been rising inflation and cost of living pressures, as well as shifts in long-term bond yields. The present value of defined benefit obligations decreased by £174.7m to £236.2m, primarily due to a 245bps increase in the discount rate which is based on increases in long-term trend corporate bond yields. The fair value of scheme assets decreased by £187.9m to £224.1m. A £5.8m deficit funding contribution was paid by the Group in February 2022 in relation to a recovery plan agreed under the latest triennial valuation of the scheme as at 31 January 2020.

Net assets

Since 31 January 2022, total assets have decreased by £324.7m and total liabilities have decreased by £41.3m, resulting in an overall decrease in net assets of £283.4m.

The decrease in total assets is primarily due to:

- a reduction in goodwill of £269.0m following the impairment to the Insurance cash generating unit;
- a decrease in property, plant and equipment of £35.5m of which £19.5m has been transferred to assets held for sale, £23.5m relates to depreciation in the year, partially offset by £8.2m of additions in the year;
- a decrease in financial assets of £49.7m, mainly relating to a reduction to the Insurance Underwriting investment portfolio, partly to fund £25.0m of dividends from AICL;
- a decrease in cash and short-term deposits of £50.4m;
- an increase in trade and other receivables of £43.0m due to the quota share contract with AICL's reinsurance partners being in a receivable position and the further ramp-up of Cruise and Travel operations;
- an increase in assets held for sale of £18.3m; and
- an increase in trust accounts of £12.8m.

The decrease in total liabilities reflects:

- a decrease of £18.4m in insurance contract liabilities due to reserve releases during the year;
- a decrease of £39.4m in financial liabilities, which is mainly due to a reduction of £41.9m in bond and bank loans, as a result of capital repayments on Spirit of Discovery and Spirit of Adventure facilities; and
- the recognition of a defined benefit pension scheme liability of £12.1m.

Going concern

The Directors have performed an assessment of going concern to determine the adequacy of the Group and Company's financial resources over a period of 14 months from the date of signing these financial statements, a period which includes the maturity of £150m of senior bonds in May 2024.

This assessment is based on higher and lower case financial projections which incorporate scenario analysis and stress tests on expected business performance.

The Group's higher case modelling assumes good performance in the Cruise division in 2023/24, on the back of strong booked load factors and per diems. Travel is also expected to achieve continued growth in revenues with encouraging bookings for 2023/24 as at the end of March 2023. As previously indicated, the outlook for Insurance is likely to be challenging over the next 12 to 18 months, with high cost and claims inflation in a competitive market expected to squeeze margins.

The Group's lower case scenario incorporates lower load factors for Ocean Cruise, lower levels of demand in River Cruise, and slower growth in the Travel business across the going concern period. Downside risks modelled for the Insurance business include the impact of worsening competitive market pressures on the Insurance Broking business, continued high cost and claims inflation putting pressure on margins, among other stress tests. These stresses are partially offset by discretionary cost savings and the deferral of investment expenditure that would be achieved in the event of downside trading risks materialising.

To increase liquidity and consistent also with a strategy of reducing capital intensity, in the autumn of 2022, the Group commenced a sale process for its Insurance Underwriting business, AICL. The Group aims for this sale process to be concluded in the second half of 2023.

However, given that there is no certainty that a sale of AICL will be concluded in the next 14 months, the Group has agreed a loan facility with Sir Roger De Haan. Under the terms of this facility, if the sale of AICL is not completed prior to the end of 2023, the Group will, from 1 January 2024, be able to borrow up to £50m to fund any liquidity needs, including repayment of the 2024 bonds. This facility is unsecured, on arms-length terms and can be drawn at the option of the Group on 30 days' notice. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. Availability of funds under the facility is not contingent on financial performance or on compliance with any financial covenants.

Under both higher and lower case scenarios, the Group expects to meet scheduled Ocean Cruise debt principal repayments as they fall due over the next 14 months, and to also meet the financial covenants relating to its secured cruise debt facilities (see Note 30) throughout the assessment period, except for the July 2023 testing date where lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio (see Note 41).

In addition, in both higher and lower case scenarios and incorporating either the expected net proceeds from a sale of the Insurance Underwriting business or a draw down of the £50m loan facility with Sir Roger De Haan, the Group expects to have sufficient resources to continue operations for at least the next 14 months and to repay the £150m senior bonds on maturity in May 2024 from Available Cash[30] resources.

Over the same time frame and on the same basis, the Group also expects to remain within the renegotiated financial covenants and other terms relating to its £50m RCF, as set out in Note 30, enabling it to draw down on this currently undrawn facility in 2024/25 to meet short-term working capital requirements should the need arise.

Noting that it is not possible to predict accurately all possible future risks to the Group's future trading, based on this analysis and the scenarios modelled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 14 months from the date of approval of these financial statements. They have therefore deemed it appropriate to prepare the financial statements to 31 January 2023 on a going concern basis.

Dividends and financial priorities for 2023/24

Dividends

Given the Group's priority of reducing Net Debt[30], the Board of Directors does not recommend payment of a final dividend for the 2022/23 financial year, nor would this currently be permissible under financing arrangements due to the leverage ratio being above 3.0x and while the ship debt facility deferred amounts are outstanding.

Financial priorities for 2023/24

The Group's financial priorities for the current financial year are to reduce Net Debt[30], build on the already positive load factor and per diem in Ocean Cruise, return the River Cruise and Travel businesses to profitability, and to continue progress in execution of its Insurance strategy.

James Quin
Group Chief Financial Officer
17 April 2023

30 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

EFFECTIVELY MANAGING OUR RISKS

Board assessment of risk management and internal control

Our Board has ultimate responsibility for the Company's risk management, internal control and risk culture. It is also responsible for regularly reviewing the effectiveness of risk management and control systems, ensuring that there is an ongoing systematic process for identifying, evaluating, and managing the emerging and principal risks faced by Saga.

This system accords with the Financial Reporting Council guidance on risk management, internal control and related financial and business reporting, and was in place for the year under review and up to the date of approval of this Annual Report and Accounts.

During 2022/23, as the business structure changed to move more accountability and independence into the individual business units, the risk management framework was revised to suit the changing business needs.

Areas of commonality remain to ensure that a consistent basis for managing risk is maintained, as stipulated by our risk management policy. Development has been in progress to ensure that each business unit operates a risk management framework that is proportionate and relevant to its needs, and the expectations of its regulators where applicable.

Risk maturity is measured and all business units are seeking to continuously improve their maturity over time in line with the targets set.

Our governance framework

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

Governing body
Accountability to stakeholders for organisational oversight

Governing body roles: integrity, leadership and transparency

Management
Actions (including managing risk) to achieve organisational objectives

Internal Audit and Assurance (IAA)
Independent assurance

1^{st} line roles
Provision of products/services to clients and managing risk

2^{nd} line roles
Expertise, support, monitoring and challenge on risk-related matters

2^{nd} and 3^{rd} line roles[1]
Independent and objective assurance and advice on all matters related to the achievement of objectives expertise, support, monitoring and challenge on risk-related matters

EXTERNAL ASSURANCE PROVIDERS

Risk strategy and plan

Our risk strategy and plan, which are aligned with our overarching strategy, are considered and approved annually.

Risk framework

Risk governance – The main consideration within risk governance is the Board management of risk and subsequent delegation to risk committees and other governance forums. This ensures that risk is managed effectively and that there is appropriate oversight through reporting and accountability defined within each committee's Terms of Reference and, where applicable, through the application of the Senior Managers and Certification Regime.

Additionally, the suite of Saga risk policies, including, but not limited to, conduct risk, incident management and internal control, define our risk management framework and high-level expectations of the 1^{st} and 2^{nd} line in respect of risk management activity.

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

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

1 2^{nd} and 3^{rd} line roles for AICL, SSL and SPF are separated in line with regulatory requirements

Our risk framework

Saga context

Purpose and vision

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

Growth plan priorities

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

Types of risk

STRATEGIC	OPERATIONAL	INSURANCE	LIQUIDITY	CREDIT	MARKET	REPUTATION

Supporting framework

ESG

ESG considerations are embedded into each of the risk framework processes

Saga risk framework

Risk framework processes

- Risk governance and accountability
- Incident management
- Risk registers
- Control assurance
- Risk appetites
- Top risks
- Emerging risk management
- Adequacy of resources (including Threshold Condition 2.4, Solvency II and wind-down plans)

→ Risk reporting, monitoring, oversight and measurement

Risk culture

Operates across all aspects of the above framework and aligns to our purpose of delivering exceptional experiences every day

Risk framework key:

- Risk framework element applies to the whole Company
- Risk framework element applies to AICL, SSL and SPF

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

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

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

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

Process feedback

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

Independent process assurance

Saga's IAA function is positioned centrally within the enterprise, operating independently of the business units. It is therefore able to provide independent assurance of the effectiveness of the risk management procedures.

The objective of IAA is to help protect the assets, reputation and sustainability of the organisation by providing independent, reliable, valued and timely assurance to the Board and ELT. To preserve the independence of the function, the IAA Director's primary reporting line is to the chair of the Audit Committee, and the IAA team is prohibited from performing operational duties for the business. For risk management responsibilities, the IAA Director also has an independent reporting line into the chair of the Risk Committee.

All activities of the Company fall within the remit of the IAA team, and there are no restrictions on their work. IAA fulfils its role and responsibilities by delivering the annual risk-based audit plan. Each audit provides an opinion on the control environment and details of any issues found. IAA work with the businesses to agree the remedial actions necessary to improve the control environment and these are tracked to completion. The relevant Head of IAA submits reports to, and/or attends, board and audit committee meetings for the business units, with the IAA Director reporting to the Audit and Risk Committees.

Statement of review

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and, up to the date of the approval of this Annual Report and Accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 77.

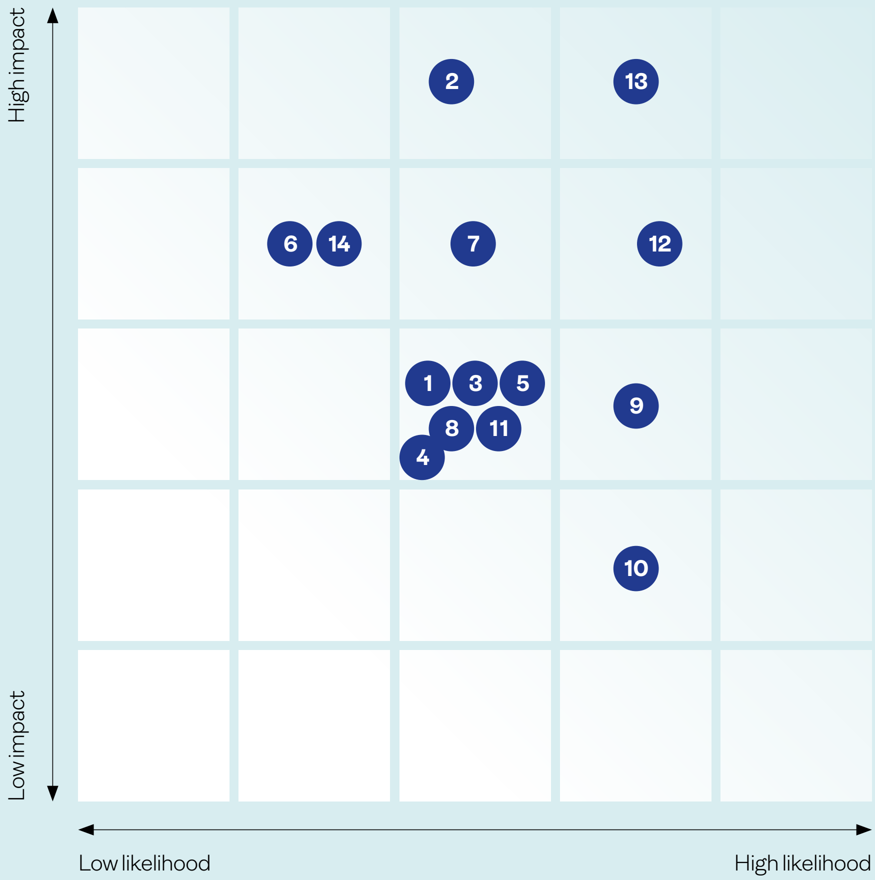
Our risk management framework and systems are designed to manage, rather than eliminate risk, and operate to facilitate the achievement of our business objectives within our stated risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year on the status and evolution of Saga's risk framework.

MITIGATING EACH RISK

The following matrix and table set out the principal risks and uncertainties (**PRUs**) facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity.

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



Our risk categories

- (A) Strategic
- (B) Operational
- (C) Insurance
- (D) Liquidity
- (E) Credit
- (F) Market
- (G) Reputational

Our risks

1	Pandemic/COVID-19 disruption	B
2	Cybercrime	B G
3	Delivery and execution	B
4	Capability	A B
5	Saga brand and relevance	A G
6	Regulatory action	B G
7	Operational resilience	B
8	Environmental, Social and Governance (**ESG**)	A B G
9	Third-party suppliers	B
10	Fraud and financial crime	B
11	Insurance pricing/modelling error	B
12	Breach of Data Protection Act/General Data Protection Regulation (**GDPR**)	B
13	Liquidity risk/debt repayment	D
14	Culture	B G

Principal risks and uncertainties continued

Key

1 Maximising our existing businesses	2 Step-changing our ability to scale while reducing debt	3 Creating 'The Superbrand' for older people	B Threat to business model	Improving Stable	Worsening N New risk

1. Pandemic/ COVID-19 disruption

Risk trend Improving

Link to strategy 1 2 3

Group-wide

Risk category B

Description
Risk to the Cruise and Travel businesses and financial resilience of Saga in the event of a new and significant pandemic or extended duration of COVID-19 arising from further variants.

Mitigation
Cost controls integrated into annual budget and five-year plans, complete restructuring of the Saga Travel Group, continuation of remote working capability that is now integrated into a hybrid working model, and ongoing monitoring of COVID-19 cases is undertaken on both ocean and river cruise ships.

2. Cybercrime

Risk trend Stable

Link to strategy 1 B

Group-wide

Risk category B G

Description
Cyber security breach resulting in system lockdown, ransom demands and/or compromise of confidential and/or personal data.

Mitigation
Ongoing vulnerability management programme in place, including industry benchmarking and external penetration testing to help maintain security posture.

Continued investment in cyber prevention, detection, and intelligence technologies to help mitigate attacks.

Awareness and testing programme in place to protect against social engineering attacks on colleagues.

Strategy in place to further reduce our footprint of potential system targets.

3. Delivery and execution

Risk trend Stable

Link to strategy 1 2

Group-wide

Risk category B

Description
Key business change initiatives fail to be delivered effectively, or at all, due to one, or a combination of, the following:

- Resource capability or capacity.
- Unexpected business as usual risk issues.
- New regulation.
- Material defects in the delivery.

Mitigation
Robust project governance covering how significant changes are prioritised and delivered, with close oversight from the ELT and the Board with 2nd and 3rd line assurance conducted for the change initiatives carrying the greatest risk.

4. Capability

Risk trend Stable

Link to strategy 2

Group-wide

Risk category A B

Description
A new strategy and purpose has created a new demand for capability to deliver the five-year plan, which requires new investment, leadership commitment and a learning culture. There is a risk that this step change is not achieved.

Mitigation
Increased focus on talent management, career development, recruitment, succession planning and embedding a new reward framework that drives colleague performance and aligns to effective risk management, delivering fair customer outcomes.

5. Saga brand and relevance

Risk trend Stable

Link to strategy 3 B

Group-wide

Risk category A G

Description
The Saga brand and its products do not appeal sufficiently to our target customer group, resulting in loss of appeal and market share, such that competitors gain market share and customer volume continues to decline.

Mitigation
Delivery of the next phase of the brand campaign in addition to continuous monitoring of metrics.

6. Regulatory action

Risk trend Improving

Link to strategy 1 B

Group-wide

Risk category B G

Description
Risk of customer harm because of our actions/inaction or failure to implement regulatory change correctly.

Mitigation
Consumer Duty Project in progress. Continued focus on embedding 1st line control self-assessment testing. Horizon-scanning reports produced to identify upcoming regulatory changes and necessary action.

7. Operational resilience

Risk trend

Link to strategy
1 2 3 B
Group-wide

Risk category
B

Description
Failure in critical services or operations and inability to recover within defined parameters, made more complex by remote working arrangements.

Mitigation
Migration onto new technology to increase colleague connectivity. Change governance ensures that system changes are delivered consistently within risk appetite.

8. ESG

Risk trend

Link to strategy
2 3 B
Group-wide

Risk category
A B G

Description
Increasing regulation coupled with industry and societal pressure leaves Saga trailing its peers, causing reputational, customer and financial impacts.

Mitigation
Saga's ocean cruise ships were built relatively recently to a high specification in terms of minimisation of harmful emissions. A Head of ESG was appointed who developed Saga's ESG strategy, and will work to embed ESG and ESG risk identification and management within the business. Saga has undertaken a stakeholder engagement exercise and materiality assessment to identify priority future activities.

9. Third-party suppliers

Risk trend

Link to strategy
1 3
Group-wide

Risk category
B

Description
Reputational impact, business interruption and financial losses arising from the failure or misperformance of key third parties.

Mitigation
Third-party risk management ensures an appropriate risk-based approach for selecting third-party partners and overseeing their performance and operational and financial resilience.

10. Fraud and financial crime

Risk trend

Link to strategy
1
Group-wide

Risk category
B

Description
Increased risk of internal or external fraud and financial crime driven by remote working and macroeconomic conditions.

Mitigation
2nd and 3rd line assurance reviews conducted with no significant issues identified. Ongoing monitoring of claims fraud in place, with colleague awareness communications. Operation of effective internal controls subject to regular testing and oversight.

11. Insurance pricing/modelling error

Risk trend

Link to strategy
1
Insurance

Risk category
B

Description
Errors in data modelling lead to material pricing, reserving or underwriting issues that have significant financial impact and/or customer harm.

Mitigation
Market study related controls and other insurance modelling controls incorporated into the internal control assurance programme.

12. Breach of Data Protection Act/GDPR

Risk trend

Link to strategy
1 3
Group-wide

Risk category
B

Description
Failure to maintain compliance with data privacy requirements in line with growing customer expectations in relation to how they want their personal data to be managed.

Mitigation
Prioritisation of projects to improve effective data management, coupled with simplification of our technology estate and strengthening of our Data Privacy team to ensure we continue to put the customer first in how we manage their personal information.

13. Liquidity risk/debt repayment

Risk trend N

Link to strategy
2 B
Group-wide

Risk category
D

Description
The more challenging macroeconomic environment, in tandem with the impact of COVID-19, has increased Saga's liquidity risk in relation to repayment of its debt liabilities.

Mitigation
The Group intends to sell the Insurance Underwriting business and has also entered into an unsecured £50m loan facility with Sir Roger De Haan. As a result, the Group expects to repay the 2024 bonds from Available Cash[2].

14. Culture

Risk trend

Link to strategy
1 3
Group-wide

Risk category
B G

Description
Saga's culture does not transform in line with the purpose, values, and strategy to deliver the financial results expected per the five-year plan.

Mitigation
Ongoing measurement and monitoring of culture using colleague surveys.

2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Viability Statement

The Directors have considered the viability of the Group over the five years to January 2028. The five-year period has been selected as the most appropriate as this time frame:

a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business;

b) includes the maturity of both unsecured bonds in 2024 and 2026; and

c) includes fuller consideration of a range of potential risks, including demand risk in a challenging operating environment and the impact of rising cost inflation.

Both the travel and insurance markets are expected to remain challenging in the next 12 to 18 months, in part due to a high level of ongoing economic uncertainty. The Directors and Executive Leadership Team remain focused on protecting the Group, and have taken actions to strengthen its financial position to help it mitigate the continued uncertainty. Further information is included in the Chief Financial Officer's report on pages 60-61.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe, but plausible, scenarios and the effect of any mitigating actions. The Directors have considered each of the Group's principal risks and uncertainties (**PRUs**) detailed on pages 65-67 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period.

The list of PRUs was reviewed by risk owners, finance and the risk function to consider which risks might threaten the Group's ongoing viability. These include an assessment of the future impact of climate change on the business, including the possible introduction of Emission Trading System requirements. The PRUs have been considered and severe, but plausible, outcomes for each have been identified, with an estimate of the potential financial impact of each quantified. Assessments of the potential financial impact were derived from both internal calculations and examples of similar incidents in the public domain.

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

1. The impact of lower-than-expected demand on the Cruise and Travel businesses.
2. The impact of further regulation across the business, incorporating climate change considerations.
3. A failure to deliver on the Insurance Broking strategy as the business continues to navigate a period of significant change.

In assessing the viability of the Group, the Directors have considered appropriate management actions that may be taken to manage the solvency of the Group in the event of severe, but plausible, downside scenarios. These include the range of steps identified in the going concern assessment on pages 60-61 that are expected to increase liquidity over the short to medium term, and include the preferred route of a potential sale of the Group's Insurance Underwriting operations, as well as further contingency plans including the option to draw down on the £50m working capital facility agreed with Sir Roger De Haan.

Based on an assessment of these planned actions, and on the assumption that the £250m senior bonds maturing in 2026 can be refinanced, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. However, the Directors note that successful execution of the planned actions necessary to enable refinancing of the July 2026 bonds are not fully within their control. The Directors further recognise that uncertainty increases over time and therefore future outcomes cannot be guaranteed.

Non-financial information statement

An overview of our approach to environmental, colleague, social, human rights, anti-corruption and anti-bribery matters can be found in the table below. Details of our business model can be found on pages 18-19, and our principal risks and uncertainties are on pages 65-67. Our key policies can be found on our corporate website.

Our approach and key policies	Outcomes of policies and impacts of activities	More information
Environmental matters		
Our Environmental Social and Governance (**ESG**) Policy sets out our intention to minimise the impact of our operations on the environment, comply with relevant environmental legislation and monitor and, where applicable, report our usage of all types of energy.	• Our Seaham facility installed LED lighting, achieving a power-efficiency saving of over 50%. • 60 e-bikes were added to our ocean cruise ships. • Began installation of shoreside power and fuel-efficiency measures on Spirit of Discovery.	See pages 26-36 for more information on environmental matters. Read more about environmental matters on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Colleagues		
Our colleagues are core to our business and their wellbeing is of utmost importance to us. We have an Equal Opportunities Policy committing us to creating a truly inclusive culture, where all colleagues can bring their authentic selves to work. Our Dignity and Diversity Policy sets out how we raise awareness of fairness and equality in our working environment. Our Health and Safety Policy contains a clear set of principles and commitments which apply to all colleagues, contractors and members of the public. We are inclusive of age through our robust Grandparents' Leave and Menopause policies.	• We aim to be 'Champions of Age' at work in the UK. • 47% of our colleagues are female. • We reduced our gender pay gap during 2022. • We launched our Be Well strategy for all colleagues.	Colleagues are one of our key stakeholders, as set out on page 20. Our culture is described on page 37. Read more about our colleagues within the ESG section of our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Social matters		
We seek to understand and carefully consider the impact of every decision we make within our communities. We ensure we have an open dialogue with the community and they are aware of our strategy, as well as any impact to them. We promote our colleagues' involvement in the community through our Public Duties Policy, Reservist Policy and our robust volunteering strategy, which gives all colleagues paid time off to volunteer within the community.	• Over £200k charitable donations made by Saga. • 1,078 colleagues used their volunteer day.	Read more about our engagement with our communities on page 21 of this report and on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).
Respect for human rights		
Saga supports the rights of all people as set out in the Universal Declaration of Human Rights. Our Labour Standards Policy sets out our human rights principles which are adopted across the Group alongside our commitments to working responsibly and with integrity. Our Modern Slavery Statement also provides further detail on risk, due diligence, policies, training and audit in that area.	• No incidents of human rights violations or modern slavery were identified in 2022/23.	Our Labour Standards and Human Rights Policy can be found on our corporate website (www.corporate.saga.co.uk/media/1507/labour-standards-policy-final.pdf) alongside our Modern Slavery Statement (www.corporate.saga.co.uk/modern-slavery-statement/).
Anti-bribery and anti-corruption		
Saga takes a zero-tolerance approach to bribery and corruption. There is an Anti-Bribery and Corruption Policy in place which lays out clear guidance for the appropriate assessment of any risk of bribery and corruption across all businesses. This is enforced by mandatory training for all colleagues.	• There were no fines, penalties or settlements for corruption reported in 2022/23. • 98% completion of mandatory training.	Read more about anti-bribery and corruption on page 43. Further information, including our Anti-bribery and Corruption Policy can be found on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/).

Section 172(1) statement

Duty to promote the success of the Company

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

A description of how the Board engages with its key stakeholders can be found on pages 20-21 and the principal decisions made by the Board during 2022/23, how stakeholders were considered and the likely consequences of these decisions over the longer term are set out on pages 78-80. Further information on how S172(1) has been applied by the Board can be found in the table below.

S172(1) matter	Further information incorporated into this statement by reference	
Likely consequences of any decision in the long term	Our strategy Pages 22-25 Environmental, Social and Governance Pages 26-43 Principal risks and uncertainties Pages 65-67 Chairman's introduction to governance Page 72-73 Board activities Page 78-80	Nomination Committee Report Pages 84-85 Audit Committee Report Pages 86-89 Risk Committee Report Pages 90-91 Annual Statement Pages 92-95 Directors' Remuneration Policy Pages 111-123
The interests of the Company's employees	Group Chief Executive Officer's Statement Pages 10-13 Market review Pages 16-17 Engaging with stakeholders Pages 20-21 Our strategy Pages 22-25	Environmental, Social and Governance Pages 26-43 Chairman's introduction to governance Page 72-73 Board activities Pages 78-80 Annual Statement Pages 92-95
The need to foster the Company's business relationships with suppliers, customers and others	Purpose and business model Pages 18-19 Engaging with stakeholders Pages 20-21 Environmental, Social and Governance Pages 26-43	Board activities Pages 78-80 Risk Committee Report Pages 90-91
Impact of the Company's operations on the community and environment	Chairman's Statement Pages 8-9 Engaging with stakeholders Pages 20-21 Environmental, Social and Governance Pages 26-43	Board activities Pages 78-80
The Company's reputation for high standards of business conduct	Group Chief Executive Officer's Statement Pages 10-13 Our strategy Pages 22-25	Environmental, Social and Governance Pages 26-43 Board activities Pages 78-80
The need to act fairly as between members of the Company	Engaging with stakeholders Pages 20-21 Chairman's introduction to governance Page 72-73	Board leadership and Company purpose Page 81

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

Euan Sutherland
Group Chief Executive Officer
17 April 2023

GOVERNANCE

Application of UK Corporate Governance Code

Saga plc (the **Company**) seeks to comply with the Principles set out in the UK Corporate Governance Code (the **Code**), promoting good corporate governance to support the long-term sustainable success of the Group.

Details of how Saga has applied the Principles and Provisions of the Code throughout the year are set out on the following pages in the Corporate Governance Statement, with additional information contained in the Strategic Report. A full explanation of how Saga has applied the Code can be found in our compliance schedule on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Board leadership and company purpose	
A. Board effectiveness	83
B. Purpose, values, strategy and culture	1-43 and 81
C. Board decision-making	73 and 78-80
D. Engagement with stakeholders	18-21, 70 and 78-80
E. Oversight of workplace policies and practices	33, 43, 69, 81-82, 85 and 88
Division of responsibilities	
F. Role of the Chair	76 and 83
G. Independence and division of responsibilities	76 and 83
H. External commitments and conflicts of interest	74-75
I. Board resources	78 and 82-83
Composition, succession and evaluation	
J. Appointments to the Board and succession planning	72-73 and 84-85
K. Board composition and length of tenure	74-75, 77 and 83
L. Board and individual evaluation	83 and 85
Audit, risk and internal control	
M. Financial reporting External audit and internal audit – independence and effectiveness	86-89
N. Fair, balanced and understandable assessment	77 and 88
O. Risk management and internal controls	32-36, 62-67, 77 and 90-91
Remuneration	
P. Remuneration philosophy	92-123
Q. Remuneration policy	111-123
R. Annual report on remuneration	98-110

The Board believes that, during the whole reporting period, the Company was in full compliance with all applicable Principles and Provisions of the Code, save that:

- **Provision 3:** While the Non-Executive Chairman did meet with some shareholders during the year, as he is a significant shareholder in the business, it was determined that it would be more appropriate for the Group Chief Executive Officer (**CEO**) and Group Chief Financial Officer (**CFO**) to engage with major shareholders.
- **Provision 9 (taking the circumstances set out in Provision 10 into account) and Provision 34:** Due to his shareholding in the Company, the Non-Executive Chairman was not considered independent on appointment. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, the terms of the Relationship Agreement between him and the Company, and his letter of appointment, the appointment was deemed to be in the best interests of the Company. Shareholders supported this when they voted in favour of his appointment at the 2021 and 2022 Annual General Meetings (**AGMs**). Roger has waived his fee since becoming Non-Executive Chairman in 2020.
- **Provision 23:** Whilst the Code defines 'senior management' as the layer below the Board and the Company Secretary and their direct reports, we think that it is more appropriate to disclose the gender balance of the Executive and Senior Leadership Teams.

WELL PLACED TO RETURN THE BUSINESS TO GROWTH

"We appointed three new Non-Executive Directors to our Board, all of whom are entrepreneurs with experience that will help us with our ambition to broaden the range of products and services we offer and the frequency of our customer interactions and the understanding we have of them."

Sir Roger De Haan
Non-Executive Chairman

Dear shareholder,

During our 2022/23 financial year we made good progress in relation to the strategy we set 12 months ago.

Changes to Board and Committee structure/composition

We appointed three new Non-Executive Directors to our Board, all of whom are entrepreneurs with experience that will help us with our ambition to broaden the range of products and services we offer and the frequency of our customer interactions and the understanding we have of them.

Peter Bazalgette, Anand Aithal and Gemma Godfrey have all built successful businesses and have relevant expertise in corporate finance, financial services, media, e-commerce and public company governance.

Peter took over the position of Senior Independent Director when Orna NiChionna retired from the Board on 30 September. I would like to thank Orna for her valuable contribution over the years.

Gareth Hoskin was reappointed for a further three-year term. Gareth chairs Acromas Insurance Company Limited, Saga's Insurance Underwriting business. He is Chair of our Audit Committee and also acts as the Group's Speak Up Champion.

Steve Kingshott, Saga's CEO of Insurance, was appointed a Board Director with effect from 3 January 2023.

Following the changes to the Board, the Nomination Committee reviewed membership of the Board committees. The Board agreed with the Committee's proposal that Anand Aithal should become a member of the Audit Committee, Gemma Godfrey should join the Risk Committee, Gemma and Peter should join the Remuneration Committee and that Julie Hopes and Gareth Hoskin should step down from the Nomination Committee. Gemma Godfrey became Chair of Saga Money.

I was very pleased that a new and increasingly important committee, the Innovation and Enterprise Committee, chaired by Anand, was established. It was agreed that Gemma, Peter and I should also be members.

Board focus and decisions

Over the year, considerable time was spent discussing a strategy that would allow us to build on the progress we have been making in returning to a more normal Cruise and Travel operation post the COVID-19 pandemic and adapting to changes in the insurance industry.

The Board was conscious that our stakeholders were being impacted by the rising cost of living. It was also recognised that there was a need to strengthen our balance sheet and further reduce our debt. Following two years of agreed payment deferrals in relation to our ocean cruise ship facilities, repayments recommenced and we concluded discussions with our lending banks to amend the covenants associated with our revolving credit facility.

Since the year end, we have concluded discussions with our ship debt lenders who have agreed to waive the EBITDA to debt repayment covenant in July 2023.

The Board spent a significant amount of time discussing our Insurance businesses and made the decision to initiate the sale of our Underwriting business, which will allow us to further reduce debt. With this in mind, I have recently provided a £50m facility to give the Company additional flexibility.

After taking account of the popularity of working from home, we took the decision to close a number of our large offices in favour of smaller hubs, which will result in reduced operating expenses.

Additional meetings were held to review our strategy during the period. At our main Board meetings, we heard from all of our business CEOs and, more recently, from the CEO of our new business, Saga Media.

Risk management

Our financial reporting processes, internal controls and overall risk strategy continued to be overseen by our Audit and Risk Committees. This was particularly important this year as the Group redesigned its risk and internal audit structure.

People and remuneration

Eva Eisenschimmel, our Remuneration Committee Chair, attended People Committee meetings periodically throughout the year and continued to represent colleagues at Board meetings. The Board continued to monitor the Company culture and the Group's values.

While under the normal three-year cycle, shareholder approval would have been sought at this year's Annual General Meeting (**AGM**) for our Remuneration Policy, the Committee consulted with shareholders in the early part of 2022 and presented a new Policy at the 2022 AGM. This introduced a new Saga Transformation Plan to provide an increased focus on retention and incentivisation for the most influential leaders and support the turnaround of the business with the goal of sustained performance and share price growth following the period of market uncertainty and the strategic challenges the business has faced.

Environmental, Social and Governance (ESG)

A Head of ESG was appointed to lead analysis and to develop and implement our ESG strategy and, in due course, the Board will consider key performance indicators and associated metrics that we will use to track progress.

Board and Committee evaluation

During the year, Peter Bazalgette, our Senior Independent Director, led an evaluation of the Board and its Committees, with support from our Group Company Secretary. It concluded that there was an open and transparent Board culture with a collaborative and solutions-based approach.

Shareholder engagement and our 2023 AGM

I was delighted that, in July last year, we were able to hold our first AGM in person since 2019.

This year, our AGM will be held at 11.00am on 20 June 2023, at the offices of Numis Securities Limited, 45 Gresham Street, London EC2V 7BF. Full details will be set out in the Notice of AGM in due course. I am looking forward to seeing shareholders there.

Sir Roger De Haan
Non-Executive Chairman
17 April 2023

How the Board monitors culture

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

	Cultural priorities			
Cultural identifier	**Promoting integrity and openness**	**Valuing DE&I**	**Being responsive to the views of stakeholders**	**Culture aligned to purpose, values and strategy**
Colleague surveys	✓	✓	✓	✓
Speak Up reports	✓	✓	✓	✓
Progress on diversity, equity and inclusion (**DE&I**)	✓	✓	✓	✓
Health and safety performance	✓		✓	✓
Internal Audit reports and findings	✓		✓	✓
Environmental targets	✓		✓	✓

Board of Directors

DIVERSITY, BALANCE AND EXPERIENCE

Roger De Haan

IE N

Euan Sutherland

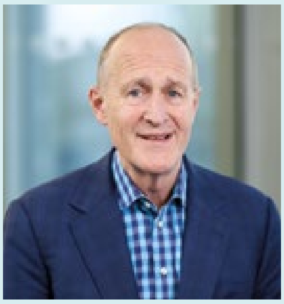
E

James Quin

E

Steve Kingshott

E



Peter Bazalgette

IE **N** R

Anand Aithal

A **IE**

Eva Eisenschimmel

N **R**

Gemma Godfrey

IE R RI

Julie Hopes

A R **RI**

Gareth Hoskin

A IE RI

Key

●	Committee Chair
A	Audit Committee
E	Executive Leadership Team Committee
IE	Innovation and Enterprise Committee
N	Nomination Committee
R	Remuneration Committee
RI	Risk Committee

Roger De Haan

Non-Executive Chairman

Appointed 5 October 2020

Key strengths and experience

- Experienced business leader and board director with extensive experience in travel and financial services industries.
- Significant history with Saga having worked in the business for 40 years, including over 20 years as Chairman and Chief Executive.
- Instrumental in transforming Saga from a specialist tour operator to one that offered its own cruises and expanding the business to cover publishing, insurance and financial services, creating the Saga brand.
- Knighted in the 2014 New Year Honours List for services to education and to charity in Kent and overseas.

Other roles

Director of Folkestone Harbour companies, Creative Folkestone and Friends of Folkestone Academy; and Trustee of Roger De Haan Charitable Trust.

Euan Sutherland

Group Chief Executive Officer

Appointed 6 January 2020

Key strengths and experience

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

Other roles

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

James Quin

Group Chief Financial Officer

Appointed 1 January 2019

Key strengths and experience

- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 30 years of senior leadership experience.
- Experience in delivering corporate strategy, investor communications and internal/external analysis and reporting.
- Extensive strategic, investor and operational finance experience within the insurance industry.
- Previous senior roles include: UK CFO, Global Life CFO and Head of Investor Relations at Zurich Insurance Group; Partner at PwC and Managing Director at Citigroup Global Markets.

Steve Kingshott

Chief Executive Officer for Insurance

Appointed 3 January 2023

Key strengths and experience

- Highly experienced insurance executive with over 30 years' experience in the UK insurance market.
- Previous senior roles include: CEO of Tesco Bank's Insurance business and Chief Insurance Officer for Tesco Bank.

Peter Bazalgette

Senior Independent Director

Appointed 1 September 2022

Key strengths and experience

- Wealth of experience from the media and wider creative industries.
- Multi-industry knowledge in broadcasting, television, advertising, media, digital media and venture capital.
- Previous roles include: Chairman of ITV plc; Chairman of Endemol UK; Chair of the Arts Council for England; Non-Executive Director of YouGov; and Non-Executive Director of Channel Four.

Other roles

Chair of LoveCrafts Group Limited.

Anand Aithal

Independent Non-Executive Director

Appointed 1 September 2022

Key strengths and experience

- Extensive non-executive experience from fintech, insurance broking, asset management and accountancy.
- Entrepreneurial perspective, having co-founded his own data analytics business.
- Previous roles include: Managing Director at Goldman Sachs.

Other roles

Lead Non-Executive board member for the UK Cabinet Office.

Eva Eisenschimmel

Independent Non-Executive Director and People Champion

Appointed 1 January 2019

Key strengths and experience

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

Other roles

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

Gemma Godfrey

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

Appointed 1 September 2022

Key strengths and experience

- Founder of two successful digital businesses.
- Specialist in digital transformation, innovation, and de-risking the delivery of new services.
- Previous roles include: Boardroom adviser on the Apprentice USA.

Other roles

Non-Executive Director of Eight Capital Partners plc, Kingswood Holdings Limited, Oberon Investments Group plc and Vivopower International plc; and business and money expert on ITV's Good Morning Britain and Sky News.

Julie Hopes

Independent Non-Executive Director, Chair of Saga Services Limited

Appointed 1 October 2018

Key strengths and experience

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

Other roles

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

Gareth Hoskin

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

Appointed 11 March 2019

Key strengths and experience

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

Other roles

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

Governance at a glance

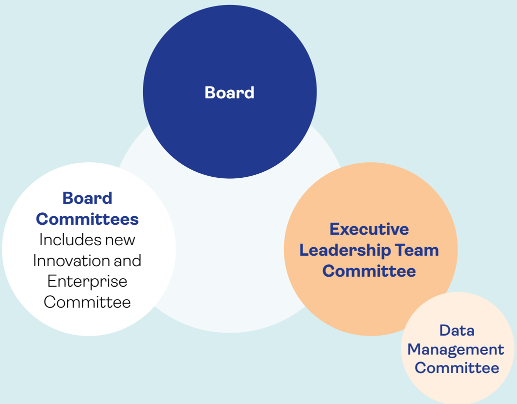
A CONTINUOUS IMPROVEMENT APPROACH TO GOVERNANCE

We constantly assess and adapt our governance structure to ensure we have the optimum framework to support our strategy.

During the year, the business structure changed to move more accountability and independence into the individual business units and our governance structure was reviewed and simplified.

Governance framework

To align with the decentralised model, our governance structure was simplified.



Find out more in division of responsibilities on page 82

Board activities

- **Maximising our existing businesses and creating 'The Superbrand' for older people**
  – Restructured to give businesses more independence.
  – Combined our Ocean and River Cruise businesses.
  – Merged Titan Travel and Saga Holidays.
  – Discussed the future of Insurance, including a possible sale of our Insurance Underwriting business, Acromas Insurance Company Limited (**AICL**).
  – Reviewed the plans for Saga Money.
  – Launched Saga Media.
  – Responded to the cost of living crisis.
- **Step-changing our ability to scale while reducing debt**
  – Discussed strategies for debt reduction, short-term liquidity needs, hedging and property portfolio management.
  – Amendment to revolving credit facility agreement to support short-term liquidity needs. Since the year end, concluded discussions with our ship debt lenders to waive the EBITDA to debt repayment covenant in July 2023 and approved entry into a loan facility with Roger De Haan.

Find out more in our Board activities section on pages 78-80

Board roles

The Board comprises 10 Directors with a broad set of complementary skills and with varied experiences and each bringing a different perspective.

During the year, the Board reviewed a document detailing the division of responsibilities and roles of the Chairman, Group CEO, Senior Independent Director, all Committee Chairs and the Non-Executive Director nominated 'People Champion'. This was last reviewed and approved on 23 January 2023 and is available on our corporate website (www.corporate.saga.co.uk/about-us/governance). All Directors, as persons discharging managerial responsibilities, receive updates on regulatory matters affecting the Group and briefings relating to their duties on an ongoing basis.

Member	Role
Roger De Haan	Non-Executive Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)
Euan Sutherland	Group CEO (Group performance and develops strategy for Board approval)
James Quin	Group CFO (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)
Steve Kingshott	CEO of Insurance (Insurance strategy, optimising sales, delivering excellent customer service and broadening the range of new products)

Independent Non-Executive Directors	Role
Peter Bazalgette (Senior Independent Director)	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of the Non-Executive Chairman, Executive Directors and senior management.
Anand Aithal	
Eva Eisenschimmel (People Champion)	
Gemma Godfrey	
Julie Hopes	
Gareth Hoskin (Speak Up Champion)	

Find out more in composition, succession and evaluation on page 83

Board allocation of time

People and culture	c.10%
Maximising our existing businesses	c.30%
Step-changing our ability to scale while reducing debt	c.25%
Creating 'The Superbrand' for older people	c.25%
Oversight of risk management	c.5%
Environmental, Social and Governance (**ESG**)	c.5%

The Board's experience

	Number of Directors
Insurance	**5**
Travel	**1**
Personal finance	**1**
Board experience and corporate governance	**10**
Strategy and innovation	**8**
Consumer-facing businesses	**6**
Brand management	**5**
Stakeholder management and culture	**10**
Finance and audit	**4**
Digital and media	**5**
Risk management	**3**

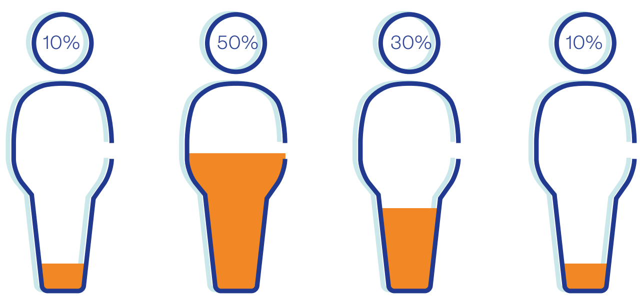
Gender diversity on the Board

Gender	Actual	%
Female	3	30%
Male	7	70%
Total	10	100%

Gender diversity in senior management[1]

Gender	Actual	%
Female	23	41%
Male	33	59%
Total	56	100%

Board age



1 Senior management includes the Executive Leadership Team (**ELT**) (first layer below Board level) and the Senior Leadership Team which includes the Group Company Secretary

Board composition

Non-Executive Directors	**6**
Executive Directors	**3**
Non-Executive Chairman	**1**

Board tenure

Under 1 year	**4**
1 to 3 years	**1**
Over 3 years	**5**

Key statements

Compliance Statement The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the UK Corporate Governance Code 2018 (the **Code**). A full version of the Code can be found on the Financial Reporting Council's website (www.frc.org.uk). The Company applied the Principles and complied with the relevant Provisions of the Code throughout the year (with two exceptions) as set out and explained on page 71.

Viability Statement The Viability Statement can be found in the Strategic Report on page 68.

Going concern The going concern basis of preparation can be found in Note 2.1 of the financial statements on pages 143-144.

Fair, balanced and understandable In accordance with the Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report and Accounts is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Assessment of risk Through the risk management process detailed on pages 62-64, the Board can confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity and reputation.

Statement of review The risk management process detailed on pages 62-64 was in place for the year under review and up to the date of approval of this report.
The Board recognises the importance of appropriate systems of internal control and risk management.
The Group operates a three lines of defence risk management framework overseen and monitored by the Risk Committee (see pages 90-91) and Audit Committee (see pages 86-89). Work conducted by 2nd and 3rd lines, while identifying some areas for improvement, provided reasonable assurance that the systems of risk management and internal control were broadly effective.

Section 172(1) The Section 172(1) statement can be found in the Strategic Report on page 70.

BOARD ACTIVITIES DURING THE YEAR SUPPORTED DELIVERY OF OUR STRATEGY

The Board considered progress against long-term strategy at each Board meeting and, in addition, two detailed strategic sessions were held. This year saw a return to holding meetings in person which was highlighted in the Board evaluation as a welcome return to normality. Board meeting agendas are carefully structured and include an update by the chair of each committee, including any matters for escalation.

During the year, the Board held six scheduled meetings and eight ad hoc meetings, for which individual attendance is set out to the right. The additional meetings were necessary due to the challenging external conditions, and it was not always possible to have all Directors in attendance.

Director	Scheduled meetings	Ad hoc meetings
Roger De Haan	6/6	8/8
Peter Bazalgette[1]	3/3	5/5
Anand Aithal[1]	3/3	5/5
Eva Eisenschimmel	6/6	8/8
Gemma Godfrey[1]	3/3	4/5
Julie Hopes	6/6	7/8
Gareth Hoskin	6/6	7/8
Steve Kingshott[2]	1/1	2/2
Orna NiChionna[3]	4/4	2/3
James Quin	6/6	8/8
Euan Sutherland	6/6	8/8

The Board recognises the need to consider the needs of, and impact on, all stakeholder groups. As always, there was a need to ensure that the consequences of decisions were the right thing for promoting the long-term success of the Company, as well as having regard to maintaining a reputation for high standards of business conduct.

This section contains some examples of principal decisions that were taken during the year and how stakeholder views were taken into account and impacted the outcomes of those decisions.

Find out more about stakeholder engagement on pages 20-21

Key stakeholder groups

- Customers
- Colleagues
- Communities
- Partners and suppliers
- Shareholders and investors
- Regulators

Strategic pillars

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

Key Board decision	Restructure and decentralisation of the businesses
Connection to strategic pillars	1 3
How the Board reached its decision and considered matters set out in Section 172(1) (S172(1)) of the Companies Act 2006 (the Act)	Considered the proposed changes to the enterprise governance structure and delegated authority limits following the restructure of the businesses. Discussion centred around the importance of having transparency across all business areas, how to use data to drive the development of products and services and how the Group CEO's role was likely to change to become 'guardian of the brand' as business units became more autonomous. Revised Remuneration Policy/Saga Transformation Plan reviewed and recommended for approval by our shareholders. This involved a shareholder consultation, production of an advisory report from external advisers and an independent legal review.
Stakeholder management	The Remuneration Committee and Board considered the impact of the proposed changes on various groups of stakeholders, including shareholders, customers, colleagues, regulators and suppliers.
Challenges faced	Defining enterprise responsibilities and how governance needed to change to support autonomy of businesses. Seeking approval for a revised Remuneration Policy a year earlier than planned, in a challenging environment.
Outcome and impact of the decision	Governance structure was reviewed. The Cyber Security Forum and ESG Task Force continued to meet as management meetings but duties for these, and risk management, were rolled up into the ELT Committee. New Innovation and Enterprise Committee established. Remuneration Policy approved by shareholders at the 2022 AGM. ESG strategy was developed, led by new Head of ESG.

1 Appointed as Directors on 1 September 2022
2 Appointed as a Director on 3 January 2023
3 Retired as a Director on 30 September 2022

Key Board decision	Considered how to grow our businesses and establish Saga as 'The Superbrand' for older people: • Combined our Ocean and River Cruise businesses to ensure consistently high standards were delivered. • Merged the operations of Titan Travel and Saga Holidays to create the UK's largest and market-leading touring business. • Considered the transformation plan for Insurance and Money. • Initiated a sale process for AICL, the Group's Insurance Underwriting business. • Launched Saga Media.
Connection to strategic pillars	1 3
How the Board reached its decision and considered matters set out in S172(1) of the Act	Significant time spent discussing the future of the Insurance business within the Group. Discussed Saga's competitive advantage and agreed that it was its brand, data and growing reputation for providing exceptional services, its strategy to grow its product range, its strong customer relationship management capability and the potential it had to grow direct business and the opportunity it had to lower costs through digitalisation. CEO of businesses attended each Board meeting to discuss current trading, strategy, opportunities and risks. Chief Data Officer, CEO of Insight and Brand Development and CEO of Saga Media attended Board meetings to present their strategies and share customer feedback. Reviewed the content and tone of the materials for the Capital Markets Event held in January 2023. Considered the plan to position Saga as a 'one stop shop' for insurance for older people and how data and insight could be used to extend our product range to cater for customers' needs and ensure that customer service levels were exceptional. Heard how detailed customer segmentation would help identify significant growth opportunities.
Stakeholder management	The Board discussed how to create exceptional experiences for, and deepen our understanding of, our customers and create value for our shareholders. Impact on suppliers and colleagues was considered e.g. how combining business operations would affect them. It was important to keep regulators informed and work with them to demonstrate how customers would be protected.
Challenges faced	Saga is a brand that has exceptionally high awareness amongst people over 50, however, historically too many have seen Saga as something that 'isn't for them'. An extended period of geopolitical and macroeconomic uncertainty. Potential for the cost of living crisis to impact levels of spending by customers. Contact centres were impacted by ongoing challenges with recruitment. Regulatory changes arising from the Financial Conduct Authority (**FCA**) review into general insurance pricing practices (**GIPP**) causing volatility in the market. Inflationary increases on the cost of settling insurance claims causing short-term pressure on earnings. Risk of interest rate fluctuations causing market uncertainty and lower demand for our Money products.
Outcome and impact of the decision	Acquisition of The Big Window Consulting Limited led to development of detailed customer segmentation and creation of our Experienced Voices panel. Launch of Saga Exceptional, a new website providing best-in-class consumer advice and inspirational stories. In the first half of the year, the operations of Saga Holidays and Titan Travel were combined to create the UK's largest and market-leading touring business offering an enhanced website and booking experience. Strong Ocean Cruise bookings into 2023/24 with load factor of 72% and per diem of £339 at 26 March 2023. Achieved excellent guest satisfaction scores, at 9.0 out of 10 in Ocean and 8.2 in River Cruise at 31 January 2023. Delivered revenue and customer growth within Saga Money. Successful implementation of new regulatory requirements arising from the FCA's review of GIPP and introduced a range of new motor products to meet customer needs. Initiation of a sales process for AICL.

Board activities continued

Key Board decision	Management of debt – bond arrangements, amendment to revolving credit facility, hedging and property strategies.
Connection to strategic pillars	2
How the Board reached its decision and considered matters set out in S172(1) of the Act	Considered at every Board meeting and as part of budget and five-year plan approval process. Significant discussion regarding how to reduce debt and increase liquidity ahead of the maturity of our £150m bond in May 2024. Escalated conversations around the options in relation to our Insurance Underwriting business including initiation of a sales process, consistent with our ambition to pivot towards a more capital-light model. Detailed consideration of the going concern and Viability Statement by Audit Committee and Board members. Investor Relations report reviewed at every meeting. Discussed hedging policy and whether to lock in prices for the ships' fuel. Continuously reviewed property strategy in conjunction with ways of working and how best to support our colleagues. Decision made to close Enbrook Park headquarters in Folkestone and operate smaller hubs which will reduce operating expenditure.
Stakeholder management	The impact on all stakeholders was considered. Saga Pension scheme trustees were consulted and kept informed. Colleagues and local communities were impacted by the decision to close offices and their needs were considered at each step.
Challenges faced	Balancing the level of investment required to scale our operations with maximising cash generation and accelerating debt reduction. Judgement required around trading conditions which were difficult to predict.
Outcome and impact of the decision	Going concern and Viability Statements made. Management of cash flow and debt repayment in line with existing arrangements. Net Debt[4] at 31 January 2023 of £711.7m, £17.3m lower than 31 January 2022. Repayments in relation to our ocean cruise ship facilities recommenced in June 2022 and a total of £46.4m was repaid during the year. Since the year end, discussions concluded with Cruise lenders in respect of covenant restrictions attaching to two ship debt facilities, to waive the EBITDA to debt repayment covenant ratio for the 31 July testing date. Discussions concluded with our lending banks to amend the covenants in relation to our revolving credit facility, providing us with greater flexibility in relation to liquidity used for short-term working capital purposes. Reduced operating expenses as a result of office closures. Since the year end, agreed a £50m loan facility with Roger De Haan that will enable the business to draw down up to £50m from 1 January 2024, if required, to fund any liquidity needs, including repayment of the 2024 bond. Interim and preliminary results and Annual Report and Accounts were published.

Key Board decision	Response to cost of living crisis for colleagues and inflation on suppliers. Colleagues supported by salary increase earlier than planned, two one-off payments and establishment of a hardship fund.
Connection to strategic pillars	1 3
How the Board reached its decision and considered matters set out in S172(1) of the Act	Discussed the proposal to bring forward the February 2023 pay review to December 2022 and award a 5% salary increase and two one-off payments of £500 to colleagues with lower earnings. Chief People Officer attended Board meetings and explained how the Company's purpose and values (precision pace, empathy, curiosity, and collaboration) could be embedded, how culture should be measured and how to interpret colleague surveys. People Committee and Colleague Forums provided valuable insight into the views of, and challenges faced by, the wider workforce.
Stakeholder management	Essential to deliver the best experiences for our colleagues, and monitor supplier reaction to inflation, so that we provide an exceptional experience for our customers.
Challenges faced	Difficult to find a solution which would suit all colleagues – had to adopt a fair and reasonable approach. Financial impact of increased cost of supplies, salary increases and one-off payments to colleagues.
Outcome and impact of the decision	Colleagues provided with support when needed. Colleagues given access to a new reward platform and enhanced financial support available through acceleration of our annual pay review cycle, two additional cost of living support payments for our colleagues with lower earnings and a hardship fund. Engagement remained high at 8.0 out of 10.

4 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Our Board

A document summarising the matters which are reserved for the Board was last considered on 27 January 2023. These include the following:

Strategy and management

- Setting the Group's purpose, values, strategy and standards ensuring these, and our culture, are aligned.
- Approving objectives, budgets, forecasts and strategic direction, as well as their successful implementation.
- Overseeing our operations, including regulatory, financial and operational policies.
- Any decision which may have a material impact on the Group. For example, new business activity, significant expansion or diversification/cessation of existing businesses.

Structure and capital

- Approving changes relating to our capital, corporate, management or control structures and borrowings; and guarantees other than in the normal course of business.

Financial items, risk management and internal controls

- Approving the interim and preliminary results and Annual Report and Accounts, alongside material capital or operating expenditure outside pre-determined tolerances or beyond agreed delegated authorities.
- Ensuring maintenance of a sound system of internal controls, including risk appetite and policies.

Contracts and business transactions

- Approving capital projects which are material strategically, are not in the usual course of business or are outside of financial limits in place.
- Conducting post-investment reviews which were not considered in detail by the Audit or Risk Committees or where the Board decides a full review is required.
- Joint ventures, material arrangements with customers or suppliers and major investments.

Communication and engagement with stakeholders

- Considering the balance of interests between stakeholders including shareholders, customers, colleagues and the communities in which we operate.
- Ensuring that independent channels are available for colleagues to engage and raise any matters of concern.

See pages 20-21 for details of the Board's role in stakeholder engagement, which supports Directors' duties under S172(1) of the Act.

Shareholder engagement

The Board seeks feedback from our shareholders on the Company's performance against strategy and actively monitors their views. Full details of how we engage with our shareholders can be found in the Strategic Report on page 21. In addition, an Investor Relations report is tabled at each Board meeting.

We recognise that we have a significant number of retail shareholders, a number of which are also our customers. We engage with this group by sending them a summary of our results and arranging for presentations via the Investor Meet Company platform which provides an opportunity for our Group CEO and Group CFO to answer any questions they may have. We were also delighted to hold our 2022 AGM in person at our office in Folkestone where shareholders had the opportunity to meet all Directors.

During the year, we arranged a Capital Markets Event for institutional investors and analysts which was then made available on our corporate website. This focused on the opportunities we see to create and grow a new media business, leveraging our proprietary insights and commercialising and growing our database.

AGM

The AGM will be held on 20 June 2023 at 11.00am at the offices of Numis Securities Limited, 45 Gresham Street, London EC2V 7BF. Full details, and an explanation of business to be considered at the meeting, will be provided in the Notice of AGM. A copy will be available on Saga's corporate website in due course (www.corporate.saga.co.uk).

Division of responsibilities

Our governance framework

During the year, as the business structure changed to move more accountability and independence into the individual business units, the governance framework was revised to suit the changing business needs. As a result, the ELT Committee assumed the responsibilities of the Executive Leadership Risk Committee and the ESG Task Force. The Data Management Committee continues to consider and support our data strategy, a fundamental underpin to creating 'The Superbrand' for older people, and the Cyber Security Forum continues to operate as a management committee. Our Group CEO is the ESG representative on the Board and our newly appointed Head of ESG attends Board meetings to discuss ESG strategy. In addition, an Innovation and Enterprise Committee was established to assist the Board in assessing whether proposals to expand the range of products and services offered are aligned with the Company's purpose.

Board

- Approval of strategic direction and ensuring its successful implementation.
- Overall leadership and management of the Group, including setting the Group's values and standards.
- Approval of the Group's Speak Up Policy and discussing an annual report presented by the Non-Executive Director nominated as Speak Up Champion.
- Encouraging innovation to meet the needs of our stakeholders, including colleagues, customers and shareholders.
- Ensuring compliance with statutory and regulatory obligations.
- Maintaining sound systems of internal controls and risk management.
- Assessing potential impact of decisions.

Nomination Committee

Purpose: To review and monitor the leadership needs of the Board and senior management and support the Company's continued ability to recruit and develop the level and balance of skills, experience and knowledge required to ensure its long-term success.

Find out more in our Nomination Committee Report on pages 84-85

Audit Committee

Purpose: To work closely with the Risk Committee to monitor the integrity of the financial statements and the effectiveness of the systems of internal control and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

Find out more in our Audit Committee Report on pages 86-89

Risk Committee

Purpose: To assist the Board with articulating and developing its risk management strategy, to provide oversight of risk across the Group, including the identification of new and emerging risks, and to deal with any material breaches.

Find out more in our Risk Committee Report on pages 90-91

Remuneration Committee

Purpose: To determine the policy and terms and conditions of employment, remuneration/compensation and benefits of senior executives and to review workforce remuneration and incentive programmes to ensure alignment with culture and strategy and determine share-based arrangements.

Find out more in our Directors' Remuneration Report on pages 92-123

ELT Committee

(reports to the Board via the Group CEO, Group CFO and CEO of Insurance)

Purpose: To support the Group CEO in the performance of their duties in relation to the management and day-to-day running of the Group.

Duties:

- Implementation of the Group's strategy, cultural leadership and people strategy.
- Review of principal risks and uncertainties across the Group.
- Ensure effective implementation of Group risk policy and internal controls framework in a consistent manner across all business areas.
- Ensure customers are treated fairly, in line with the Saga brand values.
- Review and monitor brand and customer key performance indicators, trading and marketing performance.
- Review financial forecasts and performance of the Group.
- Review and discuss talent management and succession planning (prior to consideration by the Nomination Committee).
- Review and monitor culture, diversity, equity and inclusion (**DE&I**) and colleague engagement metrics.
- Manage risk and conduct, review Group Risk and Internal Audit and Assurance plans, and report potential or actual breaches of regulation or policy to the Board.
- Oversee Data Management Committee.

New Innovation and Enterprise Committee

Purpose: To assist the Board in assessing whether proposals to expand the range of products and services offered are aligned with the Company's purpose and that the recommended action plan is in the best interests of the Group. The Committee ensures that there is a balance of appropriate levels of governance with entrepreneurship and that the proposal will not incur unacceptable risk or undervalue the Group's own assets.

Duties:

Review proposals to:

- set up, or purchase, new businesses or commence new business activity that is materially different to the existing or is in a new geographical area;
- purchase stakes in other businesses, or form partnerships or collaborations that are material strategically, or due to size, or go beyond normal supplier relationships;
- create new legal entities or other structures outside of agreed strategy, or take other actions intended to take existing or new operations off-balance sheet; and
- sell businesses or significant assets or cease to operate all, or any material part, of the Group's business.

Data Management Committee

Purpose: To ensure that Saga's data is actively managed, controlled and monitored, oversee the associated risks and provide oversight and sponsorship to the work plans and projects commissioned to address data management risks.

This committee is also responsible for rolling out and embedding the data governance framework and associated processes and policies and for providing clear guidance on how Saga uses data and support initiatives to improve data quality.

The members of the Board

The Board considers the overall size and composition of the Board to be appropriate, taking into account the independence of character, integrity, differences of approach and experience of all the Directors.

Our Directors have a range of skills and experience in a variety of markets and sectors, particularly in the areas of insurance, financial services, cruise and travel, customer service, media, digital, brand management, strategy and asset and risk management, all of which are invaluable to Saga and fundamental to the pursuit of our objectives.

Our Non-Executive Directors met regularly during the year without Executive Directors present and provided objective, rigorous and constructive challenge to management.

The Senior Independent Director acts as a sounding board for the Non-Executive Chairman.

Independent Non-Executive Directors and Board composition

We continue to comply with the Code recommendation that at least half of our Board, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent.

The Board considers Anand Aithal, Peter Bazalgette, Eva Eisenschimmel, Gemma Godfrey, Julie Hopes and Gareth Hoskin to be independent Non-Executive Directors, free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management.

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

Annual re-election

All Directors are required to stand for annual re-election at the Company's AGM. The Board's view is that each of the Directors standing for re-election (or election in the case of Peter Bazalgette, Anand Aithal, Gemma Godfrey and Steve Kingshott) should be re-appointed.

We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 74-75.

The details of the specific reasons why each Director's contribution continues to be important to the Company's long-term sustainable success will be included in our Notice of AGM.

DE&I

The Group has a Dignity and Diversity Policy and, during the year, forums were held on topics relating to DE&I which provided valuable insight around how colleagues felt relating to matters such as age, ethnicity and gender. The Board recognises that it is important to consider the need to have an inclusive approach for all colleagues. For details of our current gender split of our Board and Senior Management, see page 77.

Find out more in:

- **Environmental, Social and Governance on pages 26-43**
- **Governance at a glance on pages 76-77**
- **Nomination Committee Report on pages 84-85**

Evaluation of the Board, Committees and Directors

The Board effectiveness and developmental review consisted of interviews with all Directors, conducted by our Senior Independent Director, with support from the Group Company Secretary. Areas of focus included strategy; Board dynamics; quality of data and management information; interests of stakeholders, including customers and shareholders; and approach to risk management.

We also used the interviews to seek views on the effectiveness of the Board Committees and the performance of the Non-Executive Chairman. The Senior Independent Director and the other Non-Executive Directors also appraised the Non-Executive Chairman's performance and the Non-Executive Directors had regular meetings with the Non-Executive Chairman at which their performance was discussed.

Action taken as a result of the 2021/22 evaluation

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

Actions taken included:

- increased monitoring of delivery of the growth strategy in all businesses;
- discussion regarding how to deliver an exceptional experience for all stakeholders;
- more frequent and in-depth discussion around data insight to deepen our understanding of our customers and ensure that new products and services were designed to meet their needs; and
- reviewed the new target operating model and discussed the resource required and talent and capability needed in management.

Conclusions from 2022/23 evaluation and next steps:

- **Board dynamics:** there was an open and transparent Board culture with a collaborative and solutions-based approach.
- **Strategic focus:** the complexity of running different businesses in a challenging environment meant that it was vital to have carefully thought-out agendas, which ensured that strategically important matters were given priority.
- **Stakeholder management:** customers were at the heart of all Board discussions and their needs are at the forefront of strategic decisions. Colleague views are regularly discussed and acted upon and the relationship with various regulators was factored into discussions.
- **Risk management:** this has improved as a result of the restructure which occurred during the year, allowing the Risk Committee to focus on the right things, with escalation to the Board as appropriate.
- **Innovation:** the new Innovation and Enterprise Committee was a useful addition to the governance structure and created a safe space for management to explore innovative and entrepreneurial ideas.

Areas of focus for 2023/24:

- **Data and management information:** the use of scorecards for each business and for customers and data will help provide essential insight, show trends and identify key areas for discussion.
- **Shareholders:** consideration will be given in relation to how we can better understand and engage with retail shareholders, recognising that many are also customers.
- **Strategic focus:** the Board will continue to ensure that agenda items are focused on how to grow existing businesses and will identify innovative points of difference, consider how to leverage available data and the unique insight Saga has to create exceptional experiences for all stakeholders.

Nomination Committee Report

"This year, the Committee's primary focus was to ensure that the Board and its Committees had the right balance of skills, experience and diversity in a changing company."

Sir Peter Bazalgette
Chair, Nomination Committee

The Committee's responsibilities

- Review the structure, size and composition of the Board needed to ensure the right balance of skills, experience and knowledge are in place.
- Consider how to develop a diverse pipeline in succession planning and talent development of Executive Directors and senior executives.
- Evaluate the independence, experience, diversity and knowledge of the Board.
- Identify and nominate candidates to fill Board and Committee vacancies.
- Review Board performance evaluation results in relation to Board composition.

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 27 January 2023) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 83).

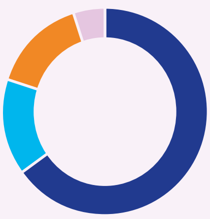
The review indicated that the Committee had fulfilled its purpose over the year and should continue to focus on improving ethnic diversity at Saga.

Committee composition and attendance

Members (majority are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Peter Bazalgette (Chair)[1]	30 Sep 22	2	2
Roger De Haan	5 Oct 20	6	4
Eva Eisenschimmel	4 Apr 19	6	6
Julie Hopes[2]	10 Sep 20	5	5
Gareth Hoskin[2]	10 Sep 20	5	5
Orna NiChionna[1]	29 May 14	4	4

What we did during the year

Time spent on matters



Board composition	c.65%
Succession planning and talent management	c.15%
Diversity, equity and inclusion (**DE&I**)	c.15%
Board evaluation	c.5%

1 Peter Bazalgette assumed the role of Chair when Orna NiChionna retired on 30 September 2022
2 Julie Hopes and Gareth Hoskin ceased to be members of the Committee on 17 November 2022

Dear shareholder,

This is my first statement as Chair of the Nomination Committee since assuming the role from Orna NiChionna when she retired from the Board on 30 September 2022. I would like to thank Orna for her valuable contribution as Committee Chair.

This year, the Committee's primary focus was to ensure that the Board and its Committees had the right balance of skills, experience and diversity in a changing company.

Saga Media is now launched and the Company is looking at ways to innovate. This resulted in a significant contribution from the Committee. Three new Non- Executive Directors and an Executive Director were added to the Board and new appointments included a Chief Data Officer, CEOs of the Saga Money and Saga Media businesses and a new independent Chair of Saga Cruise.

The Committee also continued to focus on succession planning and talent development of our Executive and Senior Leadership Teams.

Board composition

In last year's report, we outlined how the Committee had concluded that the Board would benefit from members who would bring deep entrepreneurial expertise and experience of digital content management and distribution in consumer-facing businesses.

Our Terms of Reference set out how we recruit and appoint Directors to the Board. They stipulate that we will use open advertising, or the services of external advisers, to facilitate a search for the best possible candidates.

Job specifications were carefully crafted to reflect the requirements for each role, including the time commitment and experience.

Ridgeway Consulting was involved in appointing the Directors and has no other connection with the Company. A shortlist was considered for each role and a series of interviews with members of the Committee and the Group CEO followed for preferred candidates. References were obtained and terms of appointment were considered.

Candidates were assessed against their strategic skill set, experience, personality and fit. Consideration was also given to diversity and whether individuals met the independence criteria set out in the UK Corporate Governance Code (the **Code**).

The Committee recommended the appointment of Anand Aithal, Gemma Godfrey and I as Non-Executive Directors and this was subsequently approved by the Board. This added entrepreneurial skills, expertise in managing money and in the media and wider creative industries as well as experience in data analytics, fintech, insurance broking and asset management.

The Board also approved the Committee's recommendation that I should assume the role of Senior Independent Director and Chair of this Committee when Orna stepped down. I was delighted to do so.

Subsequently, the Committee considered and recommended that Steve Kingshott, the CEO of Insurance, responsible for driving Saga's Insurance strategy, join the Board. This was approved by Board members and he became a Director on 3 January 2023.

Following the changes to the Board, the Committee discussed how to streamline membership of the committees while remaining compliant with the Code. The Board agreed with the Committee's proposal that Anand should become a member of the Audit Committee, Gemma should join the Risk Committee and Gemma and I should join the Remuneration Committee. Also that Julie and Gareth should step down from the Nomination Committee. This ensured that Non-Executive Directors' skills were carefully matched to Committee membership and that no individual was overloaded.

During the year, a new committee, the Innovation and Enterprise Committee, was also established with the purpose of reviewing material strategic matters. The Board approved our recommendation that Anand should chair this committee and that Roger De Haan, Gemma and I should be members.

Independence and election of Directors

During the year, the Committee undertook a detailed review of the proposal to re-appoint Gareth Hoskin as Non-Executive Director when he was proposed for re-appointment after serving his initial three-year term. Gareth did not participate in the discussion when his re-appointment was being considered.

After the year end, but prior to publication of this Annual Report and Accounts, the Committee considered the profiles of the Directors, each Director's independence, contribution and time commitment necessary to perform their duties and recommended to the Board that all should be put forward for election at the 2023 Annual General Meeting.

The Code requires that at least half of the Board, excluding the Chairman, are considered to be independent Non- Executive Directors. As of 31 January 2023, six of ten (60%) Board members were independent Non-Executive Directors, with other members being the Non-Executive Chairman and three Executive Directors.

Succession planning and talent development

During the year, the Committee received an update from the Group Chief Executive Officer (**CEO**) and the Chief People Officer (**CPO**) on how talent management was approached, with a particular focus on the Executive Leadership Team.

The Committee heard about the steps taken to strengthen capability in the Senior Leadership Team, with those colleagues attending a leadership event and drafting personal growth plans. These were signed off by the Group CEO and CPO.

In addition, the Committee considered the approach to evaluate performance, talent and succession and how a diverse and high-quality pipeline would be created. The Committee is committed to monitoring how management is developing its future leaders and driving greater ethnic representation at more senior levels.

DE&I

Both the Board and Committee continued to focus on DE&I across the Group. It was recognised that diversity is wider than gender and ethnicity and encompasses many cultural differences. Committee members considered a detailed report which informed the strategy to achieve a diverse and equitable environment and create a culture which was more inclusive. We heard about the benefits of colleagues having a sense of belonging, including staff retention and improved job performance.

The Board considered how Saga could continue to be a driver for positive change, taking action to be the champions of age at work in the UK.

The Company has a Dignity and Diversity Policy in place, which highlights how everyone is responsible for treating others with dignity, without unfair discrimination, and promoting equality and diversity in all matters. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy. All colleagues must report any breaches, whether actual or perceived, to their line manager or to the People team. There is also the option to report on an anonymous basis via the Company's Speak Up process.

While the policy does not currently set specific targets, the Committee heard how management was committed to set data driven targets. These would be a clear driver of improvements in diverse and equitable representation across the Group. Targets for 2027/28 in the areas of age, gender, ethnicity, disability and sexual orientation, and the steps necessary to embed them, were discussed.

Diversity is considered as part of the appointment process, with reference to diversity of perspective, including gender, social and ethnic backgrounds; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning. The Committee focused on a detailed analysis of responses from ethnic groups in colleague surveys and discussed how the recruitment process supported a diverse pool of candidates.

The Board currently has a 30% gender balance of women and 41% in the executive and senior layers of management below Board level. Details of gender balance of those in the senior management and their direct reports can be found on page 77. One member of the Board is from a minority ethnic background.

Board evaluation

It was decided that the best way to stimulate the Board's thinking on how they can carry out their role and focus on continually improving their effectiveness was for me to conduct interviews with each of the Directors, with the support of the Group Company Secretary.

The interviews were based around Board dynamics, quality of data and management information, whether sufficient attention was given to customers, shareholders and other stakeholders and whether the approach to risk was adequate. Consideration was also given as to whether the Board was setting the right cultural tone, in line with the Group's values.

The evaluation report was discussed by the Board and this confirmed that the addition of the new Non-Executive Directors during the year had reinvigorated the Board and had led to fresh thinking, high-quality discussion and continued appropriate levels of challenge. More details can be found on page 83.

My thanks to my colleagues for their support as we all drive change.

Peter Bazalgette

Sir Peter Bazalgette
Chair, Nomination Committee

Audit Committee Report

"The Committee continued to provide support to the Board, alongside independent scrutiny of the Group's financial reporting and internal controls as colleagues continued to work largely from home, maintaining colleague safety with minimum interruption to business for customers."

Gareth Hoskin
Chair, Audit Committee

The Committee's responsibilities

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

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 27 January 2023) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Committee evaluation

Action taken as a result of the evaluation undertaken in the previous year resulted in a review of the flow of information between subsidiary audit and risk committees and the Committee. An effectiveness evaluation of the Committee took place during the year, as part of the Board effectiveness review (for details, see page 83). The review concluded that the Committee had supported the business well, provided appropriate challenge and had applied due rigour to testing internal controls and assessing the effectiveness of risk management. The focus for 2023/24 will be on continuing to strengthen financial systems and processes.

Committee composition and attendance

Members (all are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Gareth Hoskin (Chair)	4 Apr 19	6	5
Anand Aithal[1]	17 Nov 22	1	1
Julie Hopes	31 Dec 20	6	4
Orna NiChionna[2]	29 May 14	5	5

The Board is satisfied that Gareth Hoskin has recent and relevant financial experience and competency in accounting, reflected by his professional qualification as a chartered accountant and relevant experience throughout his career. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sectors in which the Company operates. The Board of Directors' biographies on pages 74-75 contain details of Committee members' skills and experience.

What we did during the year

Time spent on matters

Financial statements (including key judgements and estimates)	c.25%
Internal financial controls	c.25%
Internal audit	c.25%
External audit	c.15%
Speak Up	c.10%

1 Anand Aithal became a member of the Committee on 17 November 2022
2 Orna NiChionna retired as a Director on 30 September 2022

Dear shareholder,

The Committee continued to provide support to the Board, alongside independent scrutiny of the Group's financial reporting and internal controls as colleagues continued to work largely from home, maintaining colleague safety with minimum interruption to business for customers. Focus also remained on maintaining the financial flexibility of the Group by improving liquidity.

We continued to work closely with the Risk Committee. For more detail of how the risk to our business strategy was assessed, see the Risk Committee report on pages 90-91.

Reporting

Interim and preliminary results

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

Significant issues

Consideration of the financial implications, and ongoing impact, of COVID-19 and uncertain economic conditions on liquidity, going concern and viability

As set out in detail later in this report, the Committee reviewed and challenged the assessment that management made, including the appropriateness of the underlying forecast assumptions used in the modelling for going concern and viability.

During the year, the Committee discussed the uncertainty around demand in a post COVID-19 operating environment for Cruise and Travel, combined with the effect of high costs and claims inflation in a competitive, post Financial Conduct Authority review into general insurance pricing practices environment and the impact of a possible sale of the Group's Underwriting business. Committee members also considered the loan facility from Roger De Haan and other potential mitigating actions open to management, in the context of the Group's expected liquidity and the implications for the going concern assessment and the Group's ability to repay, in full, the £150m bond maturing in May 2024.

Find out more in:

- **Note 2.1 of the financial statements on pages 143-144**
- **Viability Statement on page 68**
- **Independent Auditor's Report to the Members of Saga plc on pages 129-137**

Valuation of insurance contract liabilities

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

Find out more in:

- **Note 28 of the financial statements on pages 189-192**
- **Independent Auditor's Report to the Members of Saga plc on pages 129-137**

Valuation of goodwill

The Committee reviewed the impairment assessments of the Insurance goodwill balance as at 31 July 2022 and 31 January 2023 and considered the assumptions made by management in relation to the calculation of the discount and terminal growth rates. They challenged the robustness of the underlying cash flow forecasts and the stresses considered in determining the impairment of £269.0m recognised in July and the decision not to impair further at 31 January 2023.

Find out more in:

- **Note 14 of the financial statements on page 168**
- **Independent Auditor's Report to the Members of Saga plc on pages 129-137**

Valuation of the parent company's investment in subsidiaries

The Committee evaluated the recoverability of the carrying value of the investment in subsidiaries held on the balance sheet of the Company in light of the Company's reduced market capitalisation as at 31 January 2023. They considered the cash flow forecasts, discount rates, valuation methodology and stresses considered in determining the impairment of £385.0m recognised during the year.

Find out more in:

- **Note 2 of the Company financial statements on page 207**
- **Independent Auditor's Report to the Members of Saga plc on pages 129-137**

Valuation of ocean cruise ships

The Committee reviewed indicators of impairment of the Group's ocean cruise ships at 31 July 2022 and at 31 January 2023.

At 31 July 2022, the resultant impairment reviews of the Group's ocean cruise ships indicated no impairment was required. No additional indicators of impairment were identified at 31 January 2023 and therefore no impairment reviews were conducted at this date. The key items considered in the review were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, including, in particular, the continued possible impact of COVID-19 on the resumption of cruising, their useful economic lives and residual values, and the appropriateness of these in light of climate change regulations, and the selection of an appropriate discount rate.

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

Find out more in:

- **Note 17 of the financial statements on pages 171-173**
- **Independent Auditor's Report to the Members of Saga plc on pages 129-137**

Carrying value of other material assets

The Committee reviewed indicators of impairment and resultant impairment reviews of the Group's other items of property, plant and equipment, river cruise ships and software intangibles. For land and buildings, the Committee considered whether any buildings recognised as held for sale at the balance sheet date still met the necessary criteria as per International Financial Reporting Standard (**IFRS**) 5, and for those that did, challenged the basis of the updated valuations obtained.

Defined benefit pension scheme

Following the launch of a new defined contribution scheme for all colleagues last year, the defined benefit pension scheme was closed to future accruals. This move to a Master Trust operated by Aviva further reduced the risk of future deficits developing and provided a fairer scheme for all colleagues. The Group continued to make the agreed payments of £5.8m (2022: £4.2m) to the defined benefit pension fund as part of the deficit recovery plan.

The Committee reviewed and ratified the assumptions made by the Group's pension scheme advisors in determining the valuation of the scheme in accordance with International Accounting Standard 19 'Employee Benefits' at 31 July 2022 and 31 January 2023.

- **Find out more in Note 27 of the financial statements on pages 186-189**

Internal control observations of the external auditor

The Committee considered the internal control observations identified by the Group's external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions.

Accounting policies

The Committee was satisfied that the key accounting policy choices and judgements were appropriate and provided a true and fair view of the Company's financial performance and position.

Fair, balanced and understandable

We advised the Board that we supported the statement (see page 77) that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This was following consideration of whether:

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

Going concern and viability

The going concern basis of preparation disclosure note is set out on pages 143-144 and the Viability Statement, and the methodology for assessing the Group's ongoing viability, are set out on page 68.

Our review took account of the Group's current position and principal risks and uncertainties (**PRUs**) (as reviewed and refreshed by the Risk Committee and detailed on pages 65-67) and the methodology used to provide an assessment of ongoing viability over the five-year period of review. We considered the relevant assessment time horizon, severe, but plausible, potential outcomes and the appropriateness of the higher and lower case trading scenarios modelled.

In particular, we considered the possible impact of lower than expected demand on the Travel business in an uncertain post COVID-19 operating environment, further regulations across the business and the impact a failure to deliver our Insurance Broking strategy could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. We also considered management actions that may be taken to manage the solvency of the Group in the event of lower case trading scenarios and other risks materialising, including the potential sale of the Group's Underwriting business or a draw down of the £50m loan facility from Roger De Haan. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to continue to prepare the financial statements on a going concern basis and to make the Viability Statement on page 68.

Audit and control

Internal controls

The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit work plan. The Group Financial Controller provided an update on accounting issues and key aspects of financial controls at each meeting. The Committee continued to receive updates on the implications of IFRS 17, regulatory update sessions with KPMG and to be briefed on progress made with the Group's preparatory work on its adoption, ahead of its application in the financial year ending 31 January 2024.

Financial crime and Speak Up reporting

Since the year end, policies covering financial crime (including anti-bribery, anti-corruption, anti-fraud, anti-money laundering and treasury sanctions and asset freezing) were reviewed and approved. Existing Speak Up processes and policy were reviewed against best practice to ensure continued integrity and effectiveness and to encourage colleague engagement. It is my responsibility to ensure the integrity, independence and effectiveness of the Company's Speak Up Policy and procedures. The Committee also reviewed all reported incidents and concluded that these had been handled appropriately, with no material issues identified.

IAA

During the year, the Internal Audit and Risk functions were combined in the non-financial services businesses to allow for greater alignment between these areas to improve risk maturity within the Group and to support delivery of the strategy. Insurance maintains its own independent Risk function. This framework enables the Company to attract subject matter experts combined under one leadership structure to support synergies and combined assurance, while maintaining operational independence of 2nd and 3rd line. The Committee considered the roadmap to achieve this from an internal controls perspective and challenged the IAA Director regarding the rationale for the change.

We approved the Internal Audit work plan and considered the internal audits conducted throughout the year. The audit plan was refreshed for the second half of the year, with progress being appropriately reported by the IAA Director and amendments to the audit plan being approved by the Committee. We were satisfied that the IAA function, a team of 15 people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. The IAA Director attended Committee meetings and provided regular reports on the progress of the Internal Audit plan. Two private meetings were held with the IAA Director throughout the year.

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

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

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

- **Infrastructure and legacy systems (Group-wide):** Review of the IT infrastructure including legacy systems and the strategy for replacement.
- **Conduct risk (Insurance):** Review of the Conduct Risk function including stakeholder management, communication with the regulator, and guidance and monitoring of the business, including delivery of the Consumer Duty project which was considered by the Risk Committee in more detail (see page 91).
- **Critical suppliers, outsourcing and partnerships (Group-wide):** Audit scope included key dependencies, technology and operational and financial resilience.
- **Operations, including health and safety (Cruise):** End-to-end review of the customer experience before travel and on board, including health and safety and the third-party service provided.

Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also presented their annual year-end review of the effectiveness of the risk management and controls framework. They found it reasonable for the Committee to conclude that, while areas for improvement were identified, the internal risk and control environment is broadly effective.

Find out more in:

⊕ **Risk management on pages 62-64**

⊕ **Risk Committee Report on pages 90-91**

Subsidiary audit committees

The Non-Executive Directors who Chair the Saga Services Limited, Saga Personal Finance Limited, AICL and Saga Cruise audit, risk and compliance committees ensure that there is an adequate level of oversight and that matters are escalated to the Committee as appropriate.

External audit

KPMG was appointed as the Company's external auditor for the financial year ended 31 January 2018 (following a competitive tender process in 2016/17) and has been re-appointed annually since then. After completing five years as the audit partner, Stuart Crisp rotated from his role at the completion of the January 2022 year end reporting process and was replaced with Timothy Butchart.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report to the Members of Saga plc on pages 129-137.

The Committee considered the audit scope, materiality and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud and error into account. We also considered and approved KPMG's engagement terms and fee proposal for 2022/23.

Auditor independence and non-audit services

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

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

In accordance with the Revised Ethical Standard issued by the Financial Reporting Council (**FRC**) in 2019, the Committee has adopted a robust Auditor Independence Policy on non-audit fees and employment of former employees of the external auditor. The policy includes a list of non-audit services which we are satisfied that the external auditor can carry out without affecting its independence as external auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. The Auditor Independence Policy was reviewed on 1 August 2022.

The audit fees payable to KPMG in respect of the year ended 31 January 2023 were £1.9m (2022: £1.9m) and non-audit service fees incurred were £0.2m (2022: £0.2m), the latter being incurred for work to review the Group's interim results and essential reporting to our banks and travel industry regulators. This equates to a non-audit to audit fee ratio of 0.1 (2022: 0.1). A summary of fees paid to the external auditor is set out in Note 4 to the consolidated financial statements on page 163.

Audit quality and effectiveness of external auditor

The following were considered when assessing the effectiveness of KPMG:

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

The evaluation concluded that the external auditor had run the audit process well, retained a high level of independence and had thoroughly and fairly challenged the key accounting judgements and estimates. The conclusion was that the audit was judged to be good quality.

Audit Quality Review (AQR)

The FRC carried out an AQR of the overall quality of the Company's external audit for the year ended 31 January 2022. There were no 'key findings' reported in the inspection and one 'other finding' was reported in relation to the work undertaken on the valuation of ocean cruise ships. KPMG has addressed the feedback from the AQR in the planning for the 2022/23 audit.

The Committee was pleased to note that the AQR identified areas of good practice in relation to work around the recoverability of Insurance goodwill.

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

Gareth Hoskin
Chair, Audit Committee

Risk Committee Report

"The Committee considered detailed reviews of key factors in the external regulatory and macroeconomic landscape, conducting a review of topics including climate change risk, operational resilience and the impact of the Russian invasion of Ukraine."

Julie Hopes
Chair, Risk Committee

The Committee's responsibilities

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

The Committee's Terms of Reference were reviewed during the year (approved by the Board on 27 January 2023) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 83).

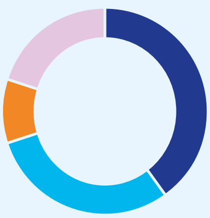
The review indicated that there had been some improvement in risk management and controls and that matters were being escalated from subsidiaries in an intelligent and thoughtful way. It was agreed that robust and thorough discussion took place at the Committee with an appropriate level of challenge. The focus for 2023/24 will be on strengthening and embedding risk appetite statements and further improving the level of risk maturity within the Group.

Committee composition and attendance

Members (all are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Julie Hopes (Chair)	4 Apr 19	5	5
Gemma Godfrey[1]	17 Nov 22	1	1
Gareth Hoskin	29 May 14	5	4
Orna NiChionna[2]	4 Apr 19	4	4

What we did during the year

Time spent on matters



Management and reporting	c.40%
Risk strategy, policy and appetites	c.30%
Compliance	c.10%
In-depth reviews	c.20%

1 Gemma Godfrey became a member of the Committee on 17 November 2022
2 Orna NiChionna retired as a Director on 30 September 2022

Dear shareholder,

During the year, the Risk Committee considered the risks within the Group, including a review of emerging and principal risks and uncertainties, ensuring these remain at the forefront of our strategy.

We oversaw a re-design of the Group's risk and internal audit function, including the appointment of an Internal Audit and Assurance (**IAA**) Director, approval of a new Risk Charter, and a review of risk effectiveness and the risk target operating model. We held robust discussions on the macroeconomic landscape and the expectations of our regulators, including climate change risk, operational resilience, consumer duty and the impact of the Russian invasion of Ukraine.

The Committee considered detailed reviews of key factors in the external regulatory and macroeconomic landscape, including climate change risk, operational resilience and the impact of the Russian invasion of Ukraine.

Management and reporting

The Committee considered the rationale behind the selection of the Group's PRUs. The PRUs were reviewed at each meeting and refreshed regularly during the year, ensuring that new and emerging risks and opportunities were captured and remained at the forefront of the Group's strategic planning. Particular focus was given to data protection and cyber security, and the Committee continued to provide oversight of climate change risk.

The more challenging macroeconomic environment and impact of COVID-19, in combination with the maturity of the 2024 bond, have elevated the liquidity risk to a PRU as outlined on page 67. The intended sale of the Insurance Underwriting business and entry into a loan facility agreement with Roger De Haan mitigate this risk.

Risks relevant to our business transformation programme, including culture and colleague capability were also considered. This included the organisational design of the Group's Risk function and a refocusing of the risk management model to ensure it was fit for purpose across the whole Group in recognition of the different risk profiles and obligations of our subsidiaries.

The Committee supported the strengthening of the Risk and Assurance functions through recruitment and internal promotions to develop subject matter expertise.

The Committee reviewed the risks relating to the performance of each business and those arising from incidents in relation to control failures or weaknesses. Materially significant risk matters were escalated from subsidiaries to the Committee where appropriate. We discussed these incidents in the context of the risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business Chief Executive Officers have taken action to embed and comply with the new framework in their businesses.

Risk management, compliance and internal controls

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

We recommended to the Board that the appropriate statements could be made confirming that a robust assessment of emerging and principal risks facing the Group and a review of the effectiveness of the risk management process had been carried out (see pages 62-64).

Risk strategy, policy and appetite

Changes and additions to the PRUs were scrutinised in line with the agreed strategy and business model and the results of this review are shown in the Strategic Report on pages 65-67. These formed the basis of the scenario testing used to produce the Viability Statement (see page 68).

Our risk management processes are described on pages 62-64. These are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

We reviewed the Group risk appetites and risk framework during the year. The Committee also reviewed the effectiveness of the risk function and considered the risk target operating model and future roadmap. We benchmarked progress in risk maturity against the principles set by the Risk Coalition and discussed the findings of an external quality assessment conducted in partnership with Deloitte.

We approved a Risk Charter for the Group, setting out the purpose, authority and responsibility of the risk management and control function and its role within the Group.

The Committee remains focused on mitigation of data and cyber security risk, through overseeing the retirement of legacy systems, review of data retention processes and a general improvement of bench strength across these areas. We are also satisfied that the subsidiaries have adequate controls to ensure compliance with regulation such as the general insurance pricing practices market study, Consumer Duty, and operational resilience requirements set by the FCA.

In-depth reviews

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

Operational resilience

The Committee considered the timeline for implementation of robust operational resilience controls as required by the Group's regulators. We reviewed key deliverables, the involvement of third parties, and assurance efforts by IAA following implementation. The focus of the Committee was on readiness for implementation of new rules from March 2022 onwards. We considered the various dimensions of operational resilience readiness, including strategy, governance, the need for a transformation programme and implementation of an appropriate operating model.

A new Consumer Duty

The Committee received an update on the Consumer Duty rules set out by the FCA which will come into force on 31 July 2023, including the key expectations of firms. We listened to the planned outcomes of Saga's Consumer Duty programme, reviewed the governance structure for the project, and discussed the timeline for implementation.

The Committee supported the Group Consumer Duty plan.

Invasion of Ukraine

Following the invasion of Ukraine by Russia in February 2022, the Committee devoted time to identifying the impacts of this conflict on the Group, including cost inflation, elevated cybercrime threat, operational disruption and compliance with international sanctions against the Russian state and its co-operators.

We discussed cost inflation as the most significant short-term impact to the Group, which exacerbated the cost of living crisis affecting the UK, and therefore influenced behavioural habits of our existing, and potential, customers and colleagues. The Committee considered impacts such as increasing fuel costs and enforced changes to Cruise and Travel itineraries.

Climate change

The Committee reviewed the risks relating to climate change, including both physical risks associated with the direct impacts of climate change, and the transition risks arising from the adjustment to a low-carbon, sustainable economy. We considered the high level of uncertainty around climate change risk, and the associated impacts to operations, business sustainability and reputation.

We discussed the regulatory requirements around climate risk management faced by Saga, including compliance with the recommendations of the Task Force on Climate-Related Financial Disclosures. We also considered the embedding of climate-related risk management across the Group going forward.

Since the year end, the Committee reviewed the Group's five-year plan through a risk management lens, including the strategic risks associated with the plan. We considered customer impacts and our reputation among stakeholders, including our shareholders and regulators. Business actions were reviewed against risk appetite and tolerance, and we concluded that, where scenarios were outside of risk appetite, the mitigating actions were appropriate.

Julie Hopes
Chair, Risk Committee

Annual Statement

"The Committee continued to focus on retention and incentivisation of our leaders to support the turnaround of the business, with the goal of sustained performance, as well as endorsing recommendations to support colleagues with cost of living pressures."

Eva Eisenschimmel
Chair, Remuneration Committee

The Committee's responsibilities

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

The Remuneration Committee's Terms of Reference were reviewed during the year (approved by the Board on 27 January 2023) and are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 83).

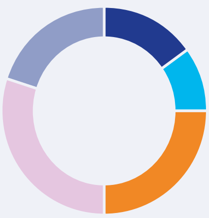
The review indicated that there had been structured and focused discussion which had resulted in a revised Policy which was seen as a significant achievement in a challenging environment. The focus for 2023/24 will be on ensuring that the policy is monitored effectively.

Committee composition and attendance

Members (all are independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)	4 Apr 19	8	8
Julie Hopes	4 Apr 19	8	8
Orna NiChionna[1]	29 May 14	6	6
Gemma Godfrey[2]	17 Nov 22	2	2
Peter Bazalgette[2]	17 Nov 22	2	2

What we did during the year

Time spent on matters



Remuneration Policy	c.15%
Regulatory developments	c.10%
Senior management remuneration	c.25%
Share schemes	c.30%
Colleague compensation and benefits structure	c.20%

Contents

1 Orna NiChionna retired as a Director on 30 September 2022
2 Gemma Godfrey and Peter Bazalgette both joined the Remuneration Committee on 17 November 2022

Dear shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 January 2023 which has been approved by both the Remuneration Committee (the **Committee**) and the Board.

In 2022/23, the Committee continued to focus on retention and incentivisation of our leaders to support the turnaround of the business, with the goal of sustained performance, as well as endorsing recommendations to support colleagues with cost of living pressures.

Rising to the challenges

This year, the external environment has continued to pose challenges given the effects of the pandemic, the Russian invasion of Ukraine and the subsequent sharp rise in fuel prices. Despite this, I am pleased to report that Saga returned to an Underlying Profit Before Tax[1], as we were able to resume more normal Cruise and Travel operations in the second half of the year. This resilient performance demonstrates that our Cruise and Travel businesses have emerged well from this challenging environment.

Our ocean cruise ships delivered our target load factor and per diem and forward sales for 2023/24 are strong.

Looking ahead, more of our customers are beginning to book their holidays again and our Travel businesses are gearing up their operations. Our Insurance business has had to adapt to significant regulatory changes and high levels of inflation in the cost of insurance claims, both of which continue to impact the entire industry. We have maintained our pricing discipline and have recently begun expanding our product range to meet a wider range of customer needs.

As well as growing our Cruise and Travel businesses again, the Leadership Team will also focus on developing Saga's personal finance and wealth management services in a newly formed business unit called Saga Money. We are investing in a new digital media business as well as in online digital community platforms that will encourage our customers to join a range of new Saga activities several times a week.

In summary, there have been many pressures that we have faced in 2022/23 and continue to face as we progress into 2023/24, but with our drive and breadth of skills, we have the capability to overcome these challenges and progress towards a successful future.

Company performance for the 2022/23 financial year

The implementation of our strategy (as outlined on pages 22-25) has been measured against the KPIs set out below:

- Underlying Profit Before Tax[1] increased by £28.2m to £21.5m.
- Net Debt[1], at 31 January 2023, of £711.7m, £17.3m lower than 31 January 2022.
- Motor and home insurance retention of 83.8%, 1.0 ppt ahead of 2021/22.
- Cruise load factor of 75% for 2022/23, compared with 68% in the prior year.
- Cruise per diem of £318 for 2022/23, compared with £299 in 2021/22.
- Colleague engagement increased to 8.0 out of 10, compared to 7.7 in 2021/22.

Changes to the Board

On 3 January 2023, Steve Kingshott joined the Board as the Chief Executive Officer (**CEO**) of Insurance, following the significant contribution he has made since joining Saga in November 2021. The remuneration arrangements for Steve are in line with the Policy.

The Board was additionally pleased to welcome Peter Bazalgette, Gemma Godfrey and Anand Aithal, all of whom joined on 1 September 2022 as Non-Executive Directors bringing relevant experience and fresh perspective. They will be paid fees in line with the current approach for all Non-Executive Directors.

On 30 September 2022, Orna NiChionna stepped down from the Saga Board. Orna had served as a Non-Executive Director on the Board since May 2014. I would personally like to thank Orna for her significant contribution to Saga over this period.

Peter Bazalgette was appointed Senior Independent Director to succeed Orna NiChionna.

2022 Policy review

While under the normal three-year Policy cycle, shareholder approval for a binding policy would have been sought at the 2023 AGM, the Committee consulted with shareholders in the early part of 2022 and presented a new Policy at the AGM held in July 2022. Full details of this Policy were set out in the Notice of AGM, but I am including these here for ease of reference. In summary, we introduced a new Saga Transformation Plan (**STP**) and, at the same time, reduced the value of awards under the existing Restricted Share Plan (**RSP**) by 20%. The rest of the Policy was broadly unchanged from that which had operated previously.

The key reasons for the change were:

- to provide an increased focus on retention and incentivisation for the most influential leaders;
- to support the turnaround of the business with the goal of sustained performance and share price growth following the period of market uncertainty and the strategic challenges the business has faced; and
- to maintain a link to the delivery of the core strategic imperatives and financial KPIs of the business.

The key changes to the Policy were:

Introduction of the STP

- Five-year performance period and five-year vesting period with 50% released immediately, 25% released after a one-year holding period and 25% released after a two-year holding period. The award therefore has a seven-year term overall.
- Qualifying hurdle (the **Hurdle**) of £6.00 shareholder value (including dividends) over the period of the plan. Participants will only share in any value once that threshold has been exceeded.
- If the Hurdle is achieved, participants will be allocated 12.5% of this excess value (**STP Pool**) up to a limit of 10% of the issued share capital of the Company (including other share plans).
- 17.5% of the STP Pool will be allocated to the Group CEO, 10.5% will be allocated to the Group Chief Financial Officer (**CFO**) and 8.0% to the CEO of Insurance. The remainder of the pool will be allocated in a company-wide plan between other key executives and the wider colleague population.
- A cap will apply to the value of the total amount vesting under the STP of £15.0m for the Group CEO, £9.2m for the Group CFO and £6.9m for the CEO of Insurance. The total STP Pool is capped at £83m. These levels are only achievable in the event that the shareholder value exceeds c.£10.70, which would mean a market capitalisation in excess of £1.5bn.
- A strong governance framework will operate for the awards, which will include:
  - Committee application of discretion to adjust the vesting outcome to reflect underlying performance;
  - specific malus and clawback provisions, which together apply over a seven-year period;
  - regular monitoring of the progress of the plan by the Committee; and
  - annual review by the Internal Audit and Assurance Director.

1 Refer to the Alternative Performance Measures glossary on page 209 for definition and explanation

Changes to the RSP

- The RSP will continue to be granted annually, vesting after three years with an additional two-year holding period after vesting of each tranche.
- There will, however, be a 20% reduction at award level to reflect the introduction of the STP.

Salary increases for 2022/23

Both Euan Sutherland and James Quin were awarded salary increases of 2.5% for the financial year 2022/23, aligned with the all-colleague increase at the start of the year. During the year, the impact of the cost of living crisis on the all-colleague group led us to also award a 5.0% pay increase on 1 December 2022 which was brought forward from February 2023, for all colleagues below our Senior Leadership Team. In addition, we made a lump sum payment in September 2022 to colleagues below the Senior Management Team as well as a further lump sum payment in February 2023. These steps were not extended to the Executive Directors.

2022/23 bonus

The assessment of annual performance for the Executive Directors is 70% based on business performance against a scorecard of financial targets and the remaining 30% is based on their achievement of personal objectives which are central to our delivery of the new strategy and operating model. The specific targets set are shown on pages 100-102, together with the degree of achievement of each.

Performance under the financial measures resulted in a formulaic outcome of 7.7% out of the maximum of 70% under the financial element for both Euan Sutherland and James Quin, and 5.4% for Steve Kingshott.

With regards to individual performance, the Board reviewed Euan Sutherland's contribution to, and leadership of the business, and agreed that he has performed very strongly throughout 2022/23. Highlights include future-proofing the Cruise business, significantly developing the talent within the Senior Leadership Team (**SLT**), commercialising and growing our database and maintaining strong colleague engagement scores across Saga. The Committee determined that an outcome of above target, at 27.6% out of the maximum of 30%, under this element of the annual bonus was appropriate.

For James Quin, the Committee determined that an outcome of 28.6% out of the maximum of 30% under this element of the annual bonus was appropriate based on his performance in the year. Highlights of his performance include significantly improved planning from both a strategic and financial perspective for the next five years, the reset of overall risk and internal audit framework to support the Saga transformation and maintaining strong colleague engagement scores across Saga.

For Steve Kingshott, the Committee noted his performance in relation to key aspects such as delivering an exceptional insurance offering to our customers, the development and communication of the Insurance Transformation Plan and contribution towards the Group-wide Environmental, Social and Governance strategy. Taking this into account, the Committee determined that an award of 28.0% out of the maximum 30% under this element of the annual bonus was appropriate.

Page 99 sets out the calculation for the 2022/23 bonus which paid out at between 33% and 36% of maximum for the Executive Directors. The Committee carefully considered the level of bonuses achieved in respect of the targets set for 2022/23 and determined that no discretion would be applied to bonus outcomes noting that these awards represent a significantly reduced outcome in comparison to the previous year. In particular, the Committee noted that there had been a material downturn in the external environment, which had not been visible at the time the targets had been agreed. The Committee felt that, although the financial targets had become extremely challenging to achieve, the re-setting of the targets and/or the exercise of upwards discretion was not appropriate. The Committee considered that the performance of the management team had been very strong, notwithstanding the additional challenges faced during the year, and that the payment of bonuses at the level derived from the formulaic out-turn remained appropriate.

Euan Sutherland will receive a bonus of £385,587. James Quin will receive a bonus of £200,045. Steve Kingshott will receive a bonus of £13,937 to reflect the one month of the financial year since he was appointed to the Board.

In line with our approved Policy, all bonus awards are paid one-third in deferred shares and two-thirds in cash.

Where time was allocated during the year – matters discussed, decisions made, and actions taken

- Approved Executive Director and Executive Leadership Team (**ELT**) salary increases for 2022/23.
- Approved the business and personal metrics for the 2022/23 annual bonus. Details of the personal objectives for the Executive Directors can be found on pages 100-102.
- Completed the Policy review and subsequently introduced the STP.
- Made grants under the STP.
- Made grants under the RSP for the ELT and SLT.
- Reviewed and agreed the compensation package for the new Executive Director, the CEO of Insurance, Steve Kingshott.
- Reviewed progress against the actions to reduce our gender pay gap and discussed the Company's wider diversity, equity and inclusion strategy.
- Noted the voting results on our Remuneration Report and Policy at the 2022 AGM and continued our constructive dialogue with shareholders.
- Determined the level of bonus awards for 2022/23.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy.

Wider workforce considerations

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions, as outlined on pages 105-106.

We continue to be as focused on our colleagues as we are on our customers, and we review our reward, benefits and careers package to ensure we remain competitive in the market. We continue to engage with colleagues on executive reward matters through our People Committee, which I attend regularly. Details of our People Committee can be found on page 41.

We believe that colleagues throughout the Company should be able to share in the success of the Company and to enable this, a proportion of the STP Pool will be available for distribution to all colleagues.

As part of our commitment to fairness, this report contains details of the pay and conditions of our wider workforce, the cascade of incentives throughout our business and our Group CEO to colleague pay ratio. Details of Saga's gender pay report can be found on our website (www.saga.co.uk/gender-pay-review).

Shareholder consultation and looking ahead

As noted above, the Committee undertook extensive consultation with shareholders in the lead up to the 2022 AGM and ahead of the adoption of the new Policy.

At the 2022 AGM, shareholders supported both the Directors' Remuneration Report and the Directors' Remuneration Policy with a voting outcome of 79.96% and 79.74% respectively. While I am pleased that the majority of shareholders supported the resolutions, we believe it is important to understand the reasons behind the votes against.

Prior to the AGM, I wrote to our 20 largest shareholders in order to gain an understanding of their views on the proposed Policy. I was able to enter into a dialogue with six of these in order to clarify the rationale and design principles of our proposed approach. The Committee appreciates, and values, the time taken by shareholders who expressed their views. We recognise that the negative views expressed in relation to the Remuneration Report largely centred on the alignment of bonus payouts to the Company's overall performance and broader shareholder experience and also to the salary positioning for Executive Directors. With respect to the Policy, views were primarily connected to the introduction of the STP alongside the RSP, despite the RSP being scaled back by 20%.

The Committee considers the full internal and external context when determining how to implement the Policy. Following this valuable exchange with shareholders, the Committee acknowledges the disappointing shareholder experience, while balancing this with the vital need to retain and motivate key executives in order to deliver the planned multi-year transformation. We believe that the positioning of salaries, the deployment of short-term incentives (bonuses paid part in cash and part in shares) and the RSP (awarded in Saga shares), reflects the level of leadership talent required, complexity of the business and responsibility of the roles.

With respect to the introduction of the STP, the Committee feels that the reward approach is fully aligned to the delivery of Saga's sizeable transformation strategy. In particular, the STP will only deliver reward to executives following a very significant improvement in our share price, with a commensurate return to our shareholders.

The Committee appreciates the valuable feedback from shareholders and will continue its constructive dialogue with them and seek to incorporate this feedback into its future remuneration decisions.

Conclusion

I hope you find the information contained in this report helpful, thoughtful and clear.

I am always happy to hear from the Company's shareholders, and you can contact me at any time at eva.eisenschimmel@saga.co.uk if you have any questions or comments on this report.

Eva Eisenschimmel
Chair, Remuneration Committee

Remuneration at a glance

Remuneration in the Group

Total spend on pay

£132.0m

2021/22 – £118.3m
2020/21 – £130.3m
2019/20 – £125.6m

Group CEO pay ratio to the median colleague

56:1

2021/22 – 76:1
2020/21 – 76:1
2019/20 – 41:1

General increase for all colleagues

7.5%[1]

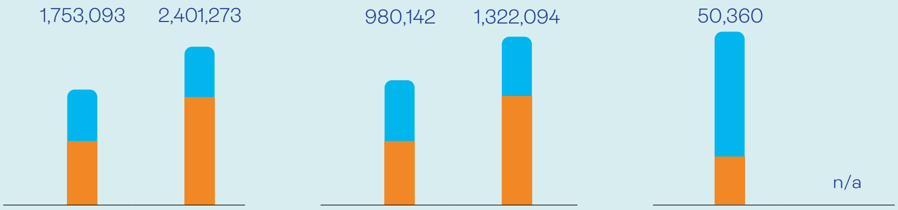
2021/22 – 1.5%
2020/21 – 1.5%
2019/20 – 2.0%

2022/23 Total single figure remuneration

Euan Sutherland Group Chief Executive Officer (**CEO**) (£)

James Quin Group Chief Financial Officer (**CFO**) (£)

Steve Kingshott[4] CEO of Insurance (£)



	Euan Sutherland 2022/23	Euan Sutherland 2021/22	James Quin 2022/23	James Quin 2021/22	Steve Kingshott 2022/23	Steve Kingshott 2021/22
Salary	**728,262**	710,500	**440,750**	430,000	**33,333**	n/a
Benefits	**12,938**	12,889	**13,192**	13,143	**1,090**	n/a
Pension	**43,696**	42,630	**26,445**	25,800	**2,000**	n/a
Bonus paid in cash	**257,058**	606,625	**133,364**	310,424	**9,291**	n/a
Bonus deferred in shares[2]	**128,529**	303,312	**66,681**	155,212	**4,646**	n/a
Long-term Incentive Plan (**LTIP**)[3]	**–**	14,817	**–**	22,015	**n/a**	n/a
Restricted Share Plan (**RSP**)[2]	**582,610**	710,500	**299,710**	365,500	**n/a**	n/a
Total	**1,753,093**	2,401,273[3]	**980,142**	1,322,094[3]	**50,360**	n/a

2022 RSP awards granted

On 13 July 2022, the third RSP award was granted to the Group CEO and Group CFO. Details of the award are set out below.

Director	Basis of award	Date of grant	Number of shares granted	Face value per share[5]	Total face value of award
Group CEO Euan Sutherland	80% of salary	13 July 2022	333,300	£1.748	£582,610
Group CFO James Quin	68% of salary	13 July 2022	171,458	£1.748	£299,710

Shareholding of the Executive Directors

The table sets out the shareholdings of the Executive Directors at 31 January 2023. Further detail is set out on page 104.

Director	Shareholding requirement (% of salary)	Shares owned outright (% of salary)[6,7]	Shares subject to continued employment holding periods (% of salary)[7,8]
Group CEO Euan Sutherland	250%	20%	147%
Group CFO James Quin	200%	6%	122%
CEO of Insurance Steve Kingshott	200%	–	47%

1 All colleagues received a 2.5% increase in base pay in February 2022 with colleagues below senior leadership receiving a further increase of 5.0% in December 2022
2 Deferred bonus and RSP awards both vest after three years
3 The final value of the 2019 LTIP award had not been confirmed at the time the 2022 report was drafted and therefore was not included in the 2021/22 single figure last year. The final vesting of the 2019 LTIP was confirmed as 10% of maximum and therefore the 2021/22 single figure has been restated
4 For Steve Kingshott, remuneration shown is pro-rated for one month, since joining the Board on 3 January 2023
5 Represents the share price on the day prior to grant
6 Represents actual shares owned at 31 January 2023
7 Based on a closing share price of 186.3p at 31 January 2023 and the year-end salaries of the Executive Directors
8 Represents unvested RSP awards and annual bonus deferred share awards, as well as LTIP awards in the two-year holding period (included on a net of tax basis)

2022/23 Annual bonus outcome for the Group CEO and Group CFO

For 2022/23, the Group CEO and Group CFO had a maximum bonus opportunity of 150% of salary and 125% of salary respectively. The overall bonus outcome is set out in the table below. No discretion was applied to the formulaic outcome. Further details are set out on pages 99-101 in the Annual Report on Remuneration.

Performance condition	Weighting	Threshold (20% payout)	Target (50% payout)	Maximum (100% payout)	Outcome achieved (% of award)
Underlying Profit Before Tax[9]	35%				–
Net Debt[9]	21%				–
Insurance motor and home retention	7%				52%
2022/23 Ocean Cruise load factor	3.5%				32%
2022/23 Ocean Cruise per diem	3.5%				83%
Personal objectives	30%				Group CEO: 92%
					Group CFO: 96%
Total	**100%**				Group CEO: 35%
					Group CFO: 36%

2022/23 Annual bonus outcome for CEO of Insurance

For 2022/23, the CEO of Insurance had a maximum bonus opportunity of 125% for his time as an Executive Director. The overall bonus outcome is set out in the table below. Further details are set out on pages 99 and 102 in the Annual Report on Remuneration.

Performance condition	Weighting	Threshold (20% payout)	Target (50% payout)	Maximum (100% payout)	Outcome achieved (% of award)
Total Underlying Profit Before Tax[9]	10.5%				–
Total Insurance Underlying Profit Before Tax[9]	24.5%				–
Insurance Available Operating Cash Flow[9]	17.5%				–
Private medical insurance policy sales	3.5%				72%
Motor and home retention	3.5%				52%
Motor and home new business profit per policy	3.5%				–
Motor and home renewal profit per policy	3.5%				30%
Direct share of new motor and home business	3.5%				–
Personal objectives	30%				94%
Total	**100%**				CEO of Insurance: 33%

9 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

2022/23 Actual performance and remuneration outcomes

Single total figure of remuneration for Executive Directors for the 2022/23 financial year (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2022/23 financial year. Comparative figures for the 2021/22 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013.

	Period	Salary £	Taxable benefits £	Pension £	Other £	**Total fixed £**	Bonus[1] £	Restricted Share Plan (**RSP**)[2] £	Long-term Incentive Plan (**LTIP**)[3] £	**Total variable £**	**Single figure £**
Euan Sutherland (Group CEO)	2022/23	728,262	12,938	43,696	–	**784,896**	385,587	582,610	–	**968,197**	**1,753,093**
	2021/22	710,500	12,889	42,630	–	**766,019**	909,937	710,500	14,817	**1,635,254**	**2,401,273**
James Quin (Group CFO)	2022/23	440,750	13,192	26,445	–	**480,387**	200,045	299,710	–	**499,755**	**980,142**
	2021/22	430,000	13,143	25,800	–	**468,943**	465,636	365,500	22,015	**853,151**	**1,322,094**
Steve Kingshott[4] (CEO of Insurance)	2022/23	33,333	1,090	2,000	–	**36,423**	13,937	–	–	**13,937**	**50,360**
	2021/22	n/a	n/a	n/a	–	**n/a**	n/a	n/a	n/a	**n/a**	**n/a**
Roger De Haan (Non-Executive Chairman)	2022/23	Nil	–	–	–	**Nil**	–	–	–	**Nil**	**Nil**
	2021/22	Nil	–	–	–	**Nil**	–	–	–	**Nil**	**Nil**
Eva Eisenschimmel (Non-Executive Director, Remuneration Committee Chair)	2022/23	73,672	–	–	–	**73,672**	–	–	–	**–**	**73,672**
	2021/22	73,672	–	–	–	**73,672**	–	–	–	**–**	**73,672**
Julie Hopes[5] (Non-Executive Director, Risk Committee Chair, Chair of Saga Services Limited (**SSL**) and Saga Personal Finance (**SPF**) Limited)	2022/23	175,088	–	–	–	**175,088**	–	–	–	**–**	**175,088**
	2021/22	176,511	–	–	–	**176,511**	–	–	–	**–**	**176,511**
Gareth Hoskin (Non-Executive Director, Audit Committee Chair, Chair of Acromas Insurance Company Limited (**AICL**))	2022/23	137,344	–	–	–	**137,344**	–	–	–	**–**	**137,344**
	2021/22	137,344	–	–	–	**137,344**	–	–	–	**–**	**137,344**
Orna NiChionna[6] (Senior Independent Non-Executive Director, Nomination Committee Chair)	2022/23	75,781	–	–	–	**75,781**	–	–	–	**–**	**75,781**
	2021/22	113,672	–	–	–	**113,672**	–	–	–	**–**	**113,672**
Gemma Godfrey[7,8] (Non-Executive Director, Chair of SPF)	2022/23	43,948	–	–	–	**43,948**	–	–	–	**–**	**43,948**
	2021/22	n/a	–	–	–	**n/a**	–	–	–	**–**	**n/a**
Peter Bazalgette[7] (Senior Independent Non-Executive Director, Nomination Committee Chair)	2022/23	43,389	–	–	–	**43,389**	–	–	–	**–**	**43,389**
	2021/22	n/a	–	–	–	**n/a**	–	–	–	**–**	**n/a**
Anand Aithal[7] (Non-Executive Director, Innovation and Enterprise Committee Chair)	2022/23	29,030	–	–	–	**29,030**	–	–	–	**–**	**29,030**
	2021/22	n/a	–	–	–	**n/a**	–	–	–	**–**	**n/a**

1 A third of the bonus award is deferred into shares vesting after three years

2 The face value on grant of the RSP awards is shown in the table above as there are no performance conditions other than underpins tested on vesting. The RSP award vests after three years

3 The final value of the 2019 LTIP award had not been confirmed at the time the 2022 Annual Report and Accounts was drafted and therefore was not included in the 2021/22 single figure. The final vesting of the 2019 LTIP was confirmed as 10% of maximum and therefore the 2021/22 single figure has been restated in this year's single figure table. No value of the 2019 LTIP was attributable to share price growth. The award for James Quin vested on 12 August 2022 and the Saga middle market quotation (MMQ) for that date was 181.1p per share giving a vested value of £22,015. The award for Euan Sutherland vested on 6 January 2023 and the Saga MMQ for that date was 149.5p per share giving a vesting value of £14,817. In 2022/23, none of the Executive Directors had an LTIP award which was eligible to vest in the year

4 Steve Kingshott became a plc director on 3 January 2023

5 Julie Hopes held the position of Chair of SPF until 10 January 2023

6 Orna NiChionna resigned from her position as Senior Independent Non-Executive Director on 30 September 2022 with Peter Bazalgette appointed to Senior Independent Non-Executive Director on the same date

7 Gemma Godfrey, Peter Bazalgette and Anand Aithal joined on 1 September 2022

8 Fee paid for Gemma Godfrey included significant additional time commitment during the period in respect of the transition to the role of Chair of SPF

How we performed in 2022/23

Bonus (audited in conjunction with details on page 165)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2022/23 financial year are shown in the table below. No discretion was applied to the formulaic outcome.

Saga plc bonus scorecard

Performance condition	Weighting (based on 100% max)	Threshold performance required	50% Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Actual annual bonus value achieved (% of salary)[9]	
								Euan Sutherland	James Quin
Underlying Profit Before Tax[10]	35%	£50m	£57.5m	£70m	£21.5m	20% 100%	–	–	–
Net Debt[10]	21%	£710m	£684m	£635m	£711.7m	20% 100%	–	–	–
Insurance motor and home retention	7%	83.0%	83.8%	85.0%	83.8%	20% 100%	52%	5.4%	4.6%
2022/23 Ocean cruise load factor	3.5%	74%	77%	82%	75%	20% 100%	32%	1.7%	1.4%
2022/23 Ocean cruise per diem	3.5%	£305	£312	£321	£318	20% 100%	83%	4.3%	3.6%
Personal objectives	30%					0% 100%		41.5%	35.8%
Total	100%							52.9%	45.4%
Total calculated (£)								£385,587	£200,045
Total payable (£)								£385,587	£200,045

Insurance bonus scorecard

Performance condition	Weighting (based on 100% max)	Threshold performance required	50% Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Actual annual bonus value achieved (% of salary)[9]
								Steve Kingshott[11]
Underlying Profit Before Tax[10]	10.5%	£50m	£57.5m	£70m	£21.5m	20% 100%	–	–
Insurance Underlying Profit Before Tax[10]	24.5%	£99m	£104m	£108m	£88.2m	20% 100%	–	–
Insurance Available Operating Cash Flow[10]	17.5%	£94m	£98.5m	£103m	£85.6m	20% 100%	–	–
Private medical insurance policy sales	3.5%	30,000	31,875	37,500	33,981	20% 100%	72%	3.1%
Motor and home retention	3.5%	83.0%	83.8%	85.0%	83.8%	20% 100%	52%	2.3%
Motor and home new business profit per policy	3.5%	£38.0	£41.3	£47.0	£34.8	20% 100%	–	–
Motor and home renewal profit per policy	3.5%	£83.0	£86.8	£93.0	£84.3	20% 100%	30%	1.3%
Direct share of new motor and home business	3.5%	55%	59%	65%	49%	20% 100%	–	–
Personal objectives	30%					0% 100%		35.1%
Total	100%							41.8%
Total calculated (£)								£13,937
Total payable (£)								£13,937

9 The annual bonus percentage achieved for each Executive Director is based on their maximum bonus potential and shown as a percentage of annual salary
10 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation
11 Steve Kingshott became a Director on 3 January 2023 and therefore the bonus shown is pro-rated for one month

Individual performance assessment

The Committee assessed Executive Directors on their individual performance in the year against four key areas: culture and colleagues; Environmental, Social and Governance (**ESG**); data and insight; and growth projects.

Details of the individuals' achievements are set out in the tables below.

Objectives overview	Committee assessment and basis of achievement for 2022/23
Euan Sutherland – Maximum: 30% of overall bonus. Achievement: 27.64% of overall bonus.	
Culture and colleagues • Maintain colleague engagement • Launch new ways of working model • Strengthen leadership capability	• Maintained strong colleague engagement across Saga, 94% participation in our most recent colleague engagement survey, scoring 8.0 out of 10, maintained levels from February 2022 and 0.3 higher than November 2021. • Successfully embedded new ways of working model for all colleagues. • Leadership team strengthened through the recruitment of CEOs for Media, Money and Insight alongside a Chief Data Officer and Chief Operating Officer. • Significantly developed talent within the Senior Leadership Team (**SLT**) with recruitment into Insurance, Cruise and Travel businesses.
ESG • Future-proof Cruise business • Embed ESG into Group strategy • Create a diverse and inclusive workplace • Role model and promote a risk culture and control framework	• Plans in place to shape our Cruise business for the next five years in line with industry regulation. • Group-wide ESG strategy developed. • Diversity, equity and inclusion (**DE&I**) strategy implemented in year. • The most recent colleague survey showed a strong response to our DE&I activity with a score of 8.6 out of 10. • Reset of overall risk and internal audit framework to support the Saga transformation. Strengthened talent within the Risk and Internal Audit teams with new hires.
Data and insight • Commercialise and grow our database • Modernise data infrastructure • Build ageing insights into new product design • Establish a new content business	• Significant work undertaken on our data infrastructure with the launch of a new Group marketing database platform due in the first half of 2023/24. • Acquisition of the Big Window to embed ageing insights into product and service design in all business units. • Saga Media launched.
Growth projects • Align Ocean and River Cruise • Create new Travel proposition • Recruit a new CEO of Saga Money • Establish pipeline of new products • Deliver in-year cost targets	• Integrated Ocean and Rivers teams to bring alignment. • Combined Saga Holidays and Titan Touring businesses under one Saga Travel Group. • New product development delivered for touring, including our private jet tours. • Hosted stays programme relaunched along with a new 'Tailor-Made by Saga' proposition, offering worldwide choice with the Saga brand promise. • CEO of Saga Money recruited and joined in September 2022.

Objectives overview	Committee assessment and basis of achievement for 2022/23
James Quin – Maximum: 30% of overall bonus. Achievement: 28.65% of overall bonus.	
Culture and colleagues • Maintain colleague engagement • Launch new ways of working model • Strengthen leadership model	• Maintained strong colleague engagement across Saga: 94% participation in our most recent colleague engagement survey, scoring 8.0 out of 10, maintained levels from February 2022 and 0.3 higher than November 2021. • Successfully embedded new ways of working model for all colleagues. • Leadership team strengthened through the recruitment of CEOs for Media, Money and Insight alongside a Chief Data Officer and Chief Operating Officer. • Significantly developed talent within the SLT with recruitment into Insurance, Cruise and Travel businesses.
ESG • Future-proof Cruise business • Embed ESG into Group strategy • Create a diverse and inclusive workplace • Role model and promote a risk culture and control framework	• Plans in place to shape our Cruise business for the next five years in line with industry regulation. • Group-wide ESG strategy developed. • DE&I strategy implemented in year. • The most recent colleague survey showed a strong response to our DE&I activity with a score of 8.6 out of 10. • Reset of overall risk and internal audit framework to support the Saga transformation. Strengthened talent within the Risk and Internal Audit teams with new hires.
Data and insight • Performance monitoring for strategic and financial plans • Creating financial resilience • Building out strategic plans for Insurance, Travel, Money and Innovation	• Implemented performance monitoring with each business unit, resulting in the ability to swiftly identify any areas of underperformance and potential emerging issues and downside risks. • Effective stress testing and development of financial 'early warning' systems; constantly refining financial preparedness and risk analysis. • Much improved planning from both a strategic and financial perspective for the next five years for each business unit.
Growth projects • Embed a new operating model • Deliver in-year cost savings targets	• New operating model fully embedded for Finance. • In-year costs savings target achieved. • Work is underway to create efficiencies in future years.

Annual Report on Remuneration continued

Objectives overview	Committee assessment and basis of achievement for 2022/23
Steve Kingshott – Maximum: 30% of overall bonus. Achievement: 28.05% of overall bonus.	
Culture and colleagues • Maintain colleague engagement • Launch new ways of working model • Integrate Insurance businesses (AICL, SSL and CHMC) • Strengthen leadership capability	• Maintained strong colleague engagement across Saga: 94% participation in our most recent colleague engagement survey, scoring 8.0 out of 10, maintained levels from February 2022 and 0.3 higher than November 2021. Within the Insurance business, colleague engagement scored 7.9 out of 10. • Successfully embedded new ways of working model for all colleagues. • Embedded new operating model for Insurance with a customer, growth, forward-looking and outward-focused mindset. • Significantly developed talent within the Insurance SLT.
ESG • Future-proofing Insurance business • Embedding ESG into Insurance strategy • Creating a diverse and inclusive workplace • Role model and promote a risk culture and control framework	• ESG activity mapped and aligned to Group-wide ESG strategy. • DE&I strategy implemented in year, including colleague diversity forums. The most recent colleague survey showed a strong response to our DE&I activity with a score of 8.6 out of 10 across Saga and 8.8 out of 10 within Insurance. • Strengthened talent within the Risk team with recruitment of Insurance Risk Director.
Data and insight • Build ageing insights into Insurance business • Optimising current customer relationship marketing (**CRM**) capabilities • Establish effective data and analytics operating model	• Developed a culture which puts insight into older people at the heart of the Insurance business and delivers an exceptional Insurance offering to Saga customers true to that insight. • Using ageing insights from the Big Window to inform product and service design. • CRM activity and infrastructure developed, driving an increased marketable database and enabling use of data sources and analytics capability across Pricing, Product, Marketing and Servicing. Quotes increased by 38%, with the cost per quote reducing by 24%. • Data and analytics operating model defined to maximise Insurance capabilities.
Growth projects • Deliver measures to attain 2022/23 financial plan • Progress product sourcing direction • Achieve in-year cost targets • Develop future operating model	• Short-term measures delivered including cross sell, pricing, marketing and service delivery improvements. • Product sourcing progressed. • Insurance Transformation Plan developed and communicated.

Scheme interests awarded during the financial year (audited)

RSP

On 13 July 2022, the third RSP award was granted to the Group CEO and Group CFO. Details of the award are set out below.

Director	Award type	Basis of award	Date of grant	Date of vesting	Number of shares granted	Face value per share[12]	Total face value of award
Group CEO Euan Sutherland	Nil-cost options	80% of salary	13 July 2022	13 July 2025	333,300	£1.748	£582,610
Group CFO James Quin	Nil-cost options	68% of salary	13 July 2022	13 July 2025	171,458	£1.748	£299,710

Deferred Bonus Plan (DBP)

On 28 April 2022, the deferred element of the executive annual bonus award was granted to the Group CEO and Group CFO. Details of the award are set out below.

Director	Award type	Award (% of salary)	Number of shares granted	Face value per share[12]	Total face value of award	End of deferral period
Group CEO Euan Sutherland	Deferred shares	42.7%	124,717	243.20p	303,312	28 April 2025
Group CFO James Quin	Deferred shares	36.1%	63,820	243.20p	155,212	28 April 2025

Saga Transformation Plan (STP)

STP awards were granted to Executive Directors in July 2022. The award gives Executive Directors the opportunity to share in a proportion of the total value created for shareholders above a qualifying hurdle (the **Hurdle**) of £6.00 shareholder value (including dividends) over the period of the plan (equivalent to a market capitalisation of £842m). Participants will only share in value once that threshold has been exceeded. The total value created above the Hurdle refers to the increase in market capitalisation above £842m.

The Executive Directors will receive the right, at the end of the performance period, to share awards with a value representing a portion of the level of the Company's shareholder value above the Hurdle. The Executives will share in the value and be allocated 12.5% of this excess value (**STP Pool**) up to a limit of 10% of the issued share capital of the Company (including awards under other share plans).

The percentage of the STP Pool that each Executive Director is entitled to is set out in the table below. Note that a cap will apply to the value of the total amount vesting under the STP of £15.0m for the Group CEO, £9.2m for the Group CFO and £6.9m for the CEO of Insurance but this will only be relevant in the event that the Company share price exceeds c.£10.90.

Name	Award type	Share of STP Pool	Date of grant	Performance period	Value of award at grant	Minimum level of performance
Group CEO Euan Sutherland	Conditional	17.5%	7 July 2022	Five years	–	For performance in line with the Hurdle (i.e. threshold performance), no value will be shared with participants, i.e. participants will only share in the value created where performance exceeds the Hurdle
Group CFO James Quin	Conditional	10.5%	7 July 2022	Five years	–	
CEO of Insurance Steve Kingshott	Conditional	8.0%	7 July 2022	Five years	–	

The performance period of the STP is five years, at which point performance will be tested against the stretching Hurdle. If the Hurdle is met, and the risk review confirms that no inappropriate behaviour or decision-making has occurred, any shares awarded will vest and 50% of them will be released immediately. After a one-year holding period, a further 25% will be released and after a two-year holding period, the final 25% will be released.

For the full terms of the STP, refer to the Notice of the 2022 Annual General Meeting which can be found on our corporate website (www.corporate.saga.co.uk/media/1573/saga-plc-agm_notice_of_meeting.pdf).

12 Represents the share price on the day prior to grant

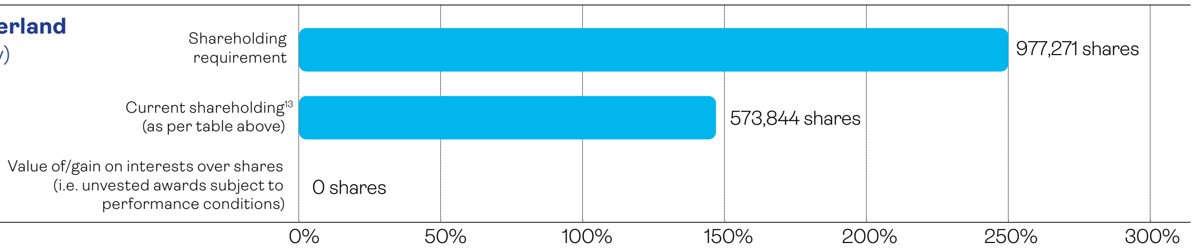
Directors' share interests (audited)

The following table and chart set out the equity interests held by the Executive and Non-Executive Directors:

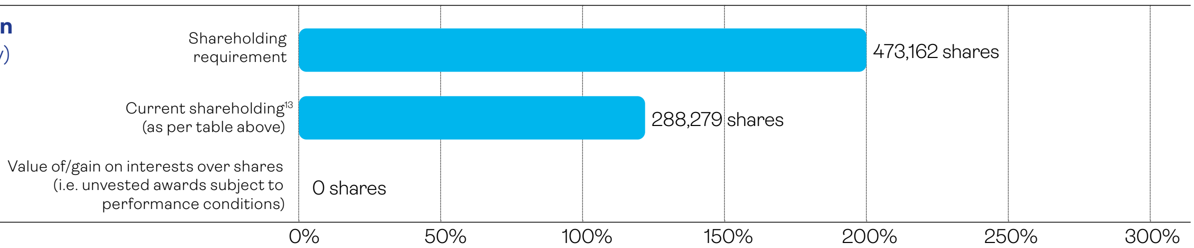
Director	Shareholding requirement (% salary)[13]	Current shareholding (% salary)	Shares counting towards shareholder requirements[14]	Beneficially owned	Unvested nil-cost options held: LTIP nil-cost options subject to performance conditions	RSP nil-cost options not subject to continued service	Deferred bonus nil-cost options subject to continued service	Other awards	Vested but unexercised nil-cost options held	Unvested SIP shares not subject to performance conditions	Shareholding requirement met?
Executive Directors											
Euan Sutherland	250%	147%	573,844	77,598	–	716,389	209,613	–	9,911	212	No
James Quin	200%	122%	288,279	14,825	–	363,834	138,993	–	12,723	212	No
Steve Kingshott	200%	47%	100,636	–	–	137,299	52,580	–	–	–	No
Non-Executive Directors[15]											
Roger De Haan	–	–	–	37,196,970	–	–	–	–	–	–	n/a
Eva Eisenschimmel	–	–	–	4,288	–	–	–	–	–	–	n/a
Julie Hopes	–	–	–	4,419	–	–	–	–	–	–	n/a
Gareth Hoskin	–	–	–	19,018	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	–	3,027	–	–	–	–	–	–	n/a
Gemma Godfrey	–	–	–	12,438	–	–	–	–	–	–	n/a
Peter Bazalgette	–	–	–	212,249	–	–	–	–	–	–	n/a
Anand Aithal	–	–	–	24,500	–	–	–	–	–	–	n/a

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary. The number of shares in which current Directors had a beneficial interest, and details of long-term incentive interests at 31 January 2023 are set out below:

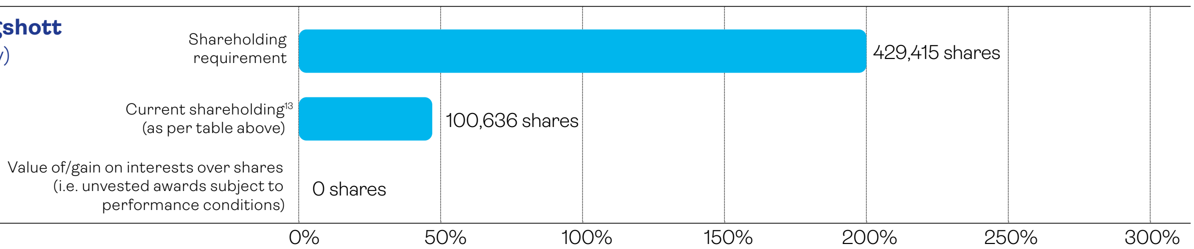
Euan Sutherland
(% of salary)



James Quin
(% of salary)



Steve Kingshott
(% of salary)



13 Shareholding requirements are those that were in existence throughout the course of the year and at 31 January 2023

14 The number of shares counting towards the shareholding requirement is calculated by summing beneficially owned shares with unvested nil-cost options which are not subject to performance conditions, on a net of tax basis as well as any vested but unexercised options on a net of tax basis. The MMQ share price of 186.3p at 31 January 2023 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

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

Taxable benefits

The taxable benefits for all Executive Directors are in line with our wider workforce policies. Euan Sutherland, James Quin and Steve Kingshott receive private medical insurance and a company car.

Pension entitlements

Pension contributions for all Executive Directors are aligned with those of the majority of colleagues (6% of salary). No Executive Director receives an entitlement under a defined benefit plan.

Payments for loss of office (audited)

There were no payments for loss of office in 2022/23.

Payments to past directors (audited)

As previously disclosed in the 2021 and 2022 Annual Report and Accounts, Cheryl Agius, the former CEO of Insurance, stepped down from the Board of Directors for personal reasons. Her leaving arrangements, which were fully disclosed in the 2021 Annual Report and Accounts, included buyout awards in respect of long-term incentives forfeited from her previous employer. These awards, which were granted on 1 June 2020 and pro-rated to reflect the period from the award date to the termination date, vested at their normal vesting dates subject to the terms of the buyout agreement.

During the period ending 31 January 2023, element 2 of the buyout award vested on 16 April 2022. The table below sets out the number of shares vested for the former CEO of Insurance.

Award		Pro-rated number of Saga shares subject to the option	Legal & General Performance Share Plan performance	Number of Saga shares vesting	Value of Saga shares vesting (£)[16]
Buyout element 2	Awarded	18,797	82.9%	25,134	43,859
	Maximum	30,319			

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

Euan Sutherland is a non-executive director of Britvic plc for which he received a fee of £60,025 in 2022/23. James Quin and Steve Kingshott do not hold any external directorships.

Governance of remuneration

Wider workforce

For the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at Committee meetings, setting out key details of remuneration throughout the Company. Alongside its review of the wider workforce remuneration, the Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

The table summarises some of the key workforce reward elements that are regularly discussed by the Committee:

Bonus	Bonus schemes contain both financial and personal measures. A financial scorecard is used for all colleagues at Saga linked to their business unit, including Executive Directors. Malus and clawback are in place for the colleagues in our SLT.
Other incentive schemes	Incentive arrangements that are paid more frequently are also operated in our contact centres. These incentive schemes are reviewed regularly to ensure best practice and market alignment. The method of calculation and frequency of payment varies, depending on business area and product.
Base pay	All colleagues received an increase of 2.5% of base pay in February 2022 with all colleagues below SLT receiving an additional increase of 5.0% in December 2022, brought forward from February 2023 to support colleagues with the rising cost of living.
National living wage	Saga continues to be committed to paying above national living wage for all UK colleagues and, in 2022, tracked above this at the voluntary real living wage.
RSP	RSP awards are granted across senior leadership at Saga. Eligible colleagues received an RSP grant in 2022, ranging from 20% to 50% of salary.
Share Incentive Plan (SIP)	We continue to promote our SIP, so that all colleagues can invest in the Company's success. The plan enables colleagues to purchase shares through payroll.
Pension	Saga operates a single defined contribution Master Trust arrangement with Aviva following the closure of both the defined benefit scheme and the previous defined contribution scheme on 31 October 2021. At 31 January 2023, there were 2,578 colleagues in this scheme.

The Committee Chair engages regularly with the People Committee, gaining regular feedback and outlining executive remuneration. Feedback from this engagement is then shared with the Committee. Further details of the People Committee can be found on page 41.

16 The value for element 2 of the buyout award is based on the Company's share price of 174.5p, being the share price on 11 August 2022

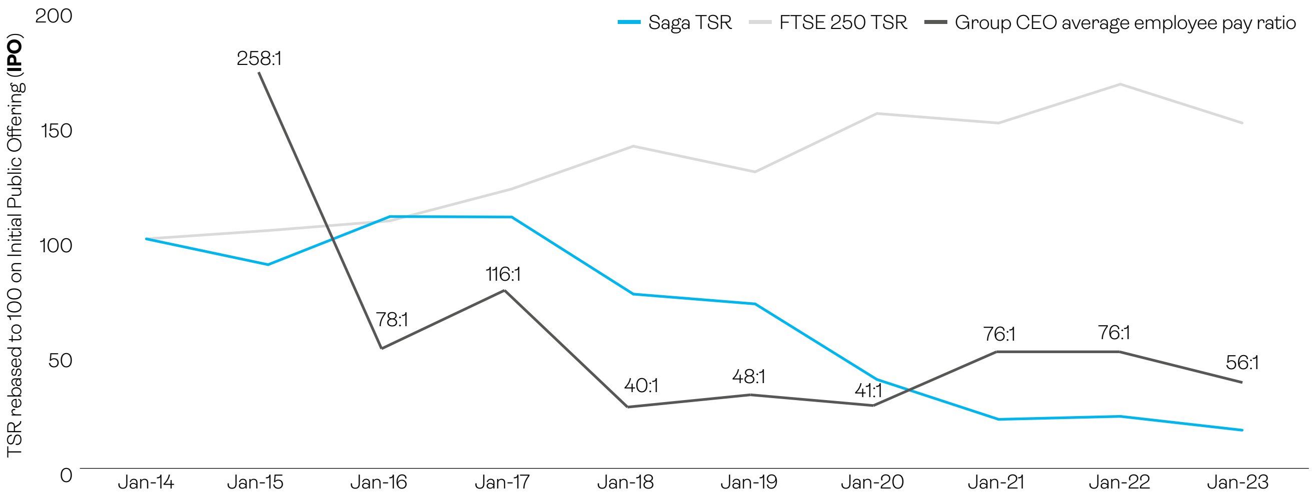
Competitive pay and cascades of incentives

Organisational level	Number of colleagues[17]	Range of bonus (% of salary)	Maximum proportion of bonus payable in cash	Minimum proportion of bonus deferrable in shares	Range of RSP award (% of salary)	SIP
Group CEO	1	150%	67%	33%	80%	Yes
Group CFO	1	125%	67%	33%	68%	Yes
CEO of Insurance	1	125%	67%	33%	60%	Yes
Executive Leadership Team	10	100%	67%	33%	40%	Yes
Senior Leadership Team	46	40-80%	100%	–[18]	20-40%	Yes
Senior Management Team	200	10-40%	100%	–	n/a	Yes
Other bonused colleagues	1,730	2.5-7.5%	100%	–	n/a	Yes
Other non-bonused colleagues	2,075	n/a	n/a	n/a	n/a	Yes

Pay comparisons

Group CEO ratio

Our Group CEO to average colleague pay ratio for 2022/23 is 56:1. To give context to this ratio, we included a chart below which tracks the CEO to average colleague pay ratio since 2014/15 alongside Saga's total shareholder return (**TSR**) performance since the Company was listed in 2014. We also show this against the performance of the FTSE 250 during the same time span.



The Committee considers that the FTSE 250 is the appropriate index because the Company was a long-standing member of this index since the IPO and has strong aspirations to re-join in the future. This graph has been calculated in accordance with the Financial Conduct Authority Listing Rules.

It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2023.

In summary, there has been significant volatility in Group CEO pay, and we believe that this is caused by the factors set out below. Please note that, before 2020/21, pay for Lance Batchelor (former Group CEO) has been used for this calculation.

- Our Group CEO's pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders and accepted market practice for senior executive roles. This introduces a higher degree of variability in pay each year, which, in turn, affects the ratio.
- The value of long-term incentives, which measure performance over three years, is disclosed in the year they vest, which increases the Group CEO's pay in that year, again impacting the ratio.
- Long-term incentives are provided in shares, and therefore any movement in share price over the three years magnifies the impact of a long-term incentive award vesting.
- We recognise that the ratio is driven by the different structure of pay for our Group CEO versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the Group CEO and wider workforce.

Where the structure of remuneration is similar, as for the ELT and the Group CEO, the ratio is much more stable over time.

17 Colleagues at 31 January 2023

18 Colleagues in the SLT within Insurance also receive one-third of their bonus in deferrable shares

Colleague and Executive Committee ratios

The table below sets out the total remuneration received by the Group CEO using the methodology applied to the single total figure of remuneration. The Committee believes that the remuneration payable in its earlier years, as a private company, to the Executive Chairman does not bear comparative value to that which has been, and will be paid to, the Group CEO and has therefore chosen only to disclose remuneration for the Group CEO:

Group Chief Executive Officer		**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Total single figure		£1,600,287	£2,490,617	£1,025,146[19]	£1,191,743	£1,062,887	£2,118,471	£2,401,273[20]	£1,753,093
Annual bonus payment level achieved (percentage of maximum opportunity)		78.6%	67.5%	–	35.1%	33.6%	83.1%	85.4%	35.3%
LTIP vesting level achieved (percentage of maximum opportunity)		n/a[21]	65.6%	26.0%	–	–	n/a[21]	10%	n/a[21]
Ratio of Group CEO single total remuneration figure to all colleagues[22,23]	Option used			Option B[22]	Option B[22]	Option B[22]	Option B[22]	Option B[22]	Option B[22]
	25th percentile	n/a	n/a	8:1	59:1	46:1	97:1	104:1	66:1
	Median	78:1	116:1	40:1[24]	48.1[25]	41:1[26]	76:1[27]	76:1[28]	56:1[29]
	75th percentile	n/a	n/a	33:1	36.1	29:1	55:1	55:1	42:1
Ratio of single total remuneration figure shown to executive members		2:1	4:1	3:1	3:1	2:1	4:1	3:1	3:1

The colleague pay figures used to calculate the ratio are as follows:

		25th percentile	**Median**	**75th percentile**
2022/23	Salary	£21,175	£25,839	£38,102
	Total pay	£26,689	£31,125	£42,127

19 For 2017/18, the final value of the 2015 LTIP award at vesting date is shown and has been restated from the 2017/18 Annual Report and Accounts. The share price at vesting date of 30 June 2018 was 125.6p

20 The final value of the 2019 LTIP award had not been confirmed at the time the 2022 Annual Report and Accounts was drafted and therefore was not included in the 2021/22 single figure

The final vesting of the 2019 LTIP was confirmed as 10% of maximum and therefore the 2021/22 single figure has been restated

21 No LTIP awards were eligible to vest for the Group CEO in post during 2015/16, 2020/21 and 2022/23

22 For the colleague ratio, Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18 to 2022/23 using the April gender pay gap data for that year. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018 to 2023 for these colleagues calculated in line with the single total figure methodology

23 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison with the 2017/18, 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 figures which have been calculated in line with the methodology prescribed by the regulations

24 The fall in ratio in 2017/18 is due to the forfeiture of bonus by the Group CEO and the relatively low payout on the LTIP. This reflects the fact that shareholders want executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group CEO remuneration set out in the table on page 108 shows that year-on-year, when the volatility of payouts from equity-based awards is excluded, the changes in remuneration for the Group CEO and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year

25 The increase in ratio for 2018/19 is due to the Group CEO receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout

26 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our contact centres

27 The increase in ratio in 2020/21 is due to the relatively high bonus payout in 2020/21 and RSP award granted to the Group CEO in 2020/21

28 No change in ratio in 2021/22 due to similar payout in bonus

29 The fall in ratio in 2022/23 is due to the lower bonus payout

Annual percentage change in remuneration of Directors and other colleagues

The following table sets out the change in the remuneration paid to each Director from 2019/20 to 2022/23, compared with the average percentage change for other colleagues.

The percentage change for each Director's remuneration in the table below is based on the figures in the single total figure table on page 98.

Average colleague pay has been calculated using the following elements:

- Annual salary: base salary and standard monthly allowances.
- Taxable benefits: car allowance and private medical insurance premiums.
- Annual bonus: company bonus, management bonus, commission and incentive payments.

	% increase/(decrease) in remuneration in 2020/21 compared with previous year (2019/20)			**% increase/(decrease) in remuneration in 2021/22 compared with previous year (2020/21)**			**% increase/(decrease) in remuneration in 2022/23 compared with previous year (2021/22)**		
	Salary/fees	**Taxable benefits**	**Annual bonus**	**Salary/fees**	**Taxable benefits**	**Annual bonus**	**Salary/fees**	**Taxable**	**Annual bonus**
Euan Sutherland	0%	9.3%	25.2%	1.5%	(5.5%)[30]	4.3%	2.5%	0.4%	(52.2%)
James Quin	1.2%	(48.9%)[31]	48.7%	14.8%	4.7%	1.4%	2.5%	0.4%	(57.0%)
Steve Kingshott[32]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Roger De Haan[33]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Eva Eisenschimmel	15.7%[34]	n/a	n/a	–	n/a	n/a	–	n/a	n/a
Julie Hopes	41.7%[35]	n/a	n/a	(1.0%)[35]	n/a	n/a	(0.8%)[35]	n/a	n/a
Gareth Hoskin	9.3%[36]	n/a	n/a	2.9%[36]	n/a	n/a	–	n/a	n/a
Orna NiChionna[37]	9.6%[37]	n/a	n/a	10.7%[37]	n/a	n/a	–	n/a	n/a
Gemma Godfrey[38]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peter Bazalgette[38]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Anand Aithal[38]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average per colleague	3.2%[39]	2.7%	67.8%	4.1%[39]	6.6%	5.4%	13.3%[39]	3.6%	(49.9%)

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2022/23 and 2021/22 financial years, compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2022/23 financial year £m	**Disbursements from profit in 2021/22 financial year £m**	**Percentage change**
Profit distributed by way of dividend	–	–	–
Total tax contributions[40]	26.6	22.9	16.2%
Overall spend on pay including Executive Directors	132.0	118.3	11.6%

30 The decrease in taxable benefits for Euan Sutherland is due to his move to a reduced cost electric vehicle for which he also pays a capital contribution

31 The decrease in taxable benefits for James Quin is due to his move to a reduced cost electric vehicle

32 Steve Kingshott became a plc Director on 3 January 2023

33 Roger De Haan has waived his fee since becoming Chairman in 2020

34 Increase in fees for Eva Eisenschimmel in 2020/21 is due to her becoming Chair of the Remuneration Committee on 1 February 2020

35 Increase in fees for Julie Hopes in 2020/21 is due to her becoming Chair of the SPF Board on 1 February 2020 and assuming the position of Risk Committee Chair on 31 December 2020. Decrease in fees in 2021/22 is due to the reduction in the fee for the Chair of SPF role on 1 January 2021 following a review of the role. Decrease in fees in 2022/23 is due to her stepping down from the role as Chair of SPF on 10 January 2023

36 Increase in fees for Gareth Hoskin in 2020/21 and 2021/22 is due to him becoming Chair of the Audit Committee on 22 June 2020

37 Increase in fees for Orna NiChionna in 2020/21 and 2021/22 is due to her increasing responsibilities as Senior Independent Director on 5 October 2020. Orna stepped down from the Board on 30 September 2022

38 No comparison for Gemma Godfrey, Peter Bazalgette and Anand Aithal due to them joining in September 2022

39 Average salary per colleague increased in 2020/21 and 2021/22 due to a combination of the annual salary increase, Company restructuring which altered our colleague base and the impacts of the COVID-19 pandemic. The increase in salary 2022/23 was due to a combination of two pay increases for the wider workforce and further investment in base pay

40 Total tax contributions include corporation tax, national insurance contributions, VAT and air passenger duty

Implementation of the Policy in 2022/23

The below table sets out a summary of the key elements of the Policy along with their operation in 2022/23 and proposed operation in 2023/24.

Policy element	Summary of the Policy	Operation in 2022/23	Proposed operation in 2023/24
Base salary Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	Salaries are set on appointment and reviewed annually. When determining an appropriate level of salary, the Committee considers: • pay increases to other colleagues; • remuneration practices within the Group; • any change in scope, role or responsibilities; • the general performance of the Group and each individual; • the experience of the relevant Director; and • the economic environment.	Executive Directors received a 2.5% increase in salary in February 2022 in line with the wider workforce. Colleagues below SLT received a further 5.0% increase in December 2022 which was brought forward from February 2023 to support colleagues with the rising cost of living. As a result, the salaries for the Executive Directors are: • Euan Sutherland: £728,262 • James Quin: £440,750 • Steve Kingshott: £400,000	Executive Directors received a 3.0% increase in salary in February 2023, a lower increase to the scheduled 5.0% awarded to the wider workforce which was brought forward to December 2022 as part of the cost of living support. As a result, the salaries for the Executive Directors are: • Euan Sutherland: £750,110 • James Quin: £453,972 • Steve Kingshott: £412,000
Benefits Provides a market-standard level of benefits.	Benefits may include family private health cover, death in service life assurance, a car allowance, subsistence expenses and discounts in line with other colleagues.	Standard benefits provided.	No change.
Pension Provides a fair level of pension provision for all colleagues.	Directors may participate in a defined contribution scheme. Maximum pension contributions for Executive Directors are aligned with those of the wider workforce (6% of salary).	Executive Directors received the following: • Euan Sutherland: 6% of salary • James Quin: 6% of salary • Steve Kingshott: 6% of salary	No change.
Bonus The Annual Bonus Plan provides a significant incentive to the Executive Directors, linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives, allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant.	Awards are granted annually with performance measured over one financial year. The Committee will determine the maximum participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. 70% of awards will be linked to financial measures. Specific measures, targets and weightings may vary from year to year. At least one-third of the bonus will be deferred into shares vesting after three years. Payout range is as follows (% of maximum payout): • Threshold: up to 20% • Target: 50% • Maximum: 100% Malus and clawback arrangements apply. Good/bad leaver provisions apply.	Maximum bonus opportunities were: • Euan Sutherland: 150% of salary • James Quin: 125% of salary • Steve Kingshott: 125% of salary Performance measures and weightings for the bonus for Euan and James were as follows: • Underlying Profit Before Tax[41]: 35% • Net Debt[41]: 21% • Motor and home retention: 7% • Ocean Cruise load factor and per diem: 7% • Personal objectives: 30% Performance measures and weightings for the bonus for Steve were as follows: • Underlying Profit Before Tax[41]: 10.5% • Insurance Underlying Profit Before Tax[41]: 24.5% • Insurance Available Operating Cash Flow[41]: 17.5% • Other Insurance measures: 17.5% • Personal objectives: 30%	The maximum opportunities for Executive Directors are unchanged and are as follows: • Euan Sutherland: 150% of salary • James Quin: 125% of salary • Steve Kingshott: 125% of salary The current intention is to set performance measures and weightings for the 2023/24 bonus as follows: • Underlying Profit Before Tax[41] (substituted with Insurance Underlying Profit Before Tax[41] for CEO of Insurance): 55% • Total Net Debt[41]: 15% • Personal objectives: 30% The Committee is of the view that targets for the 2023/24 annual bonus are currently commercially sensitive and these targets will be disclosed retrospectively in the 2024 Directors' Remuneration Report.
RSP Awards are designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.	Awards of nil-cost options are granted annually up to a maximum of 100% of salary. RSP awards do not have any performance conditions but are subject to an underpin on vesting. Awards vest after three years and are subject to a further two-year holding period, during which time shares may not be sold other than for tax.	The RSP awards were made at reduced levels following the announcement of the STP: • Euan Sutherland: 80% of salary • James Quin: 68% of salary • Steve Kingshott: 60% of salary The Committee will review share price performance on vesting to determine whether any windfall gains were made.	No change. To remain at reduced levels during the STP.

41 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

Implementation of the Policy in 2022/23 (continued)

Policy element	Summary of the Policy	Operation in 2022/23	Proposed operation in 2023/24
Shareholding requirement To ensure Executive Directors' interests are aligned with shareholders over the long term.	The Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of salary.	• Euan Sutherland: 250% of salary • James Quin: 200% of salary • Steve Kingshott: 200% of salary	No change.
All-colleague share plan The Company operates an HM Revenue and Customs SIP.	Shares that are kept in the plan for five years will be exempt from income tax and national insurance on their value.	Saga continued to operate the SIP for all colleagues in 2022/23.	Saga will continue to provide all colleagues with the opportunity to participate in colleague equity arrangements.
Chairman and Non-Executive Director fees Monetary incentives for the Chairman and Non-Executive Directors.	The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general, the level of fee increase for the Non-Executive Directors will be set, taking account of any change in responsibility and considering the general rise in salaries across the UK workforce.	Fees for 2022/23 were as follows (Roger De Haan waived his fee for 2022): • Roger De Haan: Nil • Board member fee: £63,672 • Committee Chair fee: £10,000 • Senior Independent Director fee: £40,000	Fees for 2023/24 are as follows: • Roger De Haan: Nil • Board member fee: £65,500 • Committee Chair fee: £10,000 • Senior Independent Director fee: £40,000

Advisers to the Committee

Following a selection process carried out by the Board prior to the IPO of the Company, the Remuneration Committee engaged the services of PricewaterhouseCoopers (**PwC**) as independent remuneration advisors.

During the financial year, PwC advised the Committee on all aspects of the Policy for Executive Directors and members of the ELT.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Other PwC teams provide certain non-audit services to the Company in areas of tax and consulting. The Committee is satisfied that no conflicts of interest exist in the provision of these services and that the advice provided is independent and objective. Fees of £112,316 (2022: £83,750) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to the additional support in relation to the implementation of the STP.

The Committee receives support from the Chief People Officer and Group Company Secretary.

Shareholder voting

The current Policy was approved by shareholders at the AGM held on 5 July 2022. Outlined below are the voting outcomes for this, and in respect of, approving the Directors' Remuneration Report.

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	58,281,335	79.96%	14,607,241	20.04%	72,983,167	52.01%	94,591
To approve the Directors' Remuneration Policy	58,132,761	79.74%	14,770,366	20.26%	72,982,813	52.01%	79,686

This document sets out the Saga plc (the **Company**) Policy on remuneration for Executive and Non-Executive Directors (the **Policy**) which was approved by shareholders at the 2022 Annual General Meeting (**AGM**) and took effect immediately afterwards. The Policy has been prepared in accordance with the requirements of the UK Companies Act 2006 (the **Act**), Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the **Regulations**) and the Listing Rules. The Remuneration Committee (the **Committee**) has built in a degree of flexibility to ensure the practical application of the Policy. Where such discretion is reserved, the extent to which it may be applied is described. The Company's Policy retains, as its primary goal, the ability to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of Saga, aligned with shareholder interests.

The Board delegated its responsibility to the Committee to establish the Policy on the remuneration of the Executive Directors and the Chair. The Board has established the Policy on the remuneration of the other Non-Executive Directors.

Summary of the Policy approved at the 2022 AGM

Remuneration elements	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Fixed pay Salary	**Salary**						
Fixed pay Benefits and pension	**Benefits and pension**						
Annual bonus (Malus and clawback provisions apply)	**Maximum two-thirds cash**	**Minimum one-third shares Three-year deferral period subject to continued service**					
Restricted Share Plan (RSP) (Malus and clawback provisions apply)	**Up to 80% of salary Three-year performance**			**Two-year holding period**			
Saga Transformation Plan (STP) (Malus and clawback provisions apply)	**Cap of £15.0m on the value of vesting for the Group Chief Executive Officer (CEO) and £9.2m for the Group Chief Financial Officer (CFO) Five-year performance period**					**Two-year holding period**	
Shareholding requirements	**Executive Directors build and maintain a 200% of salary (250% of salary for Group CEO) minimum shareholding requirement while in-employment and post-employment**						

Changes made to the previous Policy

Element	Changes to Policy	Rationale
Long-term incentives – STP	Addition of an STP which provides participants with a portion of the value created above a stretching hurdle over a five-year period.	To drive and reward exceptional levels of growth. Only once significant shareholder value has been delivered, will any rewards become payable under the STP.
Long-term incentives – RSP	A 20% reduction to the RSP award level during the term of the STP.	To retain the current stability and retention provided by the RSP but rebalance the package and recognise the introduction of the STP. The RSP rewards and retains for moderate to strong performance and delivery of shareholder value.

Directors' Remuneration Policy table

Base salary	
Element and link to strategy	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.
Operation	An Executive Director's basic salary is set on appointment and reviewed annually, or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • pay increases to other colleagues; • remuneration practices within the Group; • any change in scope, role and responsibilities; • the general performance of the Group and each individual; • the experience of the relevant Director; and • the economic environment. 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 colleagues until the target positioning is achieved.
Maximum potential value	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size and complexity to Saga and validated against an appropriate comparator group so that they are competitive against the market. The Committee continues to review the comparators each year and will add or remove companies from the comparator group as it considers appropriate. In general, salary increases for Executive Directors will be in line with the increase for colleagues. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out the Executive Directors' salaries for the following financial year in each Directors' Remuneration Report, in the section headed 'Implementation of the Policy'.
Performance conditions and recovery provisions	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.
Changes to previous Policy	No changes.

Pension	
Element and link to strategy	Provides a fair level of pension provision for all colleagues.
Operation	The Company provides a pension contribution allowance that is fair, competitive and in line with governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.
Maximum potential value	The maximum value of the pension contribution allowance for both current and newly appointed Executive Directors is aligned with that of the wider workforce, currently 6% of salary.
Performance conditions and recovery provisions	No performance or recovery provisions apply.
Changes to previous Policy	No changes.

Benefits	
Element and link to strategy	Provides a market-standard level of benefits.
Operation	Benefits may include family private health cover, death in service life assurance, car allowance, subsistence expenses and discounts, in line with other colleagues. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting, and retaining, colleagues in order to deliver the Group strategy. Additional benefits which are available to other colleagues on broadly similar terms may therefore be offered, such as relocation allowances on recruitment.
Maximum potential value	The maximum is the cost of providing the relevant benefits.
Performance conditions and recovery provisions	No performance or recovery provisions apply.
Changes to previous Policy	No changes.

Annual bonus	
Element and link to strategy	The Annual Bonus Plan provides a significant incentive to the Executive Directors, linked to achievement of goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives, allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.
Operation	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. The Company will set out in the section headed 'Implementation of the Policy' within the Directors' Remuneration Report, in the following financial year, the nature of the targets and their weighting for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported will be set out in the Annual Report on Remuneration. The Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the Deferred Bonus Plan (**DBP**) element. The minimum level of deferral is one-third of the bonus; however, the Committee may determine that a greater portion, or in some cases the entire bonus, be paid in deferred shares. The main terms of these awards are: • minimum deferral period of three years; and • the participant's continued employment at the end of the deferral period, unless they are a good leaver. The Committee may award dividend equivalents on those shares to plan participants to the extent that they vest. The Committee has the discretion to apply a holding period of two years post-vesting for DBP shares.
Maximum potential value	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. Percentage of bonus maximum earned for levels of performance: • Threshold: up to 20% • Target: 50% • Maximum: 100%
Performance conditions and recovery provisions	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 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 Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual or wider Company 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 Committee will be fully disclosed in the following year's Directors' Remuneration Report. The 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 period so shareholders can fully assess the basis for any payouts under the Annual Bonus Plan. Both the Annual Bonus Plan and the DBP contain malus and clawback provisions.
Changes to previous Policy	No changes.

Directors' Remuneration Policy continued

RSP	
Element and link to strategy	Awards are designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.
Operation	Awards are granted annually to Executive Directors in the form of Restricted Shares. Restricted Shares vest at the end of a three-year period subject to: • the Executive Director's continued employment at the date of vesting; and • the satisfaction of an underpin as determined by the Committee, whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors. Upon vesting, sufficient shares may be sold to pay tax on the shares. The Committee may award dividend equivalents on awards to the extent that they vest.
Maximum potential value	Maximum value of 100% of salary per annum based on the market value at the date of grant set in accordance with the rules of the plan. For Executives participating in the STP, this maximum will be reduced by 20% for the period of participation.
Performance conditions and recovery provisions	No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance. The Committee will take into account the following factors (among others) when determining whether to exercise its discretion to adjust the number of shares vesting: • Whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the Restricted Shares. • Whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually. • Whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually. • The potential for windfall gains. • The level of colleague and customer engagement over the period. The RSP is subject to malus and clawback provisions.
Changes to previous Policy	20% reduction to the maximum opportunity level to rebalance the package and recognise the introduction of the additional incentive provided by the STP.

STP	
Element and link to strategy	Awards are designed to add an additional opportunity to drive, and reward, exceptional levels of growth over the longer term.
Operation	A one-off award that gives Executive Directors the opportunity to earn share awards over a five-year performance and vesting period. The STP allows participants to share in up to 12.5% of the total value created for shareholders above a specified hurdle (defined below) measured on a date shortly after the end of the five-year performance period (the **Measurement Date**). On the Measurement Date, 50% of the number of share awards earned will vest immediately. 25% of the award earned will be released one year after the Measurement Date with the final 25% earned being released two years after the Measurement Date. No shares are capable of sale until the fifth anniversary of grant. If the shareholder value of £6.00, including share price and dividends (the **Hurdle**) has not been achieved at the Measurement Date (inclusive), no share awards will vest.
Maximum potential value	The maximum number of share awards which may vest under the STP is 12.5% of the value created above the Hurdle (the **STP Pool**). The maximum allocation for the Group CEO is 18.0%[1] of the STP Pool and 11.0%[1] of the STP Pool for the Group CFO. Awards are subject to a cap on the value on vesting of £15.0m for the Group CEO and £9.2m for the Group CFO.
Performance conditions and recovery provisions	The Committee may vary the level of vesting of a share award if it determines that the formulaic vesting level would not reflect business or personal performance, or such other factors as it may consider appropriate. An annual review of continued participation will be undertaken by the Committee to ensure appropriate conduct and risk leadership conditions are satisfied. Malus and clawback provisions will apply to STP awards. Malus will operate throughout the performance period. The clawback period will be two years (or longer, if the Committee determines) from the date of vesting. Further details are set out on page 117.
Changes to previous Policy	New element of the Policy.

1 The participation proportion for the Group CEO and CFO as stated in the Directors' Remuneration Policy has been reduced by 0.5% each, following a request from the CEO and CFO to ensure there is sufficient capacity for the other participants to share in the STP. Additionally, the CEO of Insurance was awarded an 8.0% share of the STP Pool prior to, and not in anticipation of, his appointment to the main Board

Shareholding requirement

The Committee already had in place strong shareholding requirements (as a percentage of base salary) that encourage Executive Directors to build up their holdings over a five-year period. 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.

In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (percentage of salary)
Group CEO	250%
Other Executive Directors	200%

The Committee retains the discretion to increase the shareholding requirements.

The Committee has introduced a post-cessation shareholding requirement of the full in-employment requirement as listed above (or the Executive's actual shareholding on cessation, if lower) for two years following cessation.

Chair and Non-Executive Director fees	
Purpose	Provides a level of fees to support recruitment and retention of a Non-Executive Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.
Operation	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Committee is responsible for setting the Non-Executive Chairman's fees. Non-Executive Directors are paid an annual fee and additional fees for chairing committees. The Company retains the flexibility to pay fees for the membership of committees. Non-Executive Directors will be entitled to an additional fee if they are required to perform any specific and additional services. Chair and membership fees may be introduced for any new committees. The Non-Executive Chairman does not receive any additional fees for membership of committees. Fees are reviewed annually, taking into account time commitment, responsibilities and equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors and the Non-Executive Chairman do not participate in any variable remuneration or benefits arrangements.
Maximum potential value	The fees for Non-Executive Directors are broadly set at a competitive level against the comparator group. In general, the level of fee increase for the Non-Executive Directors and the Non-Executive Chairman will be set taking account of any change in responsibility and the general rise in salaries across the UK workforce. The aggregate fee for the Non-Executive Directors and the Non-Executive Chairman will not exceed £2.0m. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Non-Executive Chairman and may settle any tax incurred.
Performance metrics	No performance or recovery provisions apply.
Changes to previous policy	Additional flexibility to award further fees where specific incremental services are required to be performed.

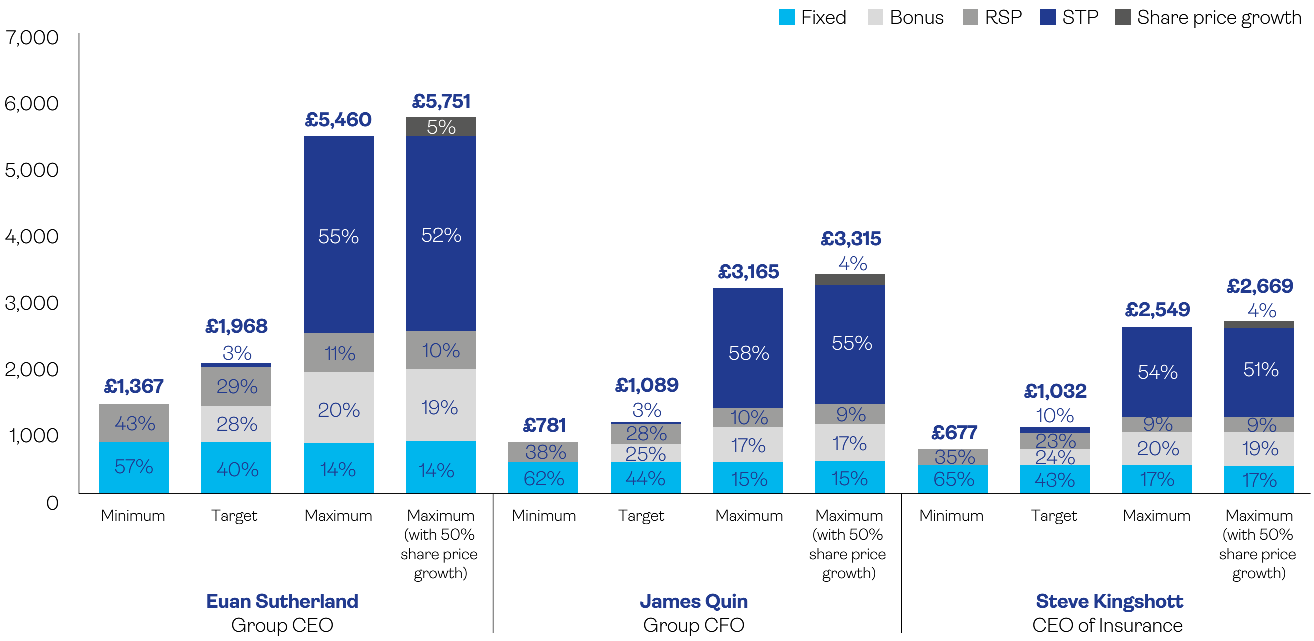
Legacy elements of the Policy that were in-flight at the time of Policy approval.

Element and link to strategy	Operation	Performance metrics
Legacy Long-term Incentive Plan (**LTIP**) was designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.	Awards granted in 2019 vest at the end of a three-year period subject to the Executive Director's continued employment at the date of vesting and satisfaction of the performance conditions. Further details of the terms were included in the relevant Annual Report on Remuneration at the time of grant.	Vesting of the 2019 LTIP award is subject to relative total shareholder return and return on capital employed performance, as well as a strategic and operational element.

Illustration of application of the Policy

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the first year of the operation of the Policy set out in this report.

Figures shown (£'000)



Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed elements	Base salary for 2022/23. Benefits paid for 2021/22 annualised for full year equivalent figures. Pension in line with policy at 6% of salary.			
Annual bonus	Nil.	50% of the maximum opportunity.	100% of the maximum opportunity.	100% of the maximum opportunity.
Restricted Shares	100% vesting of Restricted Shares. Award levels are 80% of salary for the Group CEO, 68% of salary for the Group CFO and 60% for the CEO of Insurance.	100% vesting of Restricted Shares. Award levels are 80% of salary for the Group CEO, 68% of salary for the Group CFO and 60% for the CEO of Insurance.	100% vesting of Restricted Shares. Award levels are 80% of salary for the Group CEO, 68% of salary for the Group CFO and 60% for the CEO of Insurance.	100% vesting of Restricted Shares plus 50% share price growth. Award levels are 80% of salary for the Group CEO, 68% of salary for the Group CFO and 60% for the CEO of Insurance.
STP (shown in the chart on an annualised basis)	Nil.	Estimate of accounting fair value.	£15.0m for the Group CEO, £9.2m for the Group CFO and £6.9m for the CEO of Insurance.	£15.0m for the Group CEO, £9.2m for the Group CFO and £6.9m for the CEO of Insurance.

Scenario charts show minimum, target and maximum scenarios in accordance with the Regulations, as well as the impact of a 50% share price growth on the long-term incentives for the maximum scenario. All scenarios do not account for dividend equivalents on DBP shares or RSP shares.

Discretion within the Policy

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Malus and clawback

Malus is the adjustment of the annual bonus payments or unvested long-term incentive awards (including RSP and STP) because of the occurrence of one or more of the circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the Annual Bonus Plan or vested long-term incentive awards (including RSP and STP) as a result of the occurrence of one or more of the circumstances listed below. Clawback may apply to all, or part, of a participant's payment under the Annual Bonus Plan, RSP or STP award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses. The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group, or any Group company.
- The discovery that any information used to determine the award was based on error, or inaccurate or misleading information.
- Action or conduct of a participant which amounts to fraud or gross misconduct.
- Events, or the behaviour of a participant, which have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company, provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.
- Failure of risk management including, but not limited to, a material breach of risk appetite and regulatory standards.
- Corporate failure.

Element	Annual bonus (cash)	Annual bonus (deferred shares)	Restricted Shares	STP
Malus	Up to the date of the cash payment.	To the end of the three-year vesting period.	To the end of the three-year vesting period.	To the end of the five-year vesting period.
Clawback	Two years post the date of any cash payment.	n/a	Two years post vesting.	Two years post vesting.

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required and undertakes an annual review to assess if there are reasonable grounds for the malus and clawback provisions to be enforced.

Loss of office policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company while applying the following philosophy:

Remuneration element	Treatment on cessation of employment
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited, or no, abatement on severance or early retirement. There is no agreement between the Company and its Directors, or other colleagues, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments, where such payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.

Directors' Remuneration Policy continued

Element	Good leaver reason	Other reason	Discretion
Bonus cash	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for year of cessation.	The Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the 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 determine whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the 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.
Bonus deferred share awards	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the 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 Committee will make this determination depending on the type of good leaver reason resulting in the cessation. • To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.
RSP for the year of cessation	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	The Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the 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 determine whether to pro-rate the Company award to time. The Committee's normal policy is that it will pro-rate for time. It is the 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. • To determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based, among other factors, on the reason for the cessation of employment.
RSP	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	Unvested awards will be forfeited on cessation of employment. Vested awards will remain subject to the holding period.	The Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the 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 determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure. • To determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based, among other factors, on the reason for the cessation of employment. • To determine whether the holding period for awards applies in part or in full. The Committee will make its determination based, among other factors, on the reason for the cessation of employment.
STP	Awards which have vested remain exercisable at the normal dates, subject to the relevant holding periods/release dates.	Awards which have vested remain exercisable at the normal dates, subject to the relevant holding periods/release dates.	In respect of the STP, good leaver treatment will be solely at the discretion of the Committee, taking into account the circumstances and factors which it considers to be relevant.
	The Committee retains discretion to allow awards which have not yet vested to continue to vest subject to achievement of the Hurdle and pro-rated to time.	Awards which have not yet vested lapse.	
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to all of the above incentive plans, except the STP. 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 Committee (as described above). The Committee retains the authority to exercise its discretion to determine good leaver treatment separately in respect of each element of remuneration.

In respect of the STP, good leaver treatment will be solely at the discretion of the Committee, taking into account the circumstances and factors which it considers to be relevant.

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

Change of control policy

Name of incentive plan	Change of control	Discretion
Cash bonus	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Bonus deferred share awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
RSP	The number of shares subject to subsisting RSPs will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSPs for time. The Committee's normal policy is that it will pro-rate the RSPs for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders. The Committee also has discretion to consider attainment of any underpins.
STP	There will be a Measurement Date on the change of control and the value of the STP Pool and share awards will be calculated accordingly. The share price used to calculate the total shareholder return will be the offer price for the Company. Accrued share awards will immediately vest (and be released from any holding periods) on the date of the change of control.	The Committee has discretion regarding whether to pro-rate the STP for time. The Committee's normal policy is that it will not pro-rate the STP for time.

Recruitment and promotion policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Policy
Salary, benefits and pension	Salary and benefits will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be aligned with that of the majority of colleagues.
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.
RSP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 80% of salary.
STP	Eligible to participate with award size to reflect expected contribution and timing of joining the plan.
Maximum variable remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus, RSP and STP (excluding the value of any buyouts).
Buyout of incentives forfeited on cessation of employment	Forfeited on cessation of employment. Where the Committee determines that the individual circumstances of recruitment justify 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: • 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). The 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.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance and schooling, and will not exceed a period of two years from recruitment.

Where an existing colleague 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 colleague would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Directors' Remuneration Report for the relevant financial year.

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

Service contracts and letters of appointment

The Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Committee may, in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts and are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

The Company follows the UK Corporate Governance Code 2018 (the **Code**) recommendation that all Directors be subject to annual re-appointment by shareholders.

Executive Director

Name	Date appointed	Nature of contract	Notice periods: From Company	Notice periods: From Director	Compensation provisions for early termination
Euan Sutherland	6 January 2020	Rolling	12 months	12 months	None
James Quin	1 January 2019	Rolling	12 months	12 months	None
Steve Kingshott	3 January 2023	Rolling	12 months	12 months	None

Non-Executive Director

Name	Original appointment	Appointment of current term	Arrangement	Notice period/unexpired term at AGM
Julie Hopes	1 October 2018	1 October 2021	Letter of appointment	3 months/15 months
Eva Eisenschimmel	1 January 2019	1 January 2022	Letter of appointment	3 months/18 months
Gareth Hoskin	11 March 2019	11 March 2022	Letter of appointment	3 months/21 months
Gemma Godfrey	1 September 2022	1 September 2022	Letter of appointment	3 months/33 months
Peter Bazalgette	1 September 2022	1 September 2022	Letter of appointment	3 months/33 months
Anand Aithal	1 September 2022	1 September 2022	Letter of appointment	3 months/33 months

The Board allows Executive Directors to accept appropriate outside non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

Choice of performance measures and targets

Annual bonus

Performance for the Annual Bonus Plan will be measured against financial and non-financial measures with respective targets for each measure set by the Committee each financial year. The Policy provides the Committee with the flexibility to choose measures that are strongly linked to the specific strategic and financial priorities in any given financial year.

For financial measures, the targets are set with reference to internal forecasts, external forecasts, and other circumstances, as appropriate, to ensure that targets are suitably stretching and motivational to Executives.

Non-financial targets are set each financial year with reference to the key strategic objectives of the Company and are linked to the long-term success of the business.

RSP

No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance.

STP

The STP will be based on the Hurdle of £6.00 per share including dividends paid during the performance period. If this minimum Hurdle is not met, no payout will be awarded. The measure has been set for alignment with longer-term shareholder value, with the Hurdle being set at a level that is considered stretching in the context of the business strategy and market conditions.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Leadership Team, the Committee considers a report prepared by the Chief People Officer detailing base pay and share scheme practices across the Company. The report provides an overview of how colleague pay compares with the market, alongside any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with colleagues as part of the process of reviewing executive pay and formulating the Policy, the Company engages with colleagues via its People Committee, where the approach to Executive remuneration is also discussed. The Chair of the Remuneration Committee is the Non-Executive Director nominated as 'People Champion'. In addition, the Committee receives an update and feedback from the broader colleague population on an annual basis using an engagement survey which includes a number of questions relating to remuneration. The Company does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all colleagues that is market competitive and operates the same core structure as for the Executive Directors. The Group operates colleague share and variable pay plans, with pension provisions provided for all Executive Directors and colleagues. In addition, a proportion of the STP Pool is also reserved for all colleagues. Any salary increases for Executive Directors are expected to be generally in line with those for UK-based colleagues. The Committee annually publishes a section on fairness, diversity and wider workforce considerations as part of the Directors' Remuneration Report.

Consideration of shareholder views

The 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 Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies prior to proposing this Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation, the majority of shareholders consulted indicated they were supportive of this Policy.

Compliance with the Code

The following table sets out how the Policy aligns with the Code whose objective is to ensure the remuneration operated by the Company is aligned with all stakeholder interests, including those of shareholders:

Key remuneration element of the Code	Alignment with the Policy
Five-year period between the date of grant and realisation for equity incentives	The RSP and STP meet this requirement through the implementation of the two-year vesting holding period for the RSP and five-year vesting period for the STP.
Phased release of equity awards	The RSP meets this requirement as awards are made in an annual cycle. The STP has a phased release in years five, six and seven.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Annual Bonus Plan, the RSP and the STP.
Post-cessation shareholding requirement	The full in-employment requirement for two years following cessation of employment.
Pension alignment	The pension contribution for all Executive Directors is aligned with the majority of colleagues at 6%.
Extended malus and clawback	The malus and clawback provisions align with the Financial Reporting Council's Board Effectiveness Guidance.

Provision 40 element	How the Policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	The Annual Bonus Plan performance conditions are based on the core strategic objectives and therefore, there is a clear link to all stakeholders between their delivery and reward provided to management. The RSP provides annual grants of shares which have to be retained for the longer term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of management and shareholders. Payout of the STP is directly linked to shareholder value through the Hurdle.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	The performance conditions for the Annual Bonus Plan are based on the Company's strategic objectives. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. RSPs are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex. The STP is based on growth in total shareholder returns and therefore is a simple to understand incentive.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The Policy includes: • setting defined limits on the maximum awards which can be earned, including an earnings cap on the STP; • requiring the deferral of a substantial proportion of the incentives in shares for a material period of time; • aligning the performance conditions with the strategy of the Company; • ensuring a focus on long-term sustainable performance through the RSP and STP; and • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • limiting the maximum value that can be earned; • deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discourages short-term behaviours; • aligning any reward to the agreed strategy of the Company; the use of an RSP and STP which support a focus on the sustainability of the performance over the longer term; • reducing the awards, or cancelling them, if the behaviours giving rise to the awards are inappropriate; and • reducing the awards, or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy	The Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management. The RSP, in particular, ensures the predictability of the rewards received by management.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	The Policy sets out clearly the range of values and discretions in respect of the remuneration of management. The RSP, in particular, ensures the predictability of the rewards received by Executive Directors and the bonus plan, being based on annual targets, operates over a more predictable time cycle compared with traditional LTIP schemes, thereby allowing the Committee to more effectively ensure desirable remuneration outcomes. The STP is measured against stretching targets and therefore does not reward poor performance. In addition, the Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance.
Alignment to culture Incentive schemes should drive behaviours consistent with the Company's purpose, values, and strategy	The bonus plan drives behaviours consistent with the Company's strategy. The RSP and STP drive behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.

Eva Eisenschimmel
Chair, Remuneration Committee
17 April 2023

This report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, 2018 and 2019, the Provisions of the current Code and the Listing Rules.

Management Report

The Directors' Report, together with the Strategic Report, set out on pages 1-70 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (**DTR**) 4.1.5 R (the **Management Report**).

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and Accounts as indicated in the table below and is incorporated into this report by reference.

Information	Location in Annual Report and Accounts
Likely future developments in the business of the Company or its subsidiaries	Pages 1-70
Environmental, Social and Governance including Task Force on Climate-Related Financial Disclosures	Pages 26-43
Greenhouse gas emissions	Pages 30-31
Suppliers, customers and others in a business relationship engagement	Pages 20-21
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 37-41, 69
Corporate Governance Statement	Pages 71-91
Directors' details (including changes made during the year)	Pages 72, 74-75 and 83-85
Related-party transactions	Not applicable
Diversity	Pages 39-40, 77, 83-85
Share capital	Note 33 on page 196
Employee share schemes (including long-term incentive schemes)	Note 36 on pages 197-199
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 143-163, 164 and 175-184
Statements of responsibilities	Page 128
Additional information	Pages 209-214

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides references to where the information required by LR 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on pages 171-173
9.8.4(2)	Unaudited financial information (LR 9.2.18 R)	Group Chief Financial Officer's Review, pages 44-61
9.8.4(4)	Long-term incentive schemes (LR 9.4.3 R)	Directors' Remuneration Report, pages 92-123
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 92-123
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 92-123
9.8.4(7)	Non-pre-emptive issues of equity for cash	Directors' Report on page 126
9.8.4(8)	Non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is, or was, materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 126 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 126 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with a controlling shareholder	Not applicable. See Directors' Report on page 125 (under 'Relationship agreement with Director shareholder')

Results and dividends

The Group made a loss after taxation of £259.2m for the financial year ended 31 January 2023. The Board did not pay an interim dividend. The Board of Directors is not in a position to recommend the payment of a final dividend for the 2022/23 financial year.

The Directors intend to resume dividend payments in the future, when further progress has been made with deleveraging and when current limitations, particularly in relation to ship debt, have been removed. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

Political donations

No political donations were made during the year.

Directors' interests

A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 92-123.

Relationship agreement with Director shareholder

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions stated in the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, there are no controlling shareholders in the Company. However, the Company entered into a relationship agreement with Roger De Haan on 10 September 2020 (the **Relationship Agreement**) as Roger De Haan holds 37,196,970 shares of 15p each (constituting 26.5% of issued share capital as of 31 January 2023). The Relationship Agreement regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements will be conducted on an arm's-length basis and on normal commercial terms. It also provides that dilutions caused by new issuances of shares shall be disregarded when determining investor rights under its terms.

The Group entered into an unsecured loan facility with Roger De Haan on 3 April 2023. This was provided on an arm's length basis and on normal commercial terms.

Rules on appointment and replacement of Directors

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy, or as an additional Director, provided that the individual retires at the next Annual General Meeting (**AGM**). A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by an ordinary resolution of the Company. The Relationship Agreement between the Company and Roger De Haan provides for the nomination for appointment (and removal or re-nomination) to the Board of one Non-Executive Director for as long as he holds at least the higher of (i) 10% or more of the issued ordinary share capital of the Company and (ii) the percentage of the issued ordinary share capital of the Company represented by 60% of the investor's holding of ordinary shares immediately following the capital raise which took place in October 2020.

All Directors will seek re-election (or election) at the AGM in accordance with the Company's Articles of Association and the recommendations of the UK Corporate Governance Code.

Directors' indemnities

At the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these indemnities during the year.

Change of control – significant agreements

There are some arrangements which give rights to third parties to terminate agreements upon a change of control of the Company, including following a takeover bid; for example, insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £150m seven-year public listed bond at 3.375%, due to expire in May 2024, and a £250m five-year public listed bond at 5.50%, due to expire in July 2026. The Group also has a £50m revolving credit facility, expiring in May 2025.

Twelve-year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two ocean cruise ships at a fixed interest rate. The first of these facilities was drawn on completion of the build of Spirit of Discovery and is secured by way of a charge over the asset. The second facility was drawn on completion of the build of Spirit of Adventure and is also secured by way of a charge over the asset. The Company has provided a guarantee for the ship debt. The Group also secured a debt holiday and covenant waiver for the ship debt for the two years ending 31 March 2022. Repayments recommenced in June 2022.

In the event of a change of control, the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in Note 30 to the consolidated financial statements on pages 193-194.

The rules of the Company's employee share plans generally provide for the accelerated vesting and/or release of share awards in the event of a change of control of the Company.

The Company does not have any agreements with colleagues (including Directors) which would pay compensation in the event of a change of control.

Conflict of interest

Each Director is obliged to disclose any potential, or actual, conflict of interest in accordance with the Company's Conflict of Interest Policy. The policy is subject to review and declarations are made on an annual basis. Directors are also required to update any changes to declarations as they occur. Internal controls are in place to ensure that any related-party transactions are conducted on an arm's-length basis. Roger De Haan did not participate in discussions around the loan facility agreement.

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 196. At the date of this report, the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 15p each. At 31 January 2023, 140,337,271 ordinary shares of 15p each had been issued, fully paid up and quoted on the London Stock Exchange (**LSE**).

In accordance with DTR 5.1, the Company must disclose where it has been notified of the interests in the Company's total voting rights. The obligation to notify sits with the shareholder, and the Company must report on the notifications received, between the end of the reporting year and a date not more than one month prior to the date of the notice of AGM. As the date of signing of the Annual Report and Accounts is prior to this we will include an updated position in our AGM notice.

Since the date of disclosure to the Company, the interest of any person may have increased or decreased. There is no requirement to notify the Company of any increase or decrease unless the holding passes a notifiable threshold in accordance with DTR 5.1.

Information regarding other interests in voting rights provided to the Company pursuant to the Financial Conduct Authority DTRs is published on the Company's corporate website and via a Regulatory Information Service.

The Company has not been notified of any interests in the Company's total voting rights between 31 January 2023 and the date of signing the Annual Report and Accounts. During the year, the following notifications were received:

Name	Ordinary shares of 15p each	Percentage of capital as disclosed to the Company	Nature of holding
Norges Bank	4,557,630	3.25%	Direct (2.19%) Indirect (1.06%)
Kernow Asset Management Limited	4,238,107	3.02%	Direct

Authority to allot/purchase own shares

A shareholders' resolution was passed at the AGM on 5 July 2022 authorising the Company to make market purchases within the meaning of Section 693(4) of the Companies Act 2006 (the **Act**) (up to £2,105,059, representing 10% of the aggregate nominal share capital of the Company following admission). This is subject to a minimum price of 15p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the LSE trading system.

The Company did not exercise this authority during the year, and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed at the 2023 AGM.

The Directors of the Company were also granted authority at the 2022 AGM to allot relevant securities up to a nominal amount of £7,009,847. This authority was not exercised during the year. This authority will apply until the conclusion of the 2023 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of Section 551 of the Act) to allot relevant securities: (i) up to an aggregate nominal amount of 33.3% of the Company's issued ordinary share capital; and (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of 66.6% of the Company's issued ordinary share capital (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2024, or, if earlier, 31 July 2024.

Special resolutions will also be proposed to give the Directors authority to make non-pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of 10% of the Company's issued ordinary share capital and to make non-pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of 10% of the Company's issued ordinary share capital. This is consistent with the Pre-Emption Group's published Statement of Principles.

Rights attaching to shares

The Company has a single class of ordinary shares in issue. The rights attached to the shares are governed by applicable law and the Company's Articles of Association which are available on our corporate website (www.corporate.saga.co.uk/about-us/governance).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and to receive a copy of the Company's Annual Report and Accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held. No shareholder owns shares with special rights as to control. The Notice of AGM (**Notice**) states deadlines for exercising voting rights and for appointing a proxy or proxies.

The Saga Employee Benefit Trust (the **Trust**) is an Employee Benefit Trust which holds property (the **Trust Fund**) including inter-alia money, and ordinary shares in the Company, in trust in favour or for the benefit of colleagues of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in Note 36 to the consolidated financial statements.

Restrictions on the transfer of shares

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. The Company last approved its Articles of Association by special resolution at the AGM held on 14 June 2021.

Research and development

The Group does not undertake any material activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside the UK.

Post-balance sheet events

After the year end, the Group concluded discussions with its Cruise lenders in respect of the covenant restrictions attaching to its two ship debt facilities (Note 30 on pages 193-194). Lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio for the 31 July 2023 testing date.

Also since 31 January, the Company has agreed a £50m loan facility with Roger De Haan, to commence on 1 January 2024, details of which are set out in Note 40 on page 202.

Auditor

KPMG LLP has confirmed its willingness to continue in office as auditor of the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held on 20 June at 11.00am at the offices of Numis Securities Limited, 45 Gresham Street, London EC2V 7BF. The Notice of AGM will be available on our corporate website (www.corporate.saga.co.uk) in due course.

By order of the Board

Victoria Haynes
Group Company Secretary
17 April 2023
Saga plc (Company no. 08804263)

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 (the **Act**) and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including Financial Reporting Standard (**FRS**) 101 (Reduced Disclosure Framework).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period (see Governance statements on page 71). In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Act. They are also responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information (as defined by Section 418(3) of the Act) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

Maintenance of website and single electronic reporting

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.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the Transparency Directive European Single Electronic Format (**ESEF**) Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Directors' responsibility statement

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 74-75, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Victoria Haynes
Group Company Secretary
17 April 2023
Saga plc (Company no. 08804263)

1 Our opinion is unmodified

We have audited the financial statements of Saga plc ("the Company") for the year ended 31 January 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and Consolidated statement of cash flows, the Company Balance sheet, Company Statement of changes in equity, and the related notes, including the accounting policies in note 2 to the financial statements and note 1 to the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the six financial years ended 31 January 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£4.8m (2022: £3.5m) 0.85% of 2023 revenue (2022: 4.7% of normalised profit before tax)	
Coverage	96% (2022: 97%) of total revenues	
Key audit matter		**vs 2022**
Recurring risks	Recoverability of Goodwill and the parent Company's investment in subsidiaries	▲
	Valuation of claims outstanding – IBNR (gross and net)	▲
	Recoverability of the carrying value of cruise ships	▼
New risk	Going concern	▲

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of the most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a key audit matter and is described in section 2 of our report. We summarise below the key audit matters (unchanged from 2022 other than the inclusion of a key audit matter relating to going concern), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Area	The risk	Our response
Going concern *See Note 2.1 to the group financial statements* *Refer to pages 86-89 (Audit Committee Report)*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least 14 months from the date of approval of the financial statements.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant compliance indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included: **Funding assessment:** • We agreed the Group's committed level of financing, the availability of facilities and related covenant requirements to signed agreements including covenant waivers; • We critically evaluated management's assessment of compliance with debt covenants and sources of funding for repayment of the bonds. We assessed the ability of the Group to meet the terms including repayment timelines and financial covenants within reasonably foreseeable downside scenarios; and • Through inquiry and inspection of correspondence, we considered the likelihood of the Group's financial services and travel regulators (Financial Conduct Authority ('FCA'), the Gibraltar Financial Services Commission ('GFSC') and the Civil Aviation Authority ('CAA')), imposing additional financial or operational constraints on the Group and how such risks had been factored into the stress testing performed.

2 Key audit matters: our assessment of risks of material misstatement (continued)

Area	The risk	Our response
	The risks most likely to adversely affect the Group's and Company's available financial resources over this period include but are not limited to, the following: • The ability of the Group to repay £150m bonds ('bonds') in May 2024 upon maturity. The Group has agreed an unsecured loan facility of £50m. Under this agreement, if the sale of the insurance business is not completed, the Group will be able to draw down on this loan to support liquidity needs and the repayment of the bonds. • Any unexpected downturn in performance of the Insurance Broking business due to worsening competitive market pressures; • High costs and claims inflation may have an adverse impact on Insurance Underwriting margins; • The inability to achieve load factors for Ocean Cruise, lower demand for River Cruise and slower growth in the Travel business; and • The timing of, and extent to which management are able to achieve the identified discretionary cost savings. There are also less predictable but realistic second order impacts, such as adverse changes in UK Government policy and the economic environment , which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Historical comparisons:** • We evaluated the appropriateness of management's cashflow forecasting process by comparing historic forecasts and the related underlying assumptions considered in the prior period with the actual and forecasted cashflows. **Key dependency assessment:** • We gained an understanding of and assessed the Group's plans and progress to maintain the continued operation of the business in the face of the recent economic challenges, and the assessment of the likely impact of regulatory change in the insurance industry on its business plan; and • We challenged and evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's business were factored into the financial resilience modelling that the Group has performed. **Benchmarking assumptions and our sector experience:** • We evaluated and challenged the assumptions used in the Directors' base and reasonably foreseeable downside scenarios utilising external data points where available alongside our knowledge of the business and our cruise, travel and insurance sector experience, and assessed the potential risk of management bias. **Sensitivity analysis:** • We considered additional sensitivities to the Directors' reasonably foreseeable downside scenario, including challenging the extent to which discretionary cost savings were plausible and the expected level of restricted or collateralised funds required to be held within the business, in order to challenge the directors' assessment. This included an assessment of the Group's ability to continue to meet its debt covenants in this scenario. **Evaluating directors' intent:** • We evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialize. This included selling the Group's Insurance Underwriting operations or drawing down on the recently agreed £50m unsecured loan facility and reductions in discretionary spend and capital expenditure, taking into account the extent to which the directors can control the timing and outcome of these actions. **Assessing transparency:** • Considering whether the going concern disclosure in note 2.1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities. **Our results:** We found the going concern disclosure in note 2.1 without any material uncertainty to be proportionate (2022 result: proportionate).

Area	The risk	Our response
Recoverability of goodwill and the parent Company's investment in subsidiaries Goodwill: £449.6 million, 2022: £718.6 million; parent Company's investment in subsidiaries: £167.3 million, 2022: £552.3 million) *Refer to pages 86-89 (Audit Committee Report), note 2.3h on page 148 (accounting policies), note 2.6 on pages 155-158 (significant accounting judgements, estimates and assumptions) and note 16 on pages 170-171 (financial disclosures).*	**Forecast-based valuation:** Insurance goodwill in the Group and the carrying amount of the parent Company's investment in subsidiaries are significant and at risk of irrecoverability if forecast business performance for the Group's Insurance, Cruise and Travel businesses, in particular, were to fall significantly short of business plans. The estimated recoverable amount of goodwill in relation to the Insurance business and the parent Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and auditor judgement is required to assess whether the directors' overall estimate, taking into account the below assumptions, falls within an acceptable range. Current economic conditions and the outlook for geo-political uncertainty and the impact that this has on the speed at which the Group's Travel businesses can recover also have a significant impact on estimation uncertainty. The assessment of the recoverability of these assets involves a high degree of subjectivity around assumptions due to the supporting calculations of Value in Use ('VIU') being reliant on expectations of future performance. Multiple inputs into the VIU calculations, such as weighted average cost of capital ('WACC') and terminal growth rates are at risk of manipulation in order to demonstrate that the value of the underlying intangible assets is not impaired. The risk premium in relation to these assets is impacted by uncertainty in the economic outlook and therefore there is risk of impairments to insurance goodwill and investments in subsidiaries at the parent Company level if the share price does not recover; and particularly if the Group is not able to deliver at or ahead of plan in 2023/24, and years to come. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of goodwill and the parent Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures included:** • **Control design and implementation:** We evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans. • **Historical comparisons:** We assessed the reasonableness of cash flow projections against historical performance. • **Our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience. • **Benchmarking assumptions:** We compared the Group's and the parent Company's assumptions to externally derived data in relation to key inputs such as WACC and terminal growth rates, with the support of our valuation specialists. • **Comparing valuations:** For goodwill we compared the recoverable amount of the insurance business Cash Generating Unit ('CGU') by reference to VIU relative to the carrying value and evaluated the outcome against comparator industry multiples; and, for the parent Company's investment in subsidiaries, we compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group's businesses; and evaluated reasons for any significant differences. • **Sensitivity analysis:** We used our analytical tools to assess the sensitivity of the headroom on goodwill and the parent Company's investment in subsidiaries and concluded on the appropriateness of the impairment recognised on these. This was performed considering reasonable possible changes in key assumptions underlying the business plans. • **Assessing transparency:** We assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the parent Company's investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the estimation uncertainty involved in the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found that the resulting estimates over the recoverable amount of Group goodwill and of the parent Company's investment in subsidiaries to be balanced (2022 finding: balanced). We found the disclosures of the drivers of impairment and sensitivities of goodwill headroom and the carrying value of the parent Company's investment in subsidiaries to changes in key assumptions, to be proportionate (2022: proportionate).

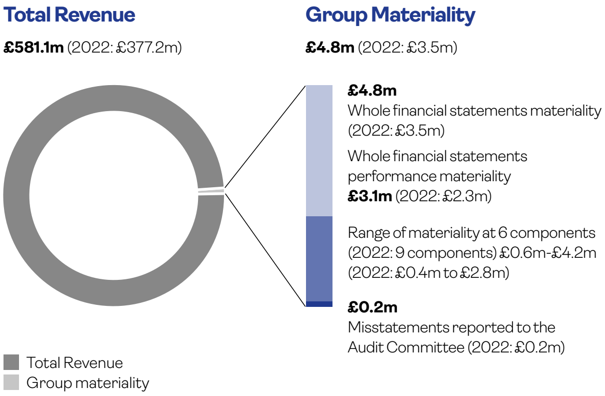
2 Key audit matters: our assessment of risks of material misstatement (continued)

Area	The risk	Our response
Valuation of claims outstanding – IBNR (gross and net) (Gross £285.2 million, 2022: £292.8 million; Net £100.0 million, 2022: £100.7 million) *Refer to pages 86-89 (Audit Committee Report), note 2.3r on page 152 (accounting policies); note 2.6 on pages 155-158 (significant accounting judgements, estimates and assumptions) and note 28 on page 189-192 (financial disclosures).*	**Subjective valuation:** Valuation of claims outstanding – incurred but not reported ('IBNR') estimates is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods, which are highly subjective, and involves complex calculations. This judgement is applied to a number of key assumptions, such as the frequency and severity of incurred bodily injury, accidental damage and third-party property damage losses, the choice of development pattern, and the choice of discount rate at which periodical payment orders are valued. The inherent risk of material misstatement relating to the valuation of claims outstanding – IBNR has been impacted by the current economic conditions including the rising inflation levels, which has led to our assessment of risk increasing from the prior year. We expect that data used to determine the assumptions used in setting reserves estimates will be affected by inflation and therefore management will need to consider the extent to which this influences the choice of the assumptions. Certain areas of claims outstanding – IBNR balance contain greater uncertainty, for example, the third party bodily injury ('TPBI') claims exhibit greater variability and are more long-tailed than the damage classes. In particular, the allowance made for settlement of claims as a Periodic Payment Order ('PPO') rather than a lump sum is uncertain and has a high reserving risk. Additionally, the allowance made for inflation for future claims development is highly uncertain and associated with a heightened reserving risk. Similar estimates are required in establishing the reinsurers' share of claims outstanding, in particular the share of IBNR claims. A margin is added to the actuarial best estimate ('ABE') of claims outstanding – IBNR to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and is an estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.	**Our procedures included:** · **Control design and implementation:** Tested the design and implementation of manual controls over the completeness and accuracy of data used in the calculation of the IBNR. The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems. We involved our actuarial specialists to perform the following procedures: · **Evaluating the work of the internal actuaries:** We evaluated the work of the internal actuaries by analysing and evaluating the results of reserving reports issued by them and further assessed the competence and capabilities based on our knowledge of the actuaries' qualifications and the professional standards that their work is subject to, and the appropriateness of the methodology and the conclusions through the procedures below; · **Diagnostics:** We performed risk assessment procedures over all material perils as well as considering the reasonableness of prior year changes in ultimate reserves and current year loss ratios in light of experience over the year; · **Independent re-projection in respect of the actuarial best estimate:** Using the Company's own data, we carried out independent re-projections to form our own view of the insurance contract liabilities – IBNR. We did this for 98% of the ultimate gross contract liabilities. We have used an inflation loading based on our internal inflation tool in addition to our reprojection work and have challenged the Company's assumption with respect to the inflation loading; · **Historical comparisons:** We compared prior year actual versus expected claims experience by class of business and accident/underwriting year and considered the entity's selected underwriting loss ratios in the context of the actual versus expected; · **Margin evaluation:** We evaluated the appropriateness of the Group recommended margin held at year end. In order to do this, we assessed the directors' approach, and supporting analysis for margin to be held, having regard to the heightened risk of future inflation, the change in repair network supplier and the recoverability of salvage and subrogation scenarios which are the key risks affecting business. We further evaluated the directors' assumption and judgement in the unwinding of the latent COVID-19 margin in the current year. We considered the relative strength of margin held against peers and versus prior period in order to be satisfied that no additional prudence had been recognised in the level of overall reserves held, including margin. · **Data comparisons:** We agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal actuaries in their actuarial reserving process and in our own reprojections and assessed that the output of the actuarial re-projections reconciled with the reported balance in the financial statements. · **Reinsurance:** We assessed the risk transfer elements of reinsurance contracts, and the accuracy of a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance agreements. · **Assessing transparency:** We assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions reflected the risks inherent in the valuation of claims outstanding.

Area	The risk	Our response
Valuation of claims outstanding – IBNR (gross and net) (continued)	Data capture The valuation of insurance contract liabilities depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of insurance contract liabilities may arise. This is particularly true in establishing the types of claims within IBNR upon which to base actuarial projections given the assumptions and reserving methodology varies considerably by peril. Whilst data remains a key input for reserving, its risk in isolation is not classed as a significant risk for our audit. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	We performed the tests above rather than seeking to rely on any of the Group's controls because the inherent uncertainties and nature of the balance are such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** Overall we found that the resulting estimate of the amount recognised for claims outstanding – IBNR to be balanced (2022 finding: mildly cautious). We found the disclosures of the sensitivities to changes in key assumptions and estimate as inputs to the valuation to be proportionate (2022: proportionate).
Recoverability of the carrying value of cruise ships (Cruise ships: £607.0 million, 2022: £621.3 million) *Refer to pages 86-89 (Audit Committee Report), note 2.3h and 2.3i on page 148 (accounting policies), note 2.6 on pages 155-158 (significant accounting judgements, estimates and assumptions) and note 17 on pages 171-173 (financial disclosures).*	**Forecast-based valuation:** The estimated recoverable amount of the Group's cruise ships is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Whilst the risk has reduced from last year given COVID 19 restrictions were lifted for cruise passengers and trading of the cruise ships in the current year was in line with forecast, the carrying amount of the cruise ships is subject to risk of irrecoverability if the trading in the cruise business was to be significantly impacted beyond that assumed in the Group's business plan forecasts, or if the speed at which the business recovers fell short of expectations. Further, there are multiple inputs into the estimate of VIU, such as the cash flows (based on key assumptions including annual load factors, per diem, price of fuel), estimated useful life and residual value of the cruise ships, WACC and the annual growth rate, that are at risk of manipulation in order to demonstrate that the value of cruise ships assets is not impaired. The effect of these matters is that we determined that the recoverability of the carrying value of cruise ships has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures included:** • **Control design and implementation:** We evaluated the design and implementation of the Group's controls over the impairment assessment procedures, including those over the assumptions within cash flow forecasts applied to the cruise ships. • **Historical comparisons:** We assessed the reasonableness of cash flow projections against historical performance. • **Valuation expertise:** We worked with our valuation specialists to independently develop a discount rate range considered appropriate using market data for comparable assets, adjusted by risk factors specific to the asset; • **Benchmarking assumptions:** We challenged the forecast cash flow and growth assumptions for the cruise ship assets, including comparison of the estimated useful life, residual values and annual growth rates to external sources; • **Comparing valuations:** We considered the appropriateness of the VIU models applied by the Group for impairment testing by performing recalculations of the model; We compared the forecast cash flows and capital expenditure contained in the VIU models to the board-approved five-year plan. • **Sensitivity analysis:** We assessed the sensitivity of the recoverability of the carrying value of cruise ships and concluded on the appropriateness of no impairment being recognised by considering the sensitivity of assumptions including annual load factors, per diem, discount rates and price of fuel. • **Assessing transparency:** We assessed whether the Group disclosures relating to the valuation of cruise ships and the sensitivity to changes in key assumptions reflects the risks inherent in the valuation of cruise ship assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the estimation uncertainty involved in the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found the resulting estimates over the recoverable amount of the cruise ships to be balanced (2022: mildly optimistic). We found the disclosures of the management judgements and the sensitivities of headroom to changes in key assumptions, to be proportionate (2022: proportionate).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £4.8m (2022: £3.5m), determined with reference to a benchmark of total revenue, of which it represents 0.8% (2022: 4.7% of normalised profit before tax). In the current year, we changed the benchmark from normalized profit before tax to total revenue due to the level of volatility experienced within profit before tax caused by the impact of COVID-19-related restrictions in prior periods.



Materiality for the Company financial statements as a whole was set at £1.5m (2022: £2.2m), which represents 0.5% of net assets of £291.8m (2022: 0.3% of net assets of £695m).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for both the Group and parent Company was set at 65% (2022: 65%) of materiality for the financial statements as a whole, which equates to £3.1m (2022: £2.3m) and £1.0m (2022: £1.4m). We applied this percentage in our determination of performance materiality based on the level of control deficiencies during the prior period and changes in key senior management during the year.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2022: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

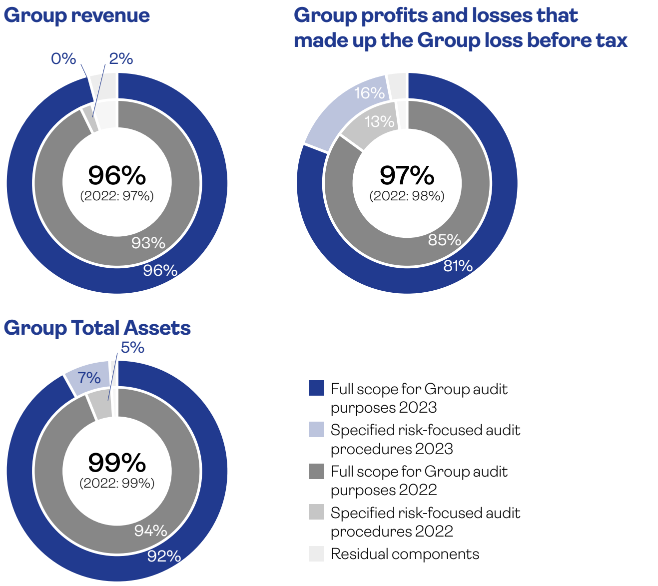
The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Of the Group's 6 (2022: 9) reporting components, we subjected 4 (2022: 4) to full scope audits for Group purposes and 2 (2022: 5) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed. For the residual components, we conducted reviews of financial information (including enquiry) at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality, which ranged from £0.6m to £4.2m (2022: £0.4m to £2.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 6 components (2022: 2 of the 9 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group audit team.

During the year, we held a combination of in person, video and telephone conference meetings with all component auditors. During these meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected, and any further work identified by the Group audit team as a result of these meetings was subsequently performed by the component auditor.

These components within the scope of our work accounted for the following percentages of the Group's results:



4 Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 14 months from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and

- we have nothing material to add or draw attention to in relation to the directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period; and
- the related statement under the Listing Rules set out on page 77 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 The impact of climate change on our audit

In planning our audit, we performed a risk assessment, including enquiries of management, to determine how the impact of commitments made by the Group in respect of reducing carbon emissions, as well as the physical risks of climate change, and transition risks faced by the Group's customer base, could impact on the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment.

Through the procedures we performed, we did not identify any material impact of climate change on the Group's material accounting estimates and there was no significant impact of this assessment on our key audit matters for the year ended 31 January 2023.

The Insurance business within the Group predominantly brokers and underwrites motor and home insurance risks. Climate change may result in an increase in the frequency and severity of climate related events, leading to higher insurance pay-outs. However, the short-term nature of the Group's insurance contracts means that the impact of losses from such events for the year ended 31 January 2023 is already recorded within the Group's insurance contract liabilities at the balance sheet date. The Group considers this loss experience in evaluating individual risk exposures, and the setting of insurance premium rates for both new policies and the periodic renewal of its existing insurance underwriting portfolio. The Group expects any increase in the frequency and severity of climate-related events to be reflected in future market premium rates.

Also, in relation to the insurance business, climate risk is an issue which is expected to evolve further over the medium to long term, rather than have instant incremental impacts on the insurance outlook, and therefore we assessed no significant impact at year-end on insurance goodwill.

The Cruise business within the Group owns cruise ship assets which meet all current regulatory standards regarding emissions and climate change targets. While there will likely be technology advances in years to come that, when developed, will require the Group to look to incur incremental costs to modify the engines on these cruise ships to meet lower emissions standards, the cost to incur such changes would likely extend the operating life of these vessels. Given this and the fact that this technology is yet to be developed, we assessed the risk of climate change to the carrying amount of the cruise ship assets at the balance sheet date to be not significant.

We have also read the disclosures of climate related information in the front half of the annual report and accounts as set out on pages 30-36 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the audit committee and the Internal Audit and Assurance Director, and inspection of key policies and papers provided to those charged with governance as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and the process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- reading board, audit and risk committee minutes and in the case of audit and risk committee meetings for the Group, attendance of the external audit partner at these meetings;
- considering remuneration incentive schemes and performance targets for directors and senior management;
- using analytical procedures to identify any usual or unexpected relationships; and
- reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is not complex in nature and there is no significant management judgement or estimation involved in recording the revenue transactions.

We also identified fraud risks related to inappropriate assessment of the recoverability of Group goodwill and the carrying amount of the parent Company's investment in subsidiaries, the valuation of claims outstanding - IBNR and the recoverability of the carrying value of cruise ships, in response to possible pressures to meet profit targets.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. Further detail in respect of the procedures performed over the recoverability of Group goodwill and the carrying amount of the parent Company's investment in subsidiaries, the valuation of claims outstanding – IBNR and the recoverability of the carrying value of cruise ships, including how we have used specialists to assist in our challenge of management is set out in the key audit matter disclosures in section 2 of this report.

6 Fraud and breaches of laws and regulations – ability to detect (continued)

To address the pervasive risk as it relates to management override, we also performed procedures including:

- identifying journal entries to test for all in scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, those including specific words based on our risk criteria, those journals which were unbalanced, those posted to unusual accounts, those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other members of management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form, with the Insurance business regulated primarily by the Financial Conduct Authority and the Gibraltar Financial Services Commission, with the Travel business regulated by the Civil Aviation Authority. The Travel businesses are members of the Association of British Travel Agents, the International Air Transport Association and the Federation of Tour Operators. These are well-recognised UK trade bodies with codes of conduct to which members are required to adhere. All parts of the Group operate procedures to comply with other key regulations and legislation including but not limited to the Data Protection Act 2018, UK General Data Protection Regulation, the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 68 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 77 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the audit committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 128, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the Transparency Directive European Single Electronic Format ('TD ESEF') Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and further matters we are required to state to them in accordance with the terms agreed with the company and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
17 April 2023

Consolidated income statement
for the year ended 31 January 2023

	Note	**2023 £m**	2022 £m
Gross earned premiums	3	189.5	203.0
Earned premiums ceded to reinsurers	3	(111.3)	(123.8)
Net earned premiums	3	78.2	79.2
Other revenue	3	502.9	298.0
Total revenue	3	**581.1**	**377.2**
Gross claims incurred	28	(157.2)	(94.6)
Reinsurers' share of claims incurred	28	99.1	63.3
Net claims incurred	28	(58.1)	(31.3)
Decrease in credit loss allowance		1.3	1.6[1]
Other cost of sales		(250.4)	(113.6)[1]
Total cost of sales	3	(307.2)	(143.3)
Gross profit		**273.9**	**233.9**
Administrative and selling expenses	4	(216.9)	(212.1)[1]
Increase in credit loss allowance		(0.9)	(0.7)[1]
Impairment of assets	5	(271.2)	(11.2)
Gain on lease modification	18	–	0.3
Net profit on disposal of assets held for sale	38	–	7.2
Net profit/(loss) on disposal of property, plant and equipment, right-of-use assets and software	15, 17, 18	0.1	(0.4)
Investment income	6	1.5	0.3
Finance costs	7	(42.2)	(40.8)
Finance income	8	1.5	–
Loss before tax		**(254.2)**	**(23.5)**
Tax expense	10	(5.0)	(4.5)
Loss for the year		**(259.2)**	**(28.0)**
Attributable to:			
Equity holders of the parent		(259.2)	(28.0)
Loss per share:			
Basic	12	(185.8p)	(20.1p)
Diluted	12	(185.8p)	(20.1p)

The Notes on pages 143-202 form an integral part of these consolidated financial statements.

1 Movements in the credit loss allowance for the year ended 31 January 2022 have been restated due to an incorrect allocation between amounts written off during the year and changes in the provision recognised in the income statement (see Note 20b)

Consolidated statement of comprehensive income

for the year ended 31 January 2023

	Note	**2023 £m**	2022 £m
Loss for the year		**(259.2)**	**(28.0)**
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net (losses)/gains on hedging instruments during the year	19	(2.0)	2.1
Recycling of previous losses/(gains) to income statement on matured hedges	19	0.3	(1.2)
Total net (losses)/gains on cash flow hedges		(1.7)	0.9
Associated tax effect		(0.8)	0.3
Net losses on fair value financial assets during the year		(15.1)	(10.3)
Recycling of previous losses to income statement on fair value financial assets during the year		–	0.1
Total net losses on fair value financial assets during the year		(15.1)	(10.2)
Associated tax effect		3.8	2.1
Total other comprehensive losses with recycling to income statement		(13.8)	(6.9)
Other comprehensive income not to be reclassified to income statement in subsequent years			
Remeasurement (losses)/gains on defined benefit plan	27	(19.1)	4.8
Associated tax effect		4.8	(1.2)
Total other comprehensive (losses)/gains without recycling to income statement		(14.3)	3.6
Total other comprehensive losses		(28.1)	(3.3)
Total comprehensive losses for the year		**(287.3)**	**(31.3)**
Attributable to:			
Equity holders of the parent		**(287.3)**	**(31.3)**

The Notes on pages 143-202 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 January 2023

	Note	2023 £m	2022 £m
Assets			
Goodwill	14	449.6	718.6
Intangible assets	15	51.3	47.1
Retirement benefit scheme surplus	27	–	1.1
Property, plant and equipment	17	611.0	646.5
Right-of-use assets	18	30.7	36.0
Financial assets	19	282.4	332.1
Current tax assets		4.4	4.3
Deferred tax assets	10	16.1	12.3
Reinsurance assets	28	68.8	65.4
Inventories	22	7.0	6.3
Trade and other receivables	23	212.5	169.5
Trust accounts	24	36.2	23.4
Cash and short-term deposits	25	176.5	226.9
Assets held for sale	38	31.2	12.9
Total assets		**1,977.7**	**2,302.4**
Liabilities			
Retirement benefit scheme liability	27	12.1	–
Gross insurance contract liabilities	28	368.3	386.7
Provisions	31	5.2	6.7
Financial liabilities	19	896.8	936.2
Deferred tax liabilities	10	5.9	5.6
Contract liabilities	29	122.2	114.6
Trade and other payables	26	197.7	199.7
Total liabilities		**1,608.2**	**1,649.5**
Equity			
Issued capital	33	21.1	21.1
Share premium		648.3	648.3
Retained deficit		(293.5)	(22.4)
Share-based payment reserve		8.9	7.4
Fair value reserve		(12.1)	(0.8)
Hedging reserve		(3.2)	(0.7)
Total equity		**369.5**	**652.9**
Total equity and liabilities		**1,977.7**	**2,302.4**

The Notes on pages 143-202 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 17 April 2023 by

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 January 2023

	Attributable to the equity holders of the parent						
	Issued capital £m	Share premium £m	Retained (deficit)/ earnings £m	Share-based payment reserve £m	Fair value reserve £m	Hedging reserve £m	Total £m
At 1 February 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**
Loss for the year	–	–	(259.2)	–	–	–	(259.2)
Other comprehensive losses excluding recycling	–	–	(14.3)	–	(11.3)	(2.9)	(28.5)
Recycling of previous losses to income statement	–	–	–	–	–	0.4	0.4
Total comprehensive losses	–	–	(273.5)	–	(11.3)	(2.5)	(287.3)
Share-based payment charge (Note 36)	–	–	–	3.9	–	–	3.9
Transfer upon vesting of share options	–	–	2.4	(2.4)	–	–	–
At 31 January 2023	**21.1**	**648.3**	**(293.5)**	**8.9**	**(12.1)**	**(3.2)**	**369.5**
At 1 February 2021	**21.0**	**648.3**	**0.2**	**5.8**	**7.3**	**(1.9)**	**680.7**
Loss for the year	–	–	(28.0)	–	–	–	(28.0)
Other comprehensive income/(losses) excluding recycling	–	–	3.6	–	(8.2)	3.3	(1.3)
Recycling of previous losses/(gains) to income statement	–	–	–	–	0.1	(2.1)	(2.0)
Total comprehensive (losses)/income	–	–	(24.4)	–	(8.1)	1.2	(31.3)
Issue of share capital (Note 33)	0.1	–	–	–	–	–	0.1
Share-based payment charge (Note 36)	–	–	–	3.4	–	–	3.4
Transfer upon vesting of share options	–	–	1.8	(1.8)	–	–	–
At 31 January 2022	**21.1**	**648.3**	**(22.4)**	**7.4**	**(0.8)**	**(0.7)**	**652.9**

The Notes on pages 143-202 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 January 2023

	Note	**2023 £m**	2022 £m
Loss before tax		(254.2)	(23.5)
Depreciation, impairment and loss on disposal, of property, plant and equipment, and right-of-use assets		32.9	22.2
Amortisation and impairment of intangible assets and goodwill, and (profit)/loss on disposal of software		278.6	20.6
Impairment of assets held for sale	38	1.2	1.0
Gain on lease modification		–	(0.3)
Share-based payment transactions		3.9	3.4
Profit on disposal of assets held for sale	38	–	(7.2)
Finance costs	7	42.2	40.8
Finance income	8	(1.5)	–
Interest income from investments		(1.5)	(0.3)
Increase in trust accounts		(12.8)	(1.0)
Movements in other assets and liabilities		(65.7)	29.3
		23.1	85.0
Investment income interest received		1.5	0.3
Interest paid		(37.6)	(34.2)
Income tax paid		(0.9)	(4.6)
Net cash flows (used in)/from operating activities		**(13.9)**	**46.5**
Investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and right-of-use assets		0.2	0.3
Net proceeds from disposal of assets held for sale	38	–	10.2
Purchase of and payments for the construction of property, plant and equipment and intangible assets		(20.8)	(18.9)
Net disposal/(purchase) of financial assets		25.6	(18.9)
Acquisition of subsidiary	13	(0.9)	–
Net cash flows from/(used in) investing activities		**4.1**	**(27.3)**
Financing activities			
Payment of principal portion of lease liabilities	32	(7.8)	(3.6)
Proceeds from borrowings	32	–	250.0
Repayment of borrowings	32	(46.4)	(170.0)
Debt issue costs	32	–	(6.8)
Net cash flows (used in)/from financing activities		**(54.2)**	**69.6**
Net (decrease)/increase in cash and cash equivalents		**(64.0)**	**88.8**
Cash and cash equivalents at the start of the year		**255.7**	**166.9**
Cash and cash equivalents at the end of the year	25	**191.7**	**255.7**

The Notes on pages 143-202 form an integral part of these 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 08804263). The Company is registered in England and its registered office is located at Enbrook Park, Folkestone, Kent CT20 3SE.

Saga offers a wide range of products and services to its customer base, which includes package and cruise holidays, general insurance products, personal finance products and a range of media content including a monthly subscription magazine.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards.

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

The Group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency, and all values are rounded to the nearest hundred thousand (£m), except when otherwise indicated. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The preparation of financial statements in compliance with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 2.6.

The principal accounting policies adopted, which have been applied consistently, unless otherwise stated, are set out in Note 2.3 below.

Going concern

The Directors have performed an assessment of going concern to determine the adequacy of the Group and Company's financial resources over a period of 14 months from the date of signing these financial statements, a period which includes the maturity of £150m of senior bonds in May 2024.

This assessment is based on higher and lower case financial projections which incorporate scenario analysis and stress tests on expected business performance.

The Group's higher case modelling assumes good performance in the Cruise division in 2023/24, on the back of strong booked load factors and per diems. Travel is also expected to achieve continued growth in revenues with encouraging bookings for 2023/24 as at the end of March 2023. As previously indicated, the outlook for Insurance is likely to be challenging over the next 12 to 18 months, with high cost and claims inflation in a competitive market expected to squeeze margins.

The Group's lower case scenario incorporates lower load factors for Ocean Cruise, lower levels of demand in River Cruise, and slower growth in the Travel business across the going concern period. Downside risks modelled for the Insurance business include the impact of worsening competitive market pressures on the Insurance Broking business, continued high cost and claims inflation putting pressure on margins, among other stress tests. These stresses are partially offset by discretionary cost savings and the deferral of investment expenditure that would be achieved in the event of downside trading risks materialising.

To increase liquidity and consistent also with a strategy of reducing capital intensity, in the autumn of 2022, the Group commenced a sale process for its Underwriting business, Acromas Insurance Company Limited (**AICL**). The Group aims for this sale process to be concluded in the second half of 2023.

However, given that there is no certainty that a sale of AICL will be concluded in the next 14 months, the Group has agreed a loan facility with Sir Roger De Haan. Under the terms of this facility, if the sale of AICL is not completed prior to the end of 2023, the Group will, from 1 January 2024, be able to borrow up to £50m to fund any liquidity needs, including repayment of the 2024 bonds. This facility is unsecured, on arms-length terms and can be drawn at the option of the Group on 30 days' notice. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. Availability of funds under the facility is not contingent on financial performance or on compliance with any financial covenants.

Under both higher and lower case scenarios the Group expects to meet scheduled Ocean Cruise debt principal repayments as they fall due over the next 14 months, and to also meet the financial covenants relating to its secured cruise debt facilities (see Note 30) throughout the assessment period, except for the July 2023 testing date where lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio (see Note 41).

In addition, in both higher and lower case scenarios and incorporating either the expected net proceeds from a sale of the Insurance Underwriting business or a draw down of the £50m loan facility with Sir Roger De Haan, the Group expects to have sufficient resources to continue operations for at least the next 14 months and to repay the £150m senior bonds on maturity in May 2024 from Available Cash[2] resources.

Over the same timeframe and on the same basis, the Group also expects to remain within the renegotiated financial covenants and other terms relating to its £50m revolving credit facility (**RCF**), as set out in Note 30, enabling it to draw down on this currently undrawn facility in 2024/25 to meet short-term working capital requirements should the need arise.

Noting that it is not possible to predict accurately all possible future risks to the Group's future trading, based on this analysis and the scenarios modelled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least 14 months from the date of approval of these financial statements. They have therefore deemed it appropriate to prepare the financial statements to 31 January 2023 on a going concern basis.

2 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its **subsidiaries**) made up to 31 January each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee entity and has the ability to affect those returns through its power over the investee entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiary companies are consolidated using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

In preparing these consolidated financial statements, any intra-group receivables, payables, income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

The results of subsidiaries acquired, or disposed of, during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary which constituted a separate major line of business is disposed of, it is disclosed as a discontinued operation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a. Revenue recognition

Revenue represents amounts receivable from the sale or supply of goods and services provided to customers in the ordinary course of business and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Insurance

The amounts received from customers for insurance policies comprise three main elements: the premium charged to the customer in respect of the insurance cover (**gross premium**); insurance premium tax (**IPT**); and an arrangement fee where applicable (only applied to policies that are brokered via a panel). The gross premium itself comprises two elements: the premium charged by the underwriter of each policy (**net premium**), which may be provided by the Group's in-house underwriter or by a third-party underwriter, plus any adjustment to the net premium that is applied by the Group's broker during the broking service (**street pricing adjustment**).

In addition, where the customer pays in instalments, the Group may charge interest on the outstanding balance. The Group may also charge additional fee income for mid-term cancellations and adjustments made to policies mid-term.

IPT is excluded from all revenue recognised by the Group.

For 12-month insurance policies with no option to fix the premium at renewal (annual policies):
For insurance policies underwritten by the Group, the gross insurance premium is recognised on a straight-line time-apportioned basis over the period of cover. The portion of the premium ceded to reinsurers is also recognised on a straight-line time-apportioned basis over the period of cover as a reduction to revenue. This recognition basis is in line with the requirements of International Financial Reporting Standard (**IFRS**) 4.

For insurance policies not underwritten by the Group, the portion of the gross premium that is retained by the Group, otherwise referred to as the street pricing adjustment, is recognised on the cover start date of each policy. The portion of the gross premium charged by the third-party underwriter, otherwise referred to as the net premium, is not recognised as revenue in the income statement. This recognition basis is in line with the requirements of IFRS 15.

For 12-month insurance policies with the option to fix the premium over three years (three-year fixed-price policies):
For three-year fixed-price policies, the option to fix the premium at the first and second renewal points is deemed to be a separate performance obligation as defined by IFRS 15. The Group therefore defers a portion of the gross premium received in the first year of cover into years two and three, and a portion of the gross premium received in the second year of cover into year three, to coincide with when the option has been exercised by the customer and so deemed to be fulfilled by the Group. The carrying value of the revenue deferred is recognised within contract liabilities in the statement of financial position.

If a customer cancels a three-year fixed-price policy mid-term or chooses not to renew in the second or third years, any brought forward income deferral is recognised in the income statement at the point the cover ends, being the point that the Group is released from the obligation to fix the price at renewal.

The Group uses a cost-plus methodology to approximate a standalone selling price of the option to fix the customer price at renewal, by reference to an actuarial estimate of the premium that it would cost the Group to transfer the obligation to fix to a third party, plus an appropriate profit margin.

The gross premium that is allocated to each of the three policy years is then measured as the gross premium charged in each year, less any income deferred to subsequent policy years for the option to fix, plus any brought forward income deferred from earlier policy years. The accounting in each policy year then follows the same principles as described above for annual policies.

Where there is a switch of underwriter between the Group and a third-party underwriter at either of the renewal points within the three-year price-fix, the Group applies the relevant accounting policy for the subsequent policy year in line with either of the two methods as described for annual policies.

Management considers the definition of performance obligations for three-year fixed-price policies to be a significant area of judgement.

All insurance policies (both three-year fixed-price policies and annual policies):
For all insurance policies, the arrangement fee that is charged in respect of the broking service is recognised on, or before, the cover start date of each policy on the date that each policy is arranged, being the point at which the performance obligation to broker the policy is fulfilled. It is measured by reference to the explicit price charged to customers for this service. Management considers the revenue recognition treatment of the arrangement fee to be a significant area of judgement.

Gross premiums received in advance of the cover start date of a policy are treated as advance receipts and included as contract liabilities in the statement of financial position.

Premiums in respect of insurance policies underwritten by the Group that have a period of unexpired risk at the reporting date, and which relate to the period after the reporting date, are treated as unearned and included in gross insurance contract liabilities in the statement of financial position. The portion of those unearned premiums ceded to excess of loss reinsurers is recognised as a reinsurance asset on the face of the statement of financial position. The portion of those unearned premiums ceded to quota share reinsurers is recognised as an asset netted off against reinsurance premiums withheld within trade payables, since there is a right of set-off within the contract.

Subsequent changes to premiums mid-term are recognised on the effective date of the mid-term adjustment. For those policies that are underwritten by the Group, these changes are recognised on a straight-line time-apportioned basis over the period of cover remaining on the policy. Reduction in premiums from mid-term cancellations are recognised on the effective date of the cancellation. Any fee income charged for a mid-term cancellation or adjustment is recognised on the date the adjustment is made, being the point that the mid-term service is fulfilled.

Income from credit provided to customers to facilitate payment of their insurance premiums by instalments over the life of their policy is treated as part of the revenue from insurance operations and recognised over the period of the policy in proportion to the outstanding premium balance.

Profit commissions due under coinsurance or reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject, when it is highly probable that a significant reversal of revenue will not occur, and on the same basis, where appropriate, as the related reinsured liabilities.

For revenue earned from credit hire and repair services for non-fault claims (**credit hire and credit repair**), the Group initially recognises the revenue at fair value, which is based on a historical assessment of debt recovery and discount levels. Credit hire revenue is recognised from the date that a vehicle is placed on hire equally over the duration of the hire. Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed. Late payment penalties afforded under the terms of the Association of British Insurers General Terms of Agreement are recognised as they become payable by the insurance company.

ii) Cruise and Travel

Revenue from Cruise and Travel, where the Group does not operate the cruise ship, is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied, which is deemed to be when each service to the customer takes place. The standalone selling price of each performance obligation is estimated as the cost to provide each obligation plus a profit margin appropriate to the nature of each service. The price charged to each customer is then apportioned to each performance obligation based on the relative estimated standalone selling prices, in line with the requirements of IFRS 15.

For Travel, revenue in relation to flights and flight upgrades is recognised on the date of each flight; revenue in relation to accommodation is recognised over the duration of the holiday; revenue in relation to transfers is recognised on the date that the transfers occur before and after each holiday; and revenue in respect of travel insurance (which is underwritten by a third-party underwriter) is recognised on the cover start date of the insurance.

Revenue in respect of Cruise holidays where the Group operates the cruise ship is also recognised in line with the performance obligations, being the cruise itself, flights and/or rail journeys (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to flights and flight upgrades (where applicable) and transfers is recognised on the date that each trip is fulfilled, which is consistent with the approach adopted by the Travel business.

Revenue from travel insurance for cruising holidays is recognised at the cover start date of the policy, which is usually at the point the customer makes a booking.

An element of revenue which represents the non-refundable deposit received at the time of booking is recognised in the income statement immediately in line with the prevailing rate of cancellations.

Revenue from sales in resort, for example for optional excursions, or on board a cruise ship operated by the Group, for example bar sales or optional excursions, is recognised as it is earned.

Revenue from Cruise and Travel received in advance of when each performance obligation is satisfied is included as deferred revenue within contract liabilities in the statement of financial position.

2.3 Summary of significant accounting policies continued

iii) Other Businesses and Central Costs

Saga Money

Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product.

Where the personal finance product is one that delivers a recurring income stream, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product, and it is highly probable that a significant reversal of revenue recognised will not occur.

For the Saga savings product, commissions are earned over the duration of the contract in line with the contractual amount due to the Group.

For Saga equity release products, commissions are earned initially and over the lifetime of the product. Additionally, further commissions, where applicable are earned at each subsequent stage of the drawdown if any more of the advance is taken by the customer. Initial commission relating to new business is recognised as revenue at the point the performance obligation with the Group's contracted business partners is satisfied, and the customer has taken out the product. Where applicable, trail commission is recognised as the discounted future cash flows expected to be received over the estimated life of the product and likewise for further commissions on additional drawdowns undertaken by the customer.

Saga Media

Magazine subscription revenue is recognised on a straight-line basis over the period of the subscription. Revenue generated from advertising within the magazine is recognised when the magazine is provided to the customer.

The element of subscriptions and advertising revenue relating to the period after the reporting date is recognised as deferred revenue within contract liabilities in the statement of financial position.

Printing and mailing

Revenue from printing and mailing services is recognised in line with the performance obligations within customer contracts.

Market research

Revenue from market research services is recognised when a performance obligation is satisfied. Revenue recognised over time is based on the proportion of the level of service performed.

b. Cost recognition

i) Insurance acquisition costs

Acquisition costs arising from the selling or renewing of insurance policies underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy in which the related revenues are earned. The proportion of acquisition costs relating to premiums treated as unearned at the reporting date are deferred and included as other receivables in the statement of financial position.

Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset within trade and other receivables on the face of the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporates the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract. If the expected amortisation period is one year or less, then incremental costs are expensed when incurred.

ii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include estimates for claims made for losses reported as occurring during the period together with the related handling costs, any adjustments to claims outstanding from previous periods, and an estimate for the cost of claims incurred during the period but not reported as at the reporting date. The portion of costs recovered from reinsurance is recognised as a reduction to those costs in the same period in which the costs are recognised. Further detail is provided in Note 28.

iii) Finance costs

Finance costs comprise interest paid and payable that is calculated using the effective interest rate (**EIR**) method, and it is recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest-bearing financial liability in the statement of financial position. Finance costs also include debt issue costs that were initially recognised in the statement of financial position and amortised over the life of the debt, debt issue costs in respect of renegotiating existing facilities that are immediately recognised in the income statement and net fair value losses on derivative financial instruments.

iv) All other expenses

All other expenses are recognised in the income statement as they are incurred.

c. Recognition of other income statement items

i) Interest income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the EIR method.

Interest income is earned by the Group on both assets held at fair value through profit or loss (**FVTPL**), and assets held at fair value through other comprehensive income (**FVOCI**). Fees and commissions which are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

ii) Dividend income

Income in the form of dividends is recognised when the right to receive payment is established. For listed securities, this is the date that the security is listed as ex-dividend.

iii) Gains and losses on financial investments at fair value

Realised and unrealised gains and losses on financial investments are recorded as investment income in the income statement, and represent net fair value gains and losses arising from changes in fair value during the year.

d. Taxes

i) Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised in other comprehensive income (**OCI**) and directly in equity is recognised in OCI or equity and not in the income statement.

ii) Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in OCI or equity, in which case the deferred tax is recognised in OCI or equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date that the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevalent at the reporting date.

f. Intangible assets

Intangible assets acquired are measured on initial recognition at cost and subsequent to initial recognition, are carried at cost less any accumulated amortisation and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets and goodwill are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Software	3-10 years

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Goodwill is not amortised but is tested for impairment at least annually, at the cash generating unit (**CGU**) level. Where the carrying value of the asset exceeds the recoverable amount, an impairment loss is recognised in the income statement immediately.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

g. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial and non-financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2.3 Summary of significant accounting policies continued

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IFRS 9 'Financial Instruments' is measured at fair value with the changes in fair value recognised in the income statement.

Any excess of the cost of acquisition over the fair values of the identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to CGUs at the point of acquisition and is reviewed at least annually for impairment.

h. Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. If such an indication exists, the recoverable amount is estimated and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is determined according to the CGU to which the asset belongs.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs, or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is calculated as the higher of fair value less costs to sell, and value-in-use. In assessing value-in-use, where appropriate, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its value-in-use calculations on detailed budgets, plans and long-term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

i. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Assets in the course of construction at the statement of financial position date are classified separately. These assets are transferred to other asset categories when they become available for their intended use.

Depreciation is charged to the income statement on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land and assets in the course of construction are not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:

Buildings	50 years
Fixtures and fittings	3-20 years
Ocean cruise ships	30 years
Computers	3-6 years
Plant, vehicles and other equipment	3-10 years

Costs relating to ocean cruise ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-docking, where appropriate. The International Convention for the Safety of Life at Sea regulations stipulate that ships have to be dry-docked twice in an interval of five years, with the interval between consecutive dry-dockings being not less than two years and not more than three years. All other repairs and maintenance costs are recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Estimated residual values and useful lives are reviewed annually. In relation to the annual review of estimated residual values and useful lives of ocean cruise ships, potential environmental regulatory changes are also considered. The shipping industry has made a commitment to reduce CO_2 emissions by 40% by 2030 (from a 2008 baseline), and the UK Government has made commitments to reach net zero emissions by 2050. The EEXI (carbon design/technical efficiency indicator) and CII (in-service/operational carbon intensity efficiency indicator) regulations were introduced internationally during the year to enable the industry to meet the 2030 target, and the Group's ocean cruise ships meet the requirements of these regulations. The end of their useful economic lives of 30 years will have been reached by 2049 in the case of Spirit of Discovery and 2051 in the case of Spirit of Adventure.

j. Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets, and the sale must be highly probable. A sale is considered to be highly probable when management is committed to a plan to sell an asset and an active programme to locate a buyer and complete the plan has been initiated at a price that is reasonable in relation to its current fair value, and there is an expectation that the sale will be completed within one year from the date of classification. Non-current assets classified as held for sale are carried on the Group's statement of financial position at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

k. Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, FVOCI or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

	Initial recognition	Subsequent measurement
Amortised cost	A financial asset is measured at amortised cost (plus any directly attributable transaction costs) if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is to hold assets to collect contractual cash flows. • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group classifies trade receivables, other receivables and deposits with financial institutions as held at amortised cost.	These assets are subsequently measured at amortised cost using the EIR method. The amortised cost is reduced by any impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.
FVOCI	A debt investment is measured at FVOCI (plus any directly attributable transaction costs) if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group classifies debt securities as FVOCI.	Debt instruments are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss. Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
FVTPL	All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL and held at fair value. This includes all derivative financial assets. On initial recognition, the Group may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. This election is made on an individual instrument basis. The Group classifies loan funds, money market funds and foreign exchange forward contracts not designated in a hedging relationship, as FVTPL.	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship (see (vi) overleaf).

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.

2.3 Summary of significant accounting policies continued

ii) Impairment of financial assets

The expected credit loss (**ECL**) impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Group measures loss allowances at an amount equal to 12-month ECLs, except for the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk has increased significantly since initial recognition.
- Trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Group considers this to be BBB- or higher as per credit rating scales.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement. For debt instruments measured at FVOCI, the loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss, or increases the fair value gain, otherwise recognised in the statement of other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition except for derivatives, which are classified at FVTPL, the gains or losses for which are recognised through OCI if the instrument is designated as a hedging instrument in an effective cash flow hedge.

With the exception of lease liabilities, all financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, derivative financial instruments and lease liabilities.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Derivatives

Derivatives are measured at fair value both initially and subsequently to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as cash flow hedges are initially recognised in OCI until such a point that they are recycled to profit or loss in the same period as the hedged item is recognised in profit or loss, or immediately if the hedged item is no longer expected to occur.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

v) Fair values

The Group measures all financial instruments at fair value at each reporting date, other than those instruments measured at amortised cost.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or, in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market bid prices where there is an active market, or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's-length market transactions, discounted cash flow analysis and other commonly used valuation techniques.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

vi) Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges of certain forecast transactions. These transactions are highly probable to occur and present an exposure to variations in cash flows that could ultimately affect amounts determined in profit or loss.

The Group has elected to adopt the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange and commodity swap contracts to hedge the variability in cash flows arising from changes in foreign currency rates and oil prices respectively. For foreign exchange contracts, the Group designates the fair value change of the full forward price as the hedging instrument in cash flow hedging relationships. For commodity hedging, the Group designates the fair value change of the benchmark oil price. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

When a hedging instrument no longer meets the criteria for hedge accounting (through maturity, sale, or other termination), hedge accounting is discontinued prospectively. If the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss remains in the hedging reserve and is recognised in accordance with the above policy when the hedged forecast transaction occurs. If the hedged forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

l. Leases

The Group leases various river cruise ships, buildings, equipment and vehicles. The contract length of the lease varies considerably and may include extension or termination options as described below.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: the contract involves the use of an identified asset; the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the Group has the right to direct the use of the asset.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option will be included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used. This is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period using the EIR method and the lease liability is measured at amortised cost using the EIR method.

Right-of-use assets are initially measured at cost, comprising the present value of future lease payments plus any initial direct costs and restoration costs. Right-of-use assets are depreciated over the lease term on a straight-line basis except for the Group's river cruise ships. The unit of production method is used to depreciate river cruise ships in order to accurately reflect the usage of the asset, which is seasonal.

Payments associated with short-term leases of equipment and all leases of low-value assets are expensed in profit or loss as incurred in line with the exemption allowed under paragraph 6 of IFRS 16. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and river cruise ship leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and fees that an entity incurs in connection with the borrowing of funds.

n. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand, and short-term deposits with a maturity of three months or less from their inception date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short-term deposits as defined above and short-term highly liquid investments (including money market funds) with original maturities of three months or less that are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

o. Trust accounts

All customer monies received in advance in relation to Air Travel Organiser's Licence (**ATOL**) licensable bookings are held in trust accounts until after the customer has travelled, when the Group has fulfilled all its performance obligations with customers.

The trust arrangement is governed by a deed between the Group, the Civil Aviation Authority Air Travel Trustees and an independent Trustee, PT Trustees Limited, which determines the inflows and outflows from the accounts. The Group does not use advance receipts from customers in its Travel and River Cruise businesses to fund its business operations.

p. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Loss allowances are measured as lifetime ECLs.

2.3 Summary of significant accounting policies continued

q. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to completion and disposal.

r. Insurance contract liabilities

Insurance contract liabilities include an outstanding claims provision, a provision for unearned premiums and, if required, a provision for premium deficiency.

Outstanding claims provision

The provision for outstanding claims is set on an individual claim basis and is based on the ultimate cost of all claims notified but not settled, less amounts already paid by the reporting date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (**IBNR**) at the statement of financial position date, which is estimated using actuarial methods. The outstanding claims provision is not discounted for the time value of money, with the exception of claims settled as periodical payment orders (**PPOs**).

The amount of any anticipated reinsurance, salvage or subrogation recoveries is separately identified and reported within reinsurance assets and insurance contract liabilities respectively.

Differences between the provisions at the reporting date and settlements and provisions in the following year (known as **run-off deviations**) are recognised in the income statement as they arise.

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums received, or receivable, that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is recognised in the income statement as premium income over the term of the contract on a straight-line basis.

Provision for premium deficiency

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency. The deferred acquisition costs are written off before any provision is made.

s. Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on insurance contracts issued, are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insurer and reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities under excess of loss cover. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment at each statement of financial position date. For assets that are directly exposed to long-tail PPO liabilities, a general provision for impairment is provided, calculated on a wholesale basis by reference to published credit rating default curves. For all other reinsurance assets, the carrying value is written down to its recoverable amount only if there is objective evidence of impairment.

For the funds-withheld quota share agreement in motor insurance, the obligation to pay funds and the right to receive reimbursement for incurred claims are presented on a net basis because there is a legally enforceable right to offset these amounts and there is an intention to settle on a net basis or realise both the asset and settle the liability simultaneously. The reinsurance assets recognised under these agreements are therefore recognised as an offset against premium ceded under the same agreement, within trade and other payables.

t. Share-based payments

The Group provides benefits to employees (including Executive Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (**equity-settled transactions**). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes and Monte-Carlo modelling techniques. In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

Where the equity-settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase being recognised 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 (loss)/earnings per share.

u. Retirement benefit schemes

During the year, the Group operated a defined benefit pension plan that requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. The defined plan was closed to future accrual on 31 October 2021. From 1 November 2021, members moved from active to deferred status.

Actuarial gains and losses arising in the year are credited/charged to OCI and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in OCI.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Group recognises restructuring-related costs. The Group no longer incurs any service costs or curtailment costs relating to the defined benefit pension plan as the scheme is closed to future accrual. The interest cost, less interest income on assets held in the plans, is also charged to the income statement.

The defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate Trustee-administered funds. Scheme assets are measured using market values and scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered, either through reduced contributions, or agreed refunds from the scheme.

For defined contribution schemes, the amounts charged to the income statement are the contributions payable in the year.

v. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The costs of fulfilling a contract comprise both the incremental costs and an allocation of other direct costs.

w. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

x. Equity

The Group has ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

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 2023. Except where separately disclosed, these standards are endorsed by the UK Endorsement Board.

a. IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' is a comprehensive new accounting standard that applies to all insurance and reinsurance contracts covering the principles of recognition, measurement, presentation and disclosure.

IFRS 17 only applies to insurance contracts that are underwritten by the Group and related reinsurance contracts held. It does not affect the accounting for the Group's Insurance Broking activities.

IFRS 17 is effective for annual reporting periods beginning on, or after, 1 January 2023. The Group will initially apply IFRS 17 in its consolidated financial statements for the year ending 31 January 2024, with the date of initial application being 1 February 2023 and the transition date being 1 February 2022. The Group's consolidated financial statements for the year ending 31 January 2024 will include comparatives for the year ending 31 January 2023 restated onto an IFRS 17 basis.

The Group expects to apply IFRS 17's simplified premium allocation approach (**PAA**) to all insurance contracts issued and reinsurance contracts held. All insurance contracts issued by the Group are eligible for the PAA as they have a one-year coverage period. The Group has a small number of reinsurance contracts held that have a coverage period of more than one year which are expected to be eligible for the PAA as, at inception, the PAA is expected to produce a measurement of the liability for remaining coverage of the relevant group of reinsurance contracts that would not differ materially from the one that would be produced by applying the standard's more complex general measurement model.

Applying the PAA simplifies the measurement of the IFRS 17 liability for remaining coverage, which will continue to be based on a deferred premium approach as under current IFRS. However, the IFRS 17 liability for remaining coverage will differ from current IFRS in relation to the following:

- The IFRS 17 requirement to identify any contracts that are expected to be onerous at initial recognition. The expected losses are recognised immediately in profit or loss, with a liability established on the balance sheet. Under current IFRS, these losses would be recognised in profit or loss over the coverage period of the insurance contracts.
- The Group intends to take the PAA option to expense insurance acquisition costs immediately in profit or loss, meaning the IFRS 4 deferred insurance acquisition cost asset will effectively be written off.

The measurement of insurance contract liabilities in relation to coverage provided before the statement of financial position date, referred to as the liability for incurred claims under IFRS 17, and reinsurance contract assets will change.

The IFRS 17 liability for incurred claims will be measured as the sum of the following components (collectively referred to as the fulfilment cash flows):

- The expected future cash flows, all of which will be discounted using the risk-free rate at the statement of financial position date, adjusted to reflect the illiquid characteristics of the insurance contracts.

2.4 Standards issued but not yet effective continued

- A 'risk adjustment for non-financial risk' (**risk adjustment**), being an explicit margin above the expected future cash flows that represents the compensation required for bearing non-financial uncertainty. The Group will derive the risk adjustment by selecting an appropriate confidence interval using the expected loss distribution for incurred claims.

This differs from current IFRS under which:

- only certain long-tail claim liabilities are discounted. This discounting uses a discount rate that doesn't typically move in line with market interest rates; and
- the reserve margin is not explicit or linked to a target confidence level.

The cumulative impact of adopting IFRS 17 on the Group's reported net assets at the 1 February 2022 transition date is currently expected to be in the range of a £14m decrease to an £8m increase. This estimated impact is preliminary and may change as the Group's implementation work is completed.

The impact of IFRS 17 on profit or loss compared to current IFRS will be driven by the statement of financial position measurement differences described above. The only exception will be if the Group takes the IFRS 17 option to present the impact of changes in the IFRS 17 discount rate on the measurement of the liability for incurred claims within other comprehensive income rather than within profit or loss. The Group has not yet made a final decision on whether this option will be taken.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due, or potentially due, to be settled within one year) or non-current. The amendments are effective for annual periods beginning on, or after, 1 January 2024 and are not likely to have a material effect on the Group's financial statements. These amendments are not currently endorsed by the UK Endorsement Board.

c. Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. They will typically apply to transactions such as leases of lessees and will require the recognition of additional deferred tax assets and liabilities. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

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

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

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

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

f. Definition of lease liability in a sale and leaseback (amendment to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment is effective for annual reporting periods beginning on, or after, 1 January 2024. The amendment is not expected to have a material impact on the Group's financial statements. This amendment is not currently endorsed by the UK Endorsement Board.

2.5 First time adoption of new standards and amendments

The following is a list of standards, and amendments to standards, that became effective, or were adopted, for the first time during the year ended 31 January 2023.

a. COVID-19-related rent concessions beyond 30 June 2021 (amendment to IFRS 16)

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was effective for annual reporting periods beginning on, or after, 1 April 2021. The Group did not take advantage of the exemption available under this amendment. The amendment has had no effect on the Group's financial statements.

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods beginning on, or after, 1 January 2022. The amendments have had no effect on the Group's financial statements.

c. Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods beginning on, or after, 1 January 2022. The amendments have had no effect on the Group's financial statements.

d. Annual improvements to IFRS 2018-2020

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

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

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

2.6 Significant accounting judgements, estimates and assumptions

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

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

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – identification of performance obligations within insurance contracts not underwritten by the Group	Identification of performance obligations within insurance contracts with customers. In particular, management has exercised judgement in defining separate performance obligations as part of the Group's Insurance Broking services, namely: • the option to fix the customer's premium at renewal for three-year fixed-price insurance policies, which results in the deferral of a portion of revenue from policy years one and two to policy years two and three; and • the arrangement of each insurance policy at the point the insurance cover is arranged, as separate from the premium charged in respect of the insurance cover, which occurs on, or before, the cover start date of each policy and results in a portion of revenue being recognised a number of days in advance of the cover start date. Please refer to Note 2.3a for further information on the Group's performance obligations relating to revenue recognition.
2.3ai, 2.3r and 2.3s	Classification of insurance contracts	Management has exercised judgement in defining which insurance policies that it arranges and underwrites constitute an insurance policy that is subject to the accounting principles of IFRS 4. This assessment is based on whether significant insurance risk is transferred under each insurance contract and also includes the assessment of reinsurance contracts that the Group enters into. Policies that are arranged, and not underwritten, by the Group, primarily a portion of the motor and home insurance panels, private medical insurance (**PMI**) and travel insurance, are not deemed to constitute insurance policies as defined by IFRS 4, and so they are accounted for in line with the principles of IFRS 15. Policies that are both arranged and underwritten by the Group, primarily a portion of the motor and home insurance panels, are deemed to constitute insurance policies as defined by IFRS 4 and so are accounted for in line with the requirements of that standard. The Group's excess of loss and funds-withheld quota share reinsurance arrangements relating to its motor underwriting line of business are deemed to transfer significant insurance risk to the reinsurer, and so they are also accounted for in line with the requirements of IFRS 4.

2.6 Significant accounting judgements, estimates and assumptions continued

Acc. policy	Items involving judgement	Critical accounting judgement
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. New pricing rules set by the FCA came into effect on 1 January 2022, following the conclusion of the General Insurance Pricing Practices market study (**GIPP**). As a result of the impact of the GIPP changes on customer pricing, especially in the highly competitive motor insurance market, there has been a fall in policy volumes in the period to 31 July 2022 and the year to 31 January 2023, with a consequential adverse impact on the profitability of the Insurance business. Management have considered this to be an indicator of impairment and have therefore conducted full impairment reviews of the Insurance CGU as at 31 July 2022 and 31 January 2023. As a result of these reviews, management deemed it necessary to impair the goodwill allocated to the Insurance CGU by £269.0m at 31 July 2022. No further impairment was deemed necessary in the six months to 31 January 2023. In the year to 31 January 2022, management did not deem it necessary to impair goodwill. Please refer to Note 16a for further detail. Since acquisition, the addition of the Big Window insights and capabilities has added significant value to all Saga business units, in line with pre-acquisition expectations. However, because these benefits are largely associated with the continued employment of a small number of individuals, which under IFRS 3 cannot be separately capitalised, and given the low materiality of the amounts in question, the Group decided to write-off in full the £0.5m goodwill arising on acquisition in the period to 31 July 2022. Following the continued impact of the COVID-19 pandemic on the Group's Cruise and Travel operations, management concluded that potential indicators of impairment existed and conducted impairment reviews at 31 July 2022 and 31 January 2022 of the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Management considered a range of scenarios and used its judgement to conclude that no impairment was necessary. As at 31 January 2023, management did not consider it necessary to conduct an impairment review of the Group's two ocean cruise ships since no new indicators of impairment were identified. Please refer to Note 17 for further detail. In the prior year, given the delay in taking delivery of the river cruise ship, Spirit of the Rhine, along with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, management concluded that indicators of impairment existed and deemed it necessary to conduct an impairment review of the vessel at 31 January 2022. Management considered a range of scenarios and used its judgement to conclude that no impairment was necessary. Please refer to Note 18a for further detail. In the year to 31 January 2023, management did not consider it necessary to conduct an impairment review of right-of-use river cruise ship assets, since no new indicators of impairment were identified. In year ended 31 January 2022, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations CGU (now River Cruise and Travel). In light of this exercise, management exercised its judgement in relation to the impairment of software assets and performed an impairment review of software assets used by the Tour Operations business. As a result of this review, management deemed it necessary to impair these software assets by £9.4m and the software assets in the Central Costs division by £0.5m. No further impairment was deemed necessary in the period to 31 January 2023. Please refer to Note 16b for further detail. In the years to 31 January 2023 and 31 January 2022, in light of the Group obtaining freehold property market valuation reports, management exercised judgement in relation to the impairment of property assets held for sale. A net impairment charge of £1.2m (2022: £1.0m) was accordingly recognised. Please refer to Note 38 for further detail.
2.3r	Insurance contract liabilities	Judgement is required in relation to the areas of uncertainty that may give rise to claims costs in excess of the actuarial best estimate of claims incurred, and the level of additional reserve margin to recognise in the financial statements above that estimate. In the year to 31 January 2022, the Group considered the additional latency risk to claims cost development caused by the impact of the COVID-19 pandemic and recognised an additional claims reserve above actuarial best estimate to cover this specific risk. The latency risk provision in relation to the COVID-19 pandemic was released over the year to 31 January 2023, reflective of the improvement in the COVID-19 outlook. Please refer to Note 20d for further detail.

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The standalone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option because they either decide not to renew, or they make a claim that releases the Group from its obligation to fix the customer price.
2.3f and 2.3i	Useful economic lives and residual values of software, intangible assets and ocean cruise ships	The useful economic lives and residual values of software assets classified as intangible assets (Note 15), and ocean cruise ship assets classified as property, plant and equipment (Note 17) are assessed upon the capitalisation of each asset, and at each reporting date, and are based upon the expected consumption of future economic benefits of the asset.
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate to calculate present value. The impact of changes to pricing rules set by the FCA following the completion of the GIPP market study, especially the highly competitive motor insurance market, and the adverse impact on profit before tax for the current year, has increased the estimation uncertainty in the Insurance CGU. The outcome of the impairment reviews conducted concluded that an impairment charge of £269.0m be recognised against the Group's Insurance CGU as at 31 July 2022. No further impairment was deemed necessary in the six months to 31 January 2023. Sensitivity analysis was undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, as shown in Note 16a.
2.3h	Impairment of ocean and river cruise ships	Following the continued impact of the COVID-19 pandemic on the Group's operations, management conducted impairment reviews at 31 July 2022 and 31 January 2022 of the Group's two ocean cruise ships, Spirit of Discovery and Spirit of Adventure. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Group remains comfortable that there is headroom over and above the carrying value of the two ocean cruise ship assets, and therefore concluded that no impairment charges were necessary. No additional impairment indicators were identified as at 31 January 2023, and therefore no further impairment review was conducted at this date. Sensitivity analysis was undertaken to determine the effect of changing the residual value, load factor and useful economic life on the present value calculation, as shown in Note 17. At 31 January 2022, management conducted an impairment review of its river cruise ship, Spirit of the Rhine. Based on this review, the Group was comfortable that there was sufficient headroom over and above the carrying value of the river cruise ship asset, and therefore concluded that no impairment charge was necessary. No additional impairment indicators were identified in relation to river cruise ships as at 31 January 2023, and therefore no further impairment review was conducted at this date.

2.6 Significant accounting judgements, estimates and assumptions continued

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3r	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims IBNR, as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted, except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2023 (2022: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in Note 20d. In calculating the level of reserve margin to recognise above the actuarial best estimate of incurred claims, the Group considered an array of risks (including cost inflation) to future claims experience, and estimated the financial impact that those risks could have, to derive an appropriate level of margin to hold.
2.3u	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in Note 27.

3 Segmental information

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

- **Cruise and Travel:** comprises the operation and delivery of ocean and river cruise holidays as well as package tour and other holiday products. The Group owns and operates two ocean cruise ships. All other holiday and river cruise products are packaged together with third-party supplied accommodation, flights and other transport arrangements.
- **Insurance:** comprises the provision of general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. The segment is further analysed into four product sub-segments:
- Insurance Broking, consisting of:
  - Motor broking
  - Home broking
  - Other broking
- Insurance Underwriting
- **Other Businesses and Central Costs:** comprises the Group's other businesses and its central cost base. The other businesses include Saga Money (the personal finance product offering), Saga Media and the Group's mailing and printing business.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit /(Loss) Before Tax[3]. Items not included within a specific segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Goodwill, corporate bonds and bank loans are not included within segments as they are managed on a Group basis.

3 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

3 Segmental information continued

2023	Cruise and Travel £m	Insurance: Motor broking £m	Insurance: Home broking £m	Insurance: Other broking £m	Insurance: Under-writing £m	Insurance: Total £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Revenue	**305.5**	**77.7**	**57.6**	**45.3**	**75.2**	**255.8**	**24.3**	**(4.5)**	**581.1**
Cost of sales	(242.5)	(2.7)	–	3.2	(56.1)	(55.6)	(9.1)	–	(307.2)
Gross profit/(loss)	**63.0**	**75.0**	**57.6**	**48.5**	**19.1**	**200.2**	**15.2**	**(4.5)**	**273.9**
Administrative and selling expenses	(57.5)	(55.6)	(35.1)	(21.4)	(3.1)	(115.2)	(49.6)	4.5	(217.8)
Impairment of assets	–	–	–	–	(1.2)	(1.2)	(0.5)	(269.5)	(271.2)
Net profit on disposal of software	–	0.1	–	–	–	0.1	–	–	0.1
Investment income/(loss)	–	–	–	–	3.7	3.7	(2.2)	–	1.5
Finance costs	(20.2)	–	–	–	–	–	(22.0)	–	(42.2)
Finance income	1.4	–	–	–	–	–	0.1	–	1.5
(Loss)/profit before tax	**(13.3)**	**19.5**	**22.5**	**27.1**	**18.5**	**87.6**	**(59.0)**	**(269.5)**	**(254.2)**
Reconciliation to Underlying (Loss)/Profit Before Tax[4]									
(Loss)/profit before tax	**(13.3)**	**19.5**	**22.5**	**27.1**	**18.5**	**87.6**	**(59.0)**	**(269.5)**	**(254.2)**
Net fair value gain on derivative financial instruments	(1.4)	–	–	–	–	–	–	–	(1.4)
Impairment of goodwill	–	–	–	–	–	–	–	269.5	269.5
Impairment of assets	–	–	–	–	0.6	0.6	0.5	–	1.1
Restructuring costs	2.2	–	–	–	–	–	1.5	–	3.7
Acquisition costs relating to the Big Window	–	–	–	–	–	–	0.2	–	0.2
Foreign exchange movement on lease liabilities	2.0	–	–	–	–	–	–	–	2.0
IFRS 16 adjustment on river cruise vessels	0.6	–	–	–	–	–	–	–	0.6
Underlying (Loss)/ Profit Before Tax[4]	**(9.9)**	**19.5**	**22.5**	**27.1**	**19.1**	**88.2**	**(56.8)**	**–**	**21.5**
Total assets less liabilities	**93.7**					**57.7**	**167.9**	**50.2**	**369.5**

All revenue is generated solely in the UK.

4 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

		Insurance							
2022	Cruise and Travel £m	Motor broking £m	Home broking £m	Other broking £m	Under-writing £m	Total £m	Other Businesses and Central Costs £m	Adjustments £m	Total £m
Revenue	**94.7**	**85.0**	**60.2**	**35.3**	**84.7**	**265.2**	**21.5**	**(4.2)**	**377.2**
Cost of sales	(102.9)	(2.6)	–	0.3	(29.9)	(32.2)	(8.2)	–	(143.3)
Gross (loss)/profit	**(8.2)**	**82.4**	**60.2**	**35.6**	**54.8**	**233.0**	**13.3**	**(4.2)**	**233.9**
Administrative and selling expenses	(54.9)	(52.4)	(35.0)	(24.3)	(4.2)	(115.9)	(46.2)	4.2	(212.8)
Impairment of assets	(9.7)	–	–	–	(1.0)	(1.0)	(0.5)	–	(11.2)
Gain on lease modification	–	–	–	–	–	–	0.3	–	0.3
Net profit on disposal of assets held for sale	–	–	–	–	–	–	7.2	–	7.2
Net profit/(loss) on disposal of software and right-of-use assets	0.1	(0.1)	–	–	–	(0.1)	(0.4)	–	(0.4)
Investment income/(loss)	0.1	–	–	–	3.5	3.5	(3.3)	–	0.3
Finance costs	(22.2)	–	–	–	–	–	(18.6)	–	(40.8)
(Loss)/profit before tax	**(94.8)**	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**	**(48.2)**	**–**	**(23.5)**
Reconciliation to Underlying (Loss)/ Profit Before Tax[5]									
(Loss)/profit before tax	**(94.8)**	**29.9**	**25.2**	**11.3**	**53.1**	**119.5**	**(48.2)**	**–**	**(23.5)**
Net fair value loss on derivative financial instruments	2.7	–	–	–	–	–	–	–	2.7
Impairment/loss on disposal of assets	9.8	–	–	–	1.0	1.0	0.7	–	11.5
Restructuring costs	3.9	–	–	–	–	–	2.4	–	6.3
Net profit on disposal of assets held for sale	–	–	–	–	–	–	(7.2)	–	(7.2)
Foreign exchange movement on lease liabilities	(0.9)	–	–	–	–	–	–	–	(0.9)
Costs incurred for ocean cruise ship loan holiday	–	–	–	–	–	–	2.4	–	2.4
Charge on closure of defined benefit pension scheme	–	–	–	–	–	–	2.0	–	2.0
Underlying (Loss)/ (Profit) Before Tax[5]	**(79.3)**	**29.9**	**25.2**	**11.3**	**54.1**	**120.5**	**(47.9)**	**–**	**(6.7)**
Total assets less liabilities (re-presented)	**67.2**					**77.0**	**189.1**	**319.6**	**652.9**

Total assets less liabilities have been re-presented due to a revision in the way that inter-company debtors and creditors are reported between segments. Inter-company debtors and creditors are excluded from re-presented total assets less liabilities.

All revenue is generated solely in the UK.

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

	2023 £m	2022 £m
Goodwill (Note 14)	449.6	718.6
Group bonds and bank loans (excluding ocean cruise ship loans)	(399.4)	(399.0)
	50.2	**319.6**

5 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

3 Segmental information continued

a) Disaggregation of revenue

	2023					
		Insurance				
Major product lines	**Cruise and Travel £m**	**Earned premium on insurance underwritten by the Group £m**	**Other revenue £m**	**Total Insurance £m**	**Other Businesses and Central Costs £m**	**Total £m**
Ocean Cruise	168.3					168.3
River Cruise and Travel	137.2					137.2
Gross earned premium on insurance underwritten by the Group		189.5				
Less: ceded to reinsurers		(111.3)				
Net revenue on:						
Motor broking		27.7	50.0	77.7		77.7
Home broking		–	57.6	57.6		57.6
Other broking		0.9	44.4	45.3		45.3
Insurance Underwriting		49.6	25.6	75.2		75.2
Money					7.9	7.9
Media					10.3	10.3
Insight					0.6	0.6
Other					1.0	1.0
	305.5	**78.2**	**177.6**	**255.8**	**19.8**	**581.1**

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

Included in Insurance Broking other revenue is instalment interest income on premium financing of £9.4m (2022: £9.8m).

b) Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers as accounted for under IFRS 15 (the amounts stated here do not include amounts accounted for under IFRS 4):

	2023 £m	2022 £m
Contract cost assets (Note 23)	2.5	2.6
Contract liabilities (Note 29)	122.2	114.6

b) Contract balances continued

The contract cost assets relate to commissions paid to price-comparison websites to acquire new business policies not underwritten by the Group.

Management expects that incremental commission fees paid to price-comparison websites as a result of obtaining insurance contracts are recoverable. The Group has therefore capitalised them as contract assets amounting to £1.7m for the year ended 31 January 2023 (2022: £1.7m). These fees are amortised over the period of the expected renewal cycle. In the year to 31 January 2023, the amount of amortisation was £1.8m (2022: £2.0m) and there was no impairment loss in relation to the costs capitalised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

The contract liabilities relate to the deferral of revenue for performance obligations not satisfied as at 31 January 2023, and comprise the advance consideration received from customers for holidays or cruises booked, but not travelled; and insurance premiums received in advance of the cover start date. There was no revenue recognised in the current reporting year that related to performance obligations that were satisfied in a prior year.

Significant changes in the contract cost assets and the contract liabilities during the year are as follows:

	2023		2022	
	Contract cost assets £m	**Contract liabilities £m**	Contract cost assets £m	Contract liabilities £m
Balance as at 1 February	2.6	114.6	2.9	82.2
Released to the income statement in the period	(1.8)	(245.5)	(2.0)	(66.6)
Additional contract balances incurred during the period	1.7	267.8	1.7	148.6
Amounts refunded to customers	–	(14.7)	–	(49.6)
Balance as at 31 January	**2.5**	**122.2**	**2.6**	**114.6**

c) Transaction price allocated to the remaining performance obligations

The transaction price allocated to three-year fixed-price insurance policy renewal options, where the remaining performance obligations are not expected to be satisfied within the next 12 months, is £1.1m (2022: £0.7m). This is expected to be recognised as revenue in the subsequent one to three years.

The transaction price allocated to customer contracts within the Cruise and Travel segment, where the remaining performance obligations are not expected to be satisfied within the next 12 months, is £1.4m (2022: £0.8m). This is expected to be recognised as revenue in the subsequent one to two years.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 Administrative and selling expenses

	2023 £m	2022 £m
Staff costs (excluding restructuring costs)	89.2	85.8
Marketing and fulfilment costs	53.5	49.6
Short-term lease rentals	0.1	0.1
Auditors' remuneration	2.1	2.1
Other administrative costs	65.2	64.0
Amounts ceded under reinsurance contracts	(8.1)	(6.9)
Depreciation – property, plant and equipment (Note 17)	2.0	2.2
Depreciation – right-of-use assets (Note 18)	1.1	0.7
Amortisation of intangible assets (Note 15)	8.1	9.7
Restructuring costs	3.7	4.8
	216.9	**212.1**

a. Auditors' remuneration

	2023 £m	2022 £m
Audit of the parent company and consolidated financial statements	0.6	0.8
Audit of subsidiary financial statements	1.3	1.1
Audit-related assurance services	0.2	0.2
Total auditors' remuneration	**2.1**	**2.1**

5 Impairment of assets

a) Impairments during the year ended 31 January 2023

During the year ended 31 January 2023, the Group impaired the carrying value of the goodwill balance allocated to the Insurance CGU by £269.0m.

In addition, following the acquisition of The Big Window Consulting Limited (Note 13a), the goodwill arising on the transaction of £0.5m was immediately impaired in full (Note 14).

Following management's decision to vacate most of its properties, the Group also impaired the carrying value of the property, plant and equipment balance by £0.5m (Note 17) and the carrying value of property assets classified as held for sale by £1.2m (Note 38).

b) Impairments during the year ended 31 January 2022

During the year ended 31 January 2022, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's former Tour Operations CGU (now River Cruise and Travel CGUs). As a result of this restructuring, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the review concluded that an impairment charge of £9.4m (Note 15) be recognised against the Group's software assets as at 31 January 2022.

Furthermore, the Group concluded that an impairment charge of £0.5m (Note 15) to software assets was required in the Group's Central Costs business unit.

In addition, during the year ended 31 January 2022, following management's decision to restructure the Group's Tour Operations CGU, the Group impaired property, plant and equipment in its Tour Operations CGU by £0.3m (Note 17).

In light of the Group obtaining updated freehold property market valuation reports, management also impaired assets held for sale by £1.0m (Note 38).

6 Investment income

	2023 £m	2022 £m
Interest income recognised using the EIR method	4.7	4.4
Gains on assets measured at FVTPL	0.7	0.2
Amounts ceded under reinsurance contracts	(3.9)	(4.3)
	1.5	**0.3**

7 Finance costs

	2023 £m	2022 £m
Interest and charges on debt and borrowings using the EIR method	41.0	37.4
Net fair value loss on derivative financial instruments	–	2.7
Net interest and finance charges payable on lease liabilities	1.2	0.7
	42.2	**40.8**

8 Finance income

	2023 £m	2022 £m
Net fair value gain on derivative financial instruments	1.4	–
Net finance income on retirement benefit schemes	0.1	–
	1.5	**–**

9 Directors and employees

Amounts charged to the income statement for the year are as follows:

	2023 £m	2022 £m
Wages and salaries	112.1	97.0
Social security costs	10.0	9.3
Pension costs (Note 27)	9.9	12.0
Total staff costs	**132.0**	**118.3**

Staff costs (including restructuring and redundancy costs) of £39.1m (2022: £27.7m) and £92.9m (2022: £90.6m) have been allocated to cost of sales and to administrative and selling expenses respectively. Staff costs above exclude share-based payment charges of £3.9m (2022: £3.4m). Further detail on share-based payments can be found in Note 36.

Average monthly number of employees:

	2023 number	2022 number
Cruise and Travel	2,261	1,705
Insurance	1,704	1,519
Other Businesses and Central Costs	554	552
Total employee numbers	**4,519**	**3,776**

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the FCA is contained on pages 92-123 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 Executive Leadership Team.

The amounts recognised as an expense during the financial year in respect of key management personnel are as follows:

	2023 £m	2022 £m
Short-term benefits	6.4	6.0
Termination costs	0.1	0.3
Share-based payments	1.6	1.0
	8.1	**7.3**

10 Tax

The major components of the income tax expense are:

	2023 £m	2022 £m
Consolidated income statement		
Current income tax		
Current income tax charge	1.1	3.4
Adjustments in respect of previous years	(0.4)	(0.1)
	0.7	3.3
Deferred tax		
Relating to origination and reversal of temporary differences	3.1	2.7
Effect of tax rate change on opening balance	–	(2.6)
Adjustments in respect of previous years	1.2	1.1
	4.3	1.2
Tax expense in the income statement	**5.0**	**4.5**

10 Tax continued

Reconciliation of tax expense to loss before tax, multiplied by the UK corporation tax rate:

	2023 £m	2022 £m
Loss before tax	(254.2)	(23.5)
Tax at rate of 19.0% (2022: 19.0%)	(48.3)	(4.5)
Adjustments in respect of previous years	0.8	1.0
Effect of tax rate change on opening balance	–	(2.6)
Expenses not deductible for tax purposes:		
Impairment of goodwill	51.2	–
Other non-deductible expenses/non-taxed income	1.3	1.5
Effect of Ocean Cruise business entering tonnage tax regime	–	9.1
Tax expense in the income statement	**5.0**	**4.5**

The Group's tax expense for the year was £5.0m (2022: £4.5m) representing a tax effective rate of 32.7% before the impairment of goodwill (2022: negative 19.1%). In the prior year, the difference between the Group's tax effective rate and the standard rate of corporation tax of 19% is mainly due to the Group's Ocean Cruise business entering the tonnage tax regime on 1 February 2020.

Adjustments in respect of previous years include a charge for the under-provision of tax in prior years of £0.8m (2022: £1.0m) and the impact of the change in the tax rate on opening deferred tax balances of £nil (2022: £2.6m credit).

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2023 £m	2022 £m	2023 £m	2022 £m
Excess of depreciation over capital allowances	3.2	4.4	1.2	(0.5)
Retirement benefit scheme liabilities	3.0	(0.3)	1.5	(0.1)
Short-term temporary differences:				
– Designated hedges recognised through OCI	(0.3)	0.5	–	–
– Fair value reserve	4.1	0.3	–	–
– Share-based payment reserve	2.0	1.6	(0.4)	(0.6)
– General bad debt provision	0.6	1.6	1.0	1.2
– Capitalised borrowing costs	(2.6)	(2.8)	(0.2)	0.6
– IFRS 16 transition adjustments	1.2	1.4	0.2	0.3
– Other	(1.0)	–	1.0	0.3
Deferred tax charge			**4.3**	**1.2**
Net deferred tax assets	**10.2**	**6.7**		

Deferred tax is reflected in the statement of financial position as follows:

	2023 £m	2022 £m
Deferred tax assets	16.1	12.3
Deferred tax liabilities	(5.9)	(5.6)
Net deferred tax assets	**10.2**	**6.7**

Reconciliation of net deferred tax assets

	2023 £m	2022 £m
At 1 February	**6.7**	**6.7**
Tax charge recognised in the income statement	(4.3)	(1.2)
Tax credit recognised in OCI	7.8	1.2
At 31 January	**10.2**	**6.7**

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

11 Dividends

The Board of Directors does not recommend the payment of a final dividend for the 2022/23 financial year (2022: nil pence per share).

For the current and prior year, no interim or final dividends were declared, or paid, during the year.

The distributable reserves of Saga plc are £386.6m deficit as at 31 January 2023, which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately, with the exception of companies within the River Cruise, Travel and Insurance Underwriting businesses which require regulatory approval before any dividends can be declared and paid. Under the terms of the ship debt facilities, dividends remain restricted until the ship debt principal repayments that were deferred as part of the ship debt repayment holiday are fully repaid (Note 30). In addition, under the terms of the RCF, dividends also remain restricted while leverage is above 3.0x (excluding Ocean Cruise EBITDA and debt).

12 Loss per share

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

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

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

	2023 £m	2022 £m
Loss attributable to ordinary equity holders	(259.2)	(28.0)
Weighted average number of ordinary shares	'm	'm
Ordinary shares as at 1 February	139.5	139.4
Long-term Incentive Plan (**LTIP**) share options exercised	–	0.1
Ordinary shares as at 31 January	139.5	139.5
Weighted average number of ordinary shares for basic loss per share and diluted loss per share	139.5	139.5
Basic loss per share	**(185.8p)**	**(20.1p)**
Diluted loss per share	**(185.8p)**	**(20.1p)**

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

	2023	2022
Basic loss per share	(185.8p)	(20.1p)
Adjusted for:		
Derivative (gains)/losses	(1.1p)	1.4p
Impairment, and net loss on disposal, of assets	0.8p	2.3p
Impairment of Insurance goodwill	192.8p	–
Acquisition costs relating to the Big Window	0.5p	–
Charge on closure of defined benefit pension scheme	–	1.1p
Foreign exchange movement on lease liabilities	1.5p	(0.5p)
Costs incurred for ocean cruise ship loan holiday	–	1.3p
Restructuring costs	2.7p	3.4p
IFRS 16 lease accounting adjustment on river cruise vessels	0.5p	–
Underlying Basic Earnings/(Loss) Per Share[6]	**11.9p**	**(11.1p)**

6 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

13 Business combinations and disposals

a) Acquisitions during the year ended 31 January 2023

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

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

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

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

Since acquisition, the addition of the Big Window insights and capabilities has added significant value to all Saga business units, in line with pre-acquisition expectations. However, because these benefits are largely associated with the continued employment of a small number of individuals, which under IFRS 3 cannot be separately capitalised, and given the low materiality of the amounts in question, the Group has written-off the £0.5m goodwill arising on acquisition in full in the year to 31 January 2023 (Note 16a).

The Big Window contributed £0.6m of revenue and a loss of £1.0m to the Group loss before tax from the date of acquisition to 31 January 2023.

b) Acquisitions during the year ended 31 January 2022

There were no business acquisitions in the year ended 31 January 2022.

c) Disposals

There were no business disposals in the years ended 31 January 2023 and 31 January 2022.

14 Goodwill

	Goodwill £m
Cost	
At 1 February 2021 and 31 January 2022	1,471.4
Acquisition of a subsidiary (Note 13a)	**0.5**
At 31 January 2023	**1,471.9**
Impairment	
At 1 February 2021 and 31 January 2022	752.8
Charge for the year (Note 16a)	**269.5**
At 31 January 2023	**1,022.3**
Net book value	
At 31 January 2023	**449.6**
At 31 January 2022	718.6

Goodwill deductible for tax purposes amounts to £nil (2022: £nil).

15 Intangible assets

	Software £m	Total £m
Cost		
At 1 February 2021	151.6	151.6
Additions and internally developed software	11.2	11.2
Disposals	(53.9)	(53.9)
At 31 January 2022	108.9	108.9
Additions and internally developed software	**13.4**	**13.4**
Disposals	**(7.3)**	**(7.3)**
At 31 January 2023	**115.0**	**115.0**
Amortisation and impairment		
At 1 February 2021	95.0	95.0
Amortisation	10.6	10.6
Impairment of assets (Note 16b)	9.9	9.9
Disposals	(53.7)	(53.7)
At 31 January 2022	61.8	61.8
Amortisation	**9.2**	**9.2**
Disposals	**(7.3)**	**(7.3)**
At 31 January 2023	**63.7**	**63.7**
Net book value		
At 31 January 2023	**51.3**	**51.3**
At 31 January 2022	47.1	47.1

The net book value of software at 31 January 2023 includes internally generated software of £26.2m (2022: £26.0m) relating to Guidewire (the Group's Insurance Broking, policy administration and billing platform), including additions in the year of £3.0m (2022: £0.2m). The Guidewire platform has an expected useful economic life of 10 years, with five years of phase one expenditure remaining at 31 January 2023. Implementation and the commencement of amortisation of the Guidewire platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2019.

The net book value of software at 31 January 2023 also includes internally generated software of £2.0m (2022: £2.3m) relating to Tigerbay (the Group's travel booking reservation system) including additions in the year of £nil (2022: £1.6m). The Tigerbay platform has an expected useful economic life of 10 years, with six years of phase one expenditure remaining at 31 January 2023. Implementation and the commencement of amortisation of the Tigerbay platform is on a phased basis, based on product re-platforming, and began in the year ended 31 January 2020.

In the prior year, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's former Tour Operations business (now River Cruise and Travel). As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m be recognised against the Group's software assets as at 31 January 2022, all of which related to the Tigerbay platform. In addition, the Group concluded that an impairment charge of £0.5m to software assets was required in the Group's Central Costs division.

The amortisation charge for the year is analysed as follows:

	2023 £m	2022 £m
Cost of sales	1.1	0.9
Administrative and selling expenses (Note 4)	8.1	9.7
	9.2	**10.6**

During the year, the Group disposed of assets with a net book value of £nil (2022: £0.2m). The profit arising on disposal was £0.1m (2022: £0.1m loss).

16 Impairment of intangible assets

a) Goodwill

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

	2023 £m	2022 £m
Insurance	449.6	718.6
	449.6	**718.6**

The Group tests all goodwill balances for impairment at least annually, and twice-yearly if indicators of impairment exist at the interim reporting date of 31 July. The impairment test compares the recoverable amount of each CGU to the carrying value of its net assets including the value of the allocated goodwill.

On 1 January 2022, new pricing rules arising from the implementation of recommendations included in the FCA's GIPP market study came into effect. As a result, and against the background of a highly competitive motor insurance market, the Group saw a fall in policy volumes in the period to 31 July 2022 and year to 31 January 2023, with a consequential adverse impact on the profitability of the Insurance business. Management considered this to be an indicator of impairment and therefore conducted full impairment reviews of the Insurance CGU as at 31 July 2022 and 31 January 2023.

The recoverable amount of the Insurance CGU has been determined based on a value-in-use calculation using nominal cash flow projections from the Group's latest five-year financial forecasts to 2027/28, which are derived using past experience of the Group's trading, combined with the anticipated impact of changes in macroeconomic and regulatory factors. A terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (July 2022: 2.0%; January 2022: 2.0%) as the expected long-term average nominal growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted nominal discount rate based on a market-participant view of the cost of capital and debt relevant to the insurance industry.

As at 31 January 2023, the pre-tax discount rate used for the Insurance CGU was 13.0% (July 2022: 12.7%; January 2022: 11.5%). The Group's five-year financial forecasts incorporate the modelled impact of the new pricing rules and the estimated impact this will likely have on future new business pricing and retention rates. As per IAS 36.44, incremental cash flows directly attributable to growth initiatives not yet enacted at the balance sheet date have then been removed for the purpose of the value-in-use calculation.

The Group has also considered the impact of downside stresses, both in terms of adverse impacts to the cash flow projections and to the discount rate. For the cash flow stress test, the Group has modelled the impact of a more prudent outlook of the current competitive challenges seen in the insurance broking market, in combination with a more cautious nominal terminal growth rate of 1.5% (July 2022: 1.5%; January 2022: 1.5%), reflecting a more conservative outlook for growth in the UK economy. For the discount rate stress test, the Group applied risk premia of +1.3ppt at 31 January 2023 (July 2022: +1.2ppt; January 2022: +1.5ppt).

The headroom/(deficit) for the Insurance CGU against the carrying value of goodwill at the time of the review of £449.6m at 31 January 2023 and £718.6m at 31 July 2022 and 31 January 2022 was as follows:

	Headroom/(deficit) £m								
	Central scenario			Cash flow stress test scenario			Discount rate stress test scenario		
	31 January 2023	31 July 2022	31 January 2022	31 January 2023	31 July 2022	31 January 2022	31 January 2023	31 July 2022	31 January 2022
Insurance	**153.9**	(121.8)	146.3	**12.0**	(269.0)	**89.7**	**92.6**	(146.8)	(10.2)

As at 31 July 2022, the Group determined that the recoverable amount of the goodwill asset allocated to the Insurance CGU was below the carrying value, and so the Directors took the decision to impair goodwill allocated to the Insurance CGU by £269.0m.

At 31 January 2023, the recoverable amount of the Insurance goodwill asset is above the carrying value, and no further impairment is considered necessary.

The headroom calculated is sensitive to the discount rate and terminal growth rate assumed, and to changes in the projected cash flow of the CGU. Increased inflationary pressures on claims, the evolving market response to the regulatory changes introduced in early 2022 and in particular the extent to which market prices move against Saga in a period of heightened global economic uncertainty, combine to increase the range of possible cash flow outcomes in management's modelling. A quantitative sensitivity analysis for each of these as at 31 January 2023 and its impact on the central scenario headroom against the carrying value of goodwill at the time of the review of £449.6m is as follows:

	Pre-tax discount rate		Terminal growth rate		Cash flow (annual)	
	+1.0ppt £m	−1.0ppt £m	+1.0ppt £m	−1.0ppt £m	+10% £m	-10% £m
Insurance	(47.7)	57.6	59.2	(46.6)	57.2	(57.2)

Given these sensitivities, the Directors consider that there is no reasonably possible change in any of the key assumptions made in the assessment that, when taken in isolation, would give rise to an impairment greater than that already recognised. However, it is possible that adverse movements in all key assumptions combined could result in further impairment in future years.

For the reasons explained in Note 13a, goodwill of £0.5m arising on the acquisition of the Big Window was immediately impaired in full.

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.

In the prior year, following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's former Tour Operations business (now River Cruise and Travel). As a result of this restructuring exercise, management performed an impairment review of software assets used by the Tour Operations business. The outcome of the impairment review concluded that an impairment charge of £9.4m (Note 15) be recognised against the Group's software assets as at 31 January 2022, all of which related to the Tigerbay platform. In addition, the Group concluded that an impairment charge of £0.5m (Note 15) to software assets was required in the Group's Central Costs division.

17 Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Ocean cruise ships £m	Plant and equipment £m	Total £m
Cost					
At 1 February 2021	15.4	9.2	648.3	61.6	734.5
Additions	–	–	2.7	4.4	7.1
Disposals	(0.1)	–	–	(18.9)	(19.0)
Transfer of asset class	–	0.3	(0.5)	(0.9)	(1.1)
Reclassification from assets held for sale (Note 38)	3.8	–	–	–	3.8
Reclassification to assets held for sale (Note 38)	(4.0)	–	–	–	(4.0)
At 31 January 2022	15.1	9.5	650.5	46.2	721.3
Additions	**–**	**–**	**6.5**	**1.7**	**8.2**
Disposals	**–**	**–**	**(0.5)**	**(9.1)**	**(9.6)**
Transfer of asset class	**–**	**–**	**(0.1)**	**0.1**	**–**
Reclassification to assets held for sale (Note 38)	**(14.7)**	**(4.3)**	**–**	**(4.3)**	**(23.3)**
At 31 January 2023	**0.4**	**5.2**	**656.4**	**34.6**	**696.6**
Depreciation and impairment					
At 1 February 2021	2.2	5.5	13.3	53.3	74.3
Provided during the year	0.2	0.1	16.1	2.9	19.3
Impairment of assets	0.2	–	–	0.1	0.3
Disposals	–	–	–	(18.4)	(18.4)
Transfer of asset class	–	0.3	(0.2)	(0.6)	(0.5)
Reclassification from assets held for sale (Note 38)	0.8	–	–	–	0.8
Reclassification to assets held for sale (Note 38)	(1.0)	–	–	–	(1.0)
At 31 January 2022	2.4	5.9	29.2	37.3	74.8
Provided during the year	**0.2**	**0.2**	**20.5**	**2.6**	**23.5**
Impairment of assets	**–**	**–**	**–**	**0.5**	**0.5**
Disposals	**–**	**–**	**(0.3)**	**(9.1)**	**(9.4)**
Reclassification to assets held for sale (Note 38)	**(2.2)**	**(0.9)**	**–**	**(0.7)**	**(3.8)**
At 31 January 2023	**0.4**	**5.2**	**49.4**	**30.6**	**85.6**
Net book value					
At 31 January 2023	**–**	**–**	**607.0**	**4.0**	**611.0**
At 31 January 2022	12.7	3.6	621.3	8.9	646.5

17 Property, plant and equipment continued

The depreciation charge for the year is analysed as follows:

	2023 £m	2022 £m
Cost of sales	21.5	17.1
Administrative and selling expenses (Note 4)	2.0	2.2
	23.5	**19.3**

During the year, the Group disposed of assets with a net book value of £0.2m (2022: £0.6m). The profit arising on disposal was £nil (2022: £0.4m loss).

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

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

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

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

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

The cash flows were discounted to present value using a pre-tax discount rate of 8.6% (January 2022: 9.9%) for both vessels. As at 31 July 2022, the headroom for each of the ships against the carrying value was as follows:

	Headroom £m	
	Central scenario	Lower trading stress test scenario
Spirit of Discovery	169.0	146.5
Spirit of Adventure	114.7	91.6

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

In the second half of the year, further COVID-19 restrictions were lifted for cruise passengers and trading was in line with forecasts. Discount rates have risen, but not to the extent that they materially change the headroom in the impairment calculation. The Directors therefore concluded that there were no additional indicators of impairment at 31 January 2023, and accordingly no further impairment review has been deemed necessary.

As the Group is planning to vacate most of its properties (Note 38), management has concluded that this constitutes an indicator of impairment and has duly conducted an impairment review as at 31 January 2023 of the Group's freehold, and long leasehold, land and buildings, and related fixtures and fittings. In relation to these freehold and long leasehold properties, value-in-use is negligible and so the Group has obtained market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that an impairment charge totalling £0.5m relating to fixtures and fittings should be recognised against the Group's assets as at 31 January 2023. At the year end, the Group reclassified assets with a net book value of £19.5m to assets held for sale (Note 38).

In the prior year, the Group declassified one of the properties classified as held for sale at 31 January 2021, to property, plant and equipment since it was no longer being actively marketed for disposal (Note 38). The carrying value of this property as at 31 January 2021 was £3.0m. During the year ended 31 January 2023, a unsolicited conditional offer for sale was accepted by the Group in respect of this property. As a consequence the property has been reclassified back to assets held for sale as at the statement of financial position date.

In addition, during the year ended 31 January 2022, following management's decision to restructure the Group's Tour Operations CGU, the Group impaired property, plant and equipment in its Tour Operations CGU by £0.3m.

18 Right-of-use assets

	Long leasehold land and buildings £m	River cruise ships £m	Plant and equipment £m	Total £m
Cost				
At 1 February 2021	2.1	–	5.9	8.0
Additions	1.3	33.5	1.0	35.8
Disposals	(0.7)	–	(1.2)	(1.9)
Transfer of asset class	4.0	–	0.9	4.9
Effect of modification of lease terms	(5.1)	–	–	(5.1)
At 31 January 2022	1.6	33.5	6.6	41.7
Additions	**0.5**	**21.5**	**3.6**	**25.6**
Disposals	**–**	**–**	**(1.6)**	**(1.6)**
Effect of reassessment of lease terms	**–**	**(22.5)**	**–**	**(22.5)**
At 31 January 2023	**2.1**	**32.5**	**8.6**	**43.2**
Depreciation and impairment				
At 1 February 2021	1.6	–	3.6	5.2
Provided during the year	0.1	0.7	1.5	2.3
Disposals	(0.7)	–	(0.4)	(1.1)
Transfer of asset class	4.1	–	0.2	4.3
Effect of modification of lease terms	(5.0)	–	–	(5.0)
At 31 January 2022	0.1	0.7	4.9	5.7
Provided during the year	**0.4**	**7.4**	**1.1**	**8.9**
Disposals	**–**	**–**	**(1.6)**	**(1.6)**
Effect of reassessment of lease terms	**–**	**(0.5)**	**–**	**(0.5)**
At 31 January 2023	**0.5**	**7.6**	**4.4**	**12.5**
Net book value				
At 31 January 2023	**1.6**	**24.9**	**4.2**	**30.7**
At 31 January 2022	1.5	32.8	1.7	36.0

The depreciation charge for the year is analysed as follows:

	2023 £m	2022 £m
Cost of sales	7.8	1.6
Administrative and selling expenses (Note 4)	1.1	0.7
	8.9	**2.3**

18 Right-of-use assets continued

During the year, the Group disposed of assets with a net book value of £nil (2022: £0.8m). The profit arising on disposal was £nil (2022: £0.1m). The total cash outflow for leases amounted to £9.1m (2022: £4.4m).

River cruise ship additions in the year ended 31 January 2023 relate to the river cruise vessels, Spirit of the Danube (Note 37a), MS River Discovery II and MS Serenade 1. River cruise ship additions in the year ended 31 January 2022 related to the river cruise vessel, Spirit of the Rhine.

During the year ended 31 January 2023, management reviewed the allocation of costs under its river cruise charter agreements. As a consequence, a proportion of costs previously included as lease costs for Spirit of the Rhine were reassessed as costs of ongoing service provision. Accordingly, the right-of-use asset and liability relating to this ship have been adjusted in the current year, reflecting a prospective change in estimate as required under IAS 8.

In the year ended 31 January 2022, the modification of lease terms relating to long leasehold land and buildings resulted in a gain of £0.3m being reported in the income statement in the year.

a) Impairment review of right-of-use assets

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

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

Based on the impairment tests undertaken and looking at the likelihood of a range of outcomes, the Group was satisfied that there was headroom over and above the carrying value of Spirit of the Rhine.

The Group does not consider it necessary to conduct an impairment review of right-of-use assets as at 31 January 2023 since no new indicators of impairment exist in relation to the Spirit of the Rhine, Spirit of the Danube, MS River Discovery II or MS Serenade 1.

19 Financial assets and financial liabilities

a) Financial assets

	2023 £m	2022 £m
FVTPL		
Foreign exchange forward contracts	0.4	0.4
Loan funds	5.9	6.2
Money market funds	19.6	29.2
	25.9	**35.8**
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	2.1	0.3
Fuel oil swaps	–	1.2
	2.1	**1.5**
FVOCI		
Debt securities	254.4	280.8
	254.4	**280.8**
Amortised cost		
Deposits with financial institutions	–	14.0
	–	**14.0**
Total financial assets	**282.4**	**332.1**
Current	62.8	110.0
Non-current	219.6	222.1
	282.4	**332.1**

	2023 £m	2022 £m
Total financial assets (as above and presented on the face of the statement of financial position)	282.4	332.1
Trade receivables (Note 23)	141.3	109.9
Other receivables (Note 23)	23.4	17.3
Cash and short-term deposits (Note 25)	176.5	226.9
Total financial assets (including cash and short-term deposits, trade and other receivables)	**623.6**	**686.2**

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

Debt securities, where the contractual cash flows are solely principal and interest, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets, are classified as FVOCI. On disposal of these debt securities, any related balance within the fair value reserve is reclassified to other gains/(losses) within profit or loss.

Deposits with financial institutions, where the contractual cash flows are solely principal and interest, and the objective of the Group's business model is achieved by holding the asset in order to collect contractual cash flows, are classified as measured at amortised cost. The fair values of financial assets held at amortised cost are not materially different from their carrying amounts.

19 Financial assets and financial liabilities continued

b) Financial liabilities

	2023 £m	2022 £m
FVTPL		
Foreign exchange forward contracts	0.2	1.3
	0.2	**1.3**
FVTPL designated in a hedging relationship		
Foreign exchange forward contracts	1.0	2.7
Fuel oil swaps	4.0	–
	5.0	**2.7**
Amortised cost		
Bonds and bank loans (Note 30)	854.6	896.5
Lease liabilities	32.6	35.3
Bank overdrafts	4.4	0.4
	891.6	**932.2**
Total financial liabilities	**896.8**	**936.2**
Current	118.6	56.1
Non-current	778.2	880.1
	896.8	**936.2**

	2023 £m	2022 £m
Total financial liabilities (as above and presented on the face of the statement of financial position)	896.8	936.2
Trade payables (Note 26)	140.1	124.8
Other payables (Note 26)	2.9	5.8
Total financial liabilities (including trade and other payables)	**1,039.8**	**1,066.8**

Except for the Group's bonds, the fair values of financial liabilities held at amortised cost are not materially different from their carrying amounts, since the interest payable on those liabilities is close to current market rates. The fair value of the Group's bonds (Note 30) at 31 January 2023 is £334.3m (2022: £382.5m).

All financial assets that are measured at FVTPL are mandatorily measured at FVTPL and all financial liabilities that are measured at FVTPL meet the definition of held for trading.

c) Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include foreign currency exchange rates and future oil prices.

The objective of using valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

Observable prices are those that have been seen either from counterparties or from market pricing sources, including Bloomberg. The use of these depends upon the liquidity of the relevant market.

c) Fair values continued

Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i) Level 1

These are valuation techniques that are based entirely on quoted market prices in an actively traded market and are the most reliable. All money market funds, loan funds and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted active market price.

ii) Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets.

The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying instrument.

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, credit valuation adjustment /debit valuation adjustment risk adjustments are factored into the fair values of these instruments. As at 31 January 2023, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

The fair values are periodically reviewed by the Group's Treasury Committees.

iii) Level 3

These are valuation techniques for which any significant inputs are not based on observable market data.

The following tables provide the quantitative fair value hierarchy of the Group's financial assets and financial liabilities that are held at fair value:

	At 31 January 2023				At 31 January 2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value								
Foreign exchange forwards	–	2.5	–	2.5	–	0.7	–	0.7
Fuel oil swaps	–	–	–	–	–	1.2	–	1.2
Loan funds	5.9	–	–	5.9	6.2	–	–	6.2
Debt securities	254.4	–	–	254.4	280.8	–	–	280.8
Money market funds	19.6	–	–	19.6	29.2	–	–	29.2
Financial liabilities measured at fair value								
Foreign exchange forwards	–	1.2	–	1.2	–	4.0	–	4.0
Fuel oil swaps	–	4.0	–	4.0	–	–	–	–
Financial assets for which fair values are disclosed								
Deposits with institutions	–	–	–	–	–	14.0	–	14.0
Financial liabilities for which fair values are disclosed								
Bonds and bank loans	–	788.9	–	788.9	–	879.0	–	879.0
Lease liabilities	–	32.6	–	32.6	–	35.3	–	35.3
Bank overdrafts	–	4.4	–	4.4	–	0.4	–	0.4

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 (2022: none). The Group's policy is to recognise transfers into, and out of, fair value hierarchy levels as at the end of the reporting period.

The values of the debt securities, money market funds and loan funds are based upon publicly available market prices.

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

19 Financial assets and financial liabilities continued

d) Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2023, the Group designated 352 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.

	Designated in the year		**At 31 Jan 2023**		At 31 Jan 2022	
Foreign currency cash flow hedging instruments	Volume	£m	**Volume**	**£m**	Volume	£m
Euro (**EUR**)	70	0.6	103	1.1	133	(2.5)
US dollar (**USD**)	109	(0.2)	127	0.1	86	0.1
Other currencies	173	(0.1)	216	(0.1)	212	–
Total	**352**	**0.3**	**446**	**1.1**	**431**	**(2.4)**

Hedging instruments for other currencies are in respect of Australian dollars, Canadian dollars, Swiss francs, Japanese yen, New Zealand dollars, Norwegian krone, Thai baht, Chinese yuan, Danish krona and South African rand.

ii) Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (**swaps**) in the management of its fuel price exposures. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and are designated as cash flow hedges. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

	Designated in the year		**At 31 Jan 2023**		At 31 Jan 2022	
Commodity cash flow hedging instruments	Volume	£m	**Volume**	**£m**	Volume	£m
Hedging instruments	**68**	**(4.0)**	**68**	**(4.0)**	**36**	**1.2**

iii) Hedge maturity profile

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2023. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	**EUR £m**	**USD £m**	**Other currencies £m**	**Currency hedges £m**	**Fuel hedges £m**	**Total £m**
1 February 2023 to 31 July 2023	28.1	22.4	6.7	57.2	(1.8)	55.4
1 August 2023 to 31 January 2024	20.4	20.6	5.8	46.8	(1.6)	45.2
1 February 2024 to 31 July 2024	2.1	8.1	0.7	10.9	(0.3)	10.6
1 August 2024 to 31 January 2025	0.1	2.2	0.5	2.8	(0.3)	2.5
Total	50.7	53.3	13.7	117.7	(4.0)	113.7

During the year, the Group recognised net losses of £2.0m (2022: £2.1m gains) on cash flow hedging instruments through OCI into the hedging reserve. The Group recognised £nil gains (2022: £nil) through the income statement in respect of the ineffective portion of hedges measured during the year.

During the year, the Group has de-designated 12 foreign currency forward contracts, with a transaction value of £0.7m, where forecast cash flows are no longer expected to occur with a sufficiently high degree of certainty to meet the requirements of IFRS 9. The accumulated gains in relation to these contracts of £nil have been reclassified from the hedging reserve into profit or loss during the year. The Group has not de-designated any fuel oil swaps during the year. During the year, the Group recognised a £0.3m loss (2022: £1.2m gain) through the income statement in respect of matured hedges which have been recycled from OCI.

20 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of the loans and borrowings financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include debt securities, deposits with financial institutions, money market funds, loan funds, trade and other receivables, and cash and short-term deposits. The Group also enters into derivative transactions such as foreign exchange forward contracts, fuel and gas oil swaps and interest rate swaps to manage its exposures to various risks.

The Group is exposed to market risk, credit risk, liquidity risk, insurance risk and operational risk. The Group's senior management oversees these risks, supported by the Group Treasury function and Treasury Committees within the key areas of the Group that advise on financial risks and the appropriate financial risk governance framework for the Group. These functions and Committees ensure that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group's Treasury function. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group manages concentration risk on its financial assets through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit by asset class and to third-party institutions based on the credit ratings of the individual counterparties, combined with the views of the Board. On a monthly basis, exposure to each asset class and counterparty is calculated and reported, and compliance with the policy is monitored.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Group is exposed to the following market risk factors:

- Foreign currency risk
- Commodity price risk
- Interest rate risk

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits that the Group is willing to accept considering strategy, risk appetite and capital resources. The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency and fuel oil price risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes. For risk exposures that the Group hedges, and for which the Group applies hedge accounting, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts, some of which are formally designated as hedging instruments, are entered into for periods consistent with the foreign currency exposure of the underlying transactions, generally from one to 24 months. The foreign exchange forward contracts vary with the level of expected foreign currency sales and purchases.

20 Financial risk management objectives and policies continued

The following table demonstrates the sensitivity of the fair value of forward exchange contracts to a 5% change in USD and EUR exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 5% forex rate change in	Effect on equity	Effect on profit after tax
2023	**EUR**	**+/– £2.4m**	**+/– £0.2m**
	USD	**+/– £2.5m**	**+/– £0.2m**
2022	EUR	+/– £2.8m	+/– £0.7m
	USD	+/– £1.7m	+/– £0.4m

To the extent that forward exchange contracts are held as part of effective hedging relationships, any change to the fair value of the instrument will be offset by an equal and opposite change to the cost of the hedged item.

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 ocean cruise ships and therefore require a continuous supply of fuel and gas oil. The volatility in the price of fuel and gas oil has led to the decision to enter into commodity fuel and gas oil swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and gas oil. Managing the price volatility of forecast oil purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The Group manages the purchase price using forward commodity purchase contracts based on future forecast fuel oil requirements.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the underlying fuel oil price (USD) with all other variables held constant. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 5% rate change in	Effect on equity	Effect on profit after tax
2023	**USD – Fuel oil price**	**+/– £0.8m**	**+/– £0.0m**
2022	USD – Fuel oil price	+/– £0.5m	+/– £0.0m

iii) Interest rate risk

Interest rate risk is defined in IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from medium and long-term investments in fixed interest securities. The market value of these investments is affected by the movement in interest rates. This is managed by a policy of holding the majority of investments to maturity by closely matching asset and liability duration.

It is also ensured that the investment portfolio has a diversified range of investments such that there is a combination of fixed and floating rate securities, as well as other types of investment such as Retail Price Index linked securities.

Interest rate risk also arises in respect of the Group's borrowings where the interest rate attaching to those borrowings is not fixed. Where the Group perceives there to be a significant interest rate risk, it manages its exposure to such risks by purchasing interest rate caps to limit the risk.

The following table shows the sensitivity of financial assets and liabilities to changes in the Sterling Overnight Index Average (**SONIA**). The impact is shown net of tax at the current rate.

	Sensitivity of +/– 1% rate change in	Effect on equity	Effect on profit after tax
2023	**SONIA**	**+/– £0.4m**	**+/– £0.4m**
2022	SONIA	+/– £0.8m	+/– £0.2m

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial and reinsurance assets, outstanding derivatives, trade and other receivables, and cash and cash equivalents. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel oil and foreign currency contracts, and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore define the credit limit for each counterparty in accordance with approved treasury policies.

The credit risk in respect of trade and other receivables is generally limited as payment from customers is generally required before services are provided. At 31 January 2023, the maximum exposure to credit risk for trade receivables by operating segment was as follows:

	2023 £m	2022 £m
Cruise and Travel	1.8	2.3
Insurance	68.0	42.6
Other Businesses and Central Costs	2.1	2.3
	71.9	**47.2**

The variance between the quantum of the maximum exposure to credit risk for trade receivables (above) and total of trade receivables presented in 'Trade and other receivables' (Note 23) primarily relates to insurance instalment gross premium debtors due from customers, for which a corresponding related creditor exists with third-party insurers for the net premium. In the event of payment obligation default by a customer no longer on risk, the impairment of the debtor balance by the Group would lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer. In the event of payment obligation default by a customer remaining on risk, the impairment of the debtor balance by the Group would not lead to a corresponding reduction in the related creditor with, or refund of net premium from, the third-party insurer, and the Group would bear the credit risk relating to the debtor balance.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The loss allowance required for these receivables is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime ECLs are recognised irrelevant of the credit risk. The loss allowance is based on a combination of: (i) aged debtor analysis; (ii) historical experience of write-offs for each receivable; (iii) any specific indicators of credit deterioration observed; and (iv) management judgement. Loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

On that basis, the loss allowance as at 31 January 2023 and 31 January 2022 was determined as follows for trade receivables:

31 January 2023	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**	**Total**
Expected loss rate	0%	7%	6%	34%	15%	66%	
Gross carrying amount – trade receivables (Note 23)	£139.1m	£2.1m	£0.2m	£0.1m	£0.2m	£0.7m	£142.4m
Loss allowance (Note 23)	**£0.5m**	**£0.1m**	**£0.0m**	**£0.0m**	**£0.0m**	**£0.5m**	**£1.1m**

31 January 2022	Current	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	Total
Expected loss rate	1%	13%	4%	6%	4%	39%	
Gross carrying amount – trade receivables (Note 23)	£101.7m	£1.2m	£0.5m	£0.4m	£0.4m	£10.7m	£114.9m
Loss allowance (Note 23)	**£0.6m**	**£0.2m**	**£0.0m**	**£0.0m**	**£0.0m**	**£4.2m**	**£5.0m**

The loss allowance for trade receivables reconciles to the opening allowances as follows:

	2023 £m	2022 (restated) £m
Opening loss allowance at 1 February	5.0	13.9
Increase in loan loss allowance recognised in profit or loss during the year	1.3	0.7[7]
Receivables written off during the year as uncollectable	(3.5)	(8.0)[7]
Unused amount reversed	(1.7)	(1.6)[7]
Closing loss allowance at 31 January	**1.1**	**5.0**

7 Movements in the credit loss allowance for the year ended 31 January 2022 have been restated due to an incorrect allocation between the various movements in the year

20 Financial risk management objectives and policies continued

Credit risk in relation to deposits, debt securities and derivative counterparties is managed by the Group's Treasury function in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on a regular basis and updated throughout the year subject to approval by the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through any potential counterparty failure.

The Group is exposed to the risk of default on the reinsurance arrangements in its Insurance Underwriting business when amounts recoverable under those arrangements become due. The Group has entered into a funds-withheld quota share reinsurance contract to reduce its exposure to credit risk. Credit risk in respect of reinsurance arrangements is assessed at the time of entering into a reinsurance contract. The Group's reinsurance programme is only placed with reinsurers which meet the Group's financial strength criteria.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2023 and 31 January 2022 is the gross carrying amount except for derivative financial instruments and trade receivables. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets, other than trade receivables where a loss allowance has been determined as set out above, were impaired at the reporting date.

The Group's financial assets and reinsurance assets are analysed by Moody's credit risk rating as follows:

Ratings analysis

31 January 2023 **£m**	**AAA**	**AA**	**A**	**BBB**	**Unrated**	**Total**
Debt securities	23.5	74.9	64.2	91.8	–	254.4
Money market funds	19.6	–	–	–	–	19.6
Derivative assets	–	–	2.5	–	–	2.5
Loan funds	–	–	–	–	5.9	5.9
	43.1	74.9	66.7	91.8	5.9	282.4
Reinsurance assets	–	38.2	30.6	–	–	68.8
Total	**43.1**	**113.1**	**97.3**	**91.8**	**5.9**	**351.2**

31 January 2022 £m	AAA	AA	A	BBB	Unrated	Total
Debt securities	20.2	94.4	68.0	98.2	–	280.8
Money market funds	29.2	–	–	–	–	29.2
Deposits with financial institutions	–	–	14.0	–	–	14.0
Derivative assets	–	–	1.8	0.1	–	1.9
Loan funds	–	–	–	–	6.2	6.2
	49.4	94.4	83.8	98.3	6.2	332.1
Reinsurance assets	–	36.3	29.1	–	–	65.4
Total	**49.4**	**130.7**	**112.9**	**98.3**	**6.2**	**397.5**

c) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash or availability on its RCF. The Group manages its obligations to pay claims to policyholders as they fall due by matching the maturity of investments to the expected maturity of claims payments.

The table below analyses the maturity of the Group's financial liabilities and insurance contract liabilities on contractual payments. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date. The analysis of claims outstanding is based on the expected dates on which the claims will be settled and is before discounting, gross of reinsurance.

31 January 2023 **£m**	**On demand**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Bonds and bank loans	–	62.2	212.2	406.4	188.4	869.2
Interest on bonds and bank loans	–	33.6	28.8	46.0	13.4	121.8
Insurance contract liabilities	–	85.3	79.7	75.7	102.1	342.8
Derivative liabilities	–	4.1	1.1	–	–	5.2
Lease liabilities	–	8.9	3.5	10.0	10.2	32.6
	–	**194.1**	**325.3**	**538.1**	**314.1**	**1,371.6**

31 January 2022 £m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bonds and bank loans	–	46.4	62.2	572.0	235.0	915.6
Interest on bonds and bank loans	–	32.7	31.3	65.4	20.0	149.4
Insurance contract liabilities	–	88.0	50.1	76.8	115.9	330.8
Derivative liabilities	–	3.7	0.3	–	–	4.0
Lease liabilities	–	3.9	3.6	11.4	16.4	35.3
	–	**174.7**	**147.5**	**725.6**	**387.3**	**1,435.1**

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 excess of loss contracts, pricing policies and claims management, and administration policies.

i) Underwriting and pricing risk

The Group primarily underwrites motor insurance for private cars in the UK. The book consists of a large number of individual risks which are widely spread geographically, which helps to minimise concentration risk. The Group has controls in place to restrict access to its products to only those risks that it wishes to underwrite.

The Group has management information to allow it to monitor underwriting performance on a continuous basis and the ability to make pricing and underwriting changes quickly. The Group undertakes detailed statistical analysis of underwriting experience for each rating factor and combination of rating factors, to enable it to adjust pricing for emerging trends.

ii) Reserving risk

Reserving risk is the risk that insufficient funds have been set aside to settle claims as they fall due. The Group undertakes regular internal actuarial reviews and commissions external actuarial reviews at least once a year. These reviews estimate the future liabilities in order to consider the adequacy of the provisions.

Claims which are subject to PPOs are a significant source of uncertainty in the claim's reserves. Cash flow projections are undertaken for PPO claims to estimate the gross and net of reinsurance provisions required. PPO provisions are discounted to reflect expectations of future investment returns and cost inflation.

In the year to 31 January 2022, the Group considered the additional latency risk to claims cost development caused by the impact of the COVID-19 pandemic and recognised an additional claims reserve above actuarial best estimate to cover this specific risk. The latency risk provision in relation to the COVID-19 pandemic has been released over the year to 31 January 2023, reflective of the improvement in the COVID-19 outlook.

iii) Reinsurance

The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophic event. During 2018, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 80% of the Group's motor claims risks limited by a loss ratio cap of 130%, effective from 1 February 2019. Prior to this, the Group had a funds-withheld quota share reinsurance contract in place that reinsured 75% of the Group's motor claims risks limited by a loss ratio cap of 120%. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has underwritten motor business.

Reinsurance recoveries on individual excess of loss protections can take many years to collect, particularly if a claim is subject to a PPO. This means that the Group has exposure to reinsurance credit risk for many years. Reinsurers are therefore required to have strong credit ratings and their financial health is regularly monitored.

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a five-percentage point variation in the recorded loss ratio at 31 January 2023 and 31 January 2022. The impact of a 5% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate. The impact to the statement of financial position as at 31 January 2023 and 31 January 2022 of a 0.25% percentage point change in discount rate for PPOs is also shown.

	2023	2022
Impact of a five-percentage point change in loss ratio	+/– £3.0m	+/– £3.3m
Impact of 5% change in claims outstanding	+/– £4.1m	+/– £4.1m
Impact of a 0.25 percentage point change in discount rate for PPOs	+/– £2.0m	+/– £2.2m

20 Financial risk management objectives and policies continued

e) Operational risk

Effective operational risk management requires the Group to identify, assess, manage, monitor, report and mitigate all areas of exposure. The Group operates across a range of segments and operational risk is inherent in all of the Group's products and services, arising from the operation of assets, from external events and dependencies, and from internal processes and systems.

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which, together, ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes. The resilience of the Group's disaster recovery plans was demonstrated during the COVID-19 lockdown. The Group was able to quickly move office-based colleagues to working from home arrangements, ensuring that it was able to continue to support existing and new customers through the contact centre and support functions.

All of the Group's operations are dependent on: the proper functioning of its IT and communication systems; its properties and other infrastructure assets; the need to adequately maintain and protect customer and employee data and other information; and the ability of the Group to attract and retain colleagues. Specific areas of operational risk by segment include:

i) Cruise and Travel

The Cruise and Travel segment operates two ocean cruise ships, which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly, or its suppliers. The Cruise and Travel segments transact with multiple suppliers which minimises the impact of any socio-economic events affecting its suppliers. The COVID-19 pandemic created an unprecedented challenge for the Group and a high level of uncertainty for all companies. This uncertainty eased as COVID-19 restrictions lifted. Further detail is provided within the basis of preparation and going concern sections in Note 2.1 on pages 143-144.

ii) Insurance

The Insurance segment is required to comply with various operational regulatory requirements, primarily in the UK but also within Gibraltar for its Underwriting business. To the extent that significant external events could increase the incidence of claims, these would place additional strain on the claims handling function but any financial impact of such an event is considered to be an insurance risk.

iii) Other Businesses and Central Costs

The financial services business is required to comply with various operational regulatory requirements in the UK.

21 Interests in unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting, or similar, rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. The Group has interests in unconsolidated structured entities in the form of investment funds comprising:

- bank loan funds; and
- money market funds.

The nature and purpose of the bank loan funds are to diversify the investment portfolio and enhance the overall yield, while maintaining an acceptable level of risk for the portfolio as a whole.

Bank loan funds invest in secured loans to companies rated below investment grade.

The nature and purpose of the money market funds is to provide maximum security and liquidity for the funds invested while also providing an adequate return. The money market funds used by the Group are all members of the Institutional Money Market Funds Association. They are thus required to maintain specified liquidity and diversification characteristics of their underlying portfolios, which comprise investment grade investments in financial institutions.

The Group invests in unconsolidated structured entities as part of its investment activities. The Group does not sponsor any of the unconsolidated structured entities.

At 31 January 2023, the Group's total interest in unconsolidated structured entities was £25.5m analysed as follows:

	Carrying value £m	Interest income £m	Fair value losses £m
Loan funds	5.9	0.2	(0.3)
Money market funds	19.6	0.5	–

These investments are typically managed under credit risk management as described in Note 20. The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments. No further loss can be made by the Group in relation to these investments. For this reason, the total assets of the entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented.

22 Inventories

	2023 £m	2022 £m
Raw materials	0.7	0.3
Technical stocks	4.4	2.3
Finished goods	1.9	3.7
	7.0	**6.3**

Technical stocks are spare parts for the Group's ocean cruise ships. Finished goods primarily relate to ocean cruise ship fuel, food, bar and sundry stocks.

23 Trade and other receivables

	2023 £m	2022 £m
Trade receivables (Note 20b)	142.4	114.9
Loss allowance (Note 20b)	(1.1)	(5.0)
	141.3	109.9
Other receivables	23.4	17.3
Prepayments	25.8	16.8
Contract cost assets (Note 3b)	2.5	2.6
Deferred acquisition costs	13.9	18.2
Other taxes and social security costs	5.6	4.7
	212.5	**169.5**

An explanation of how the Group manages and measures the credit risk of trade receivables can be found in Note 20b. The Group expects trade and other receivables to be normally settled within 12 months. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

24 Trust accounts

The Civil Aviation Authority (**CAA**) and Association of British Travel Agents (**ABTA**) regulated the River Cruise and Travel businesses conducted by the Group in the UK during the year. To comply with its regulatory obligations, the Group is required to arrange financial security to protect customer monies, in addition to making ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

From 25 September 2020, the Group changed its method of customer protection for ATOL licensable bookings from financial security bonds to paying customer monies into trust (**Trust Accounting**). Under Trust Accounting, all monies the Group receives from customers in respect of ATOL licensable holiday packages sold, are held in trust until such time as the Group has fulfilled its obligations to the customer. The trust is administered and controlled by an independent Trustee, PT Trustees Limited. Interest arising from the funds held on trust belongs to the Group.

With the introduction of Trust Accounting in September 2020, the Group is no longer required to hold financial security bonds in relation to ATOL bookings. In relation to ABTA bookings a bonding requirement still exists (Note 37c).

25 Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	52.0	174.6
Short-term deposits	124.5	52.3
Cash and short-term deposits	**176.5**	**226.9**
Money market funds	19.6	29.2
Bank overdraft	(4.4)	(0.4)
Cash and cash equivalents in the cash flow statement	**191.7**	**255.7**

Included within cash and cash equivalents are amounts held by the Group's River Cruise, Travel and Insurance businesses, which are subject to contractual or regulatory restrictions (Note 35). These amounts held are not readily available to be used for other purposes within the Group and total £34.2m (2022: £69.1m). Available Cash[8] excludes these amounts.

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

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

8 Refer to the Alternative Performance Measures Glossary on page 209 for definition and explanation

26 Trade and other payables

	2023 £m	2022 £m
Trade payables	140.1	124.8
Other payables	2.9	5.8
Other taxes and social security costs	8.7	9.4
Assets in the course of construction	4.5	3.8
Accruals	41.5	55.9
	197.7	**199.7**

All trade and other payables are current in nature. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

27 Retirement benefit schemes

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

In July 2021, following the completion of a review of the Group's pension arrangements, a consultation process with active members was launched. The consultation process concluded during October 2021, and with effect from 31 October 2021, the Group closed both its existing schemes to future accrual: the Saga Pension Scheme (its defined benefit plan) and the Saga Workplace Pension Plan (its defined contribution plan). In their place, the Group launched a new defined contribution pension scheme arrangement, operated as a Master Trust. This move served to reduce the risk of further deficits developing in the future on the defined benefit scheme, while moving to a fairer scheme for all colleagues.

a) Defined contribution plans

There are three defined contribution schemes in the Group at 31 January 2023 (2022: three). The total charge for the year in respect of the defined contribution schemes was £9.9m (2022: £4.5m). The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b) Defined benefit plan

The Group operated a funded defined benefit scheme, the Saga Pension Scheme, which was closed to future accrual on 31 October 2021. From 1 November 2021, members moved from active to deferred status, with future indexation of deferred pensions before retirement measured by reference to the Consumer Price Index. During the prior year, a net expense of £2.0m was recognised as a past service cost (within administrative and selling expenses) relating to the closure. The assets of the scheme are held separately from those of the Group in independently administered funds.

The scheme is governed by the employment laws of the UK. The level of benefits provided depends on the member's length of service and average salary while a member of the scheme. The scheme requires contributions to be made to a separately administered fund which is governed by a Board of Trustees and consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy of members. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided super security to the Trustees of the scheme, which ranks before any liabilities under the senior facilities agreement (as detailed in Note 30). The value of the security is capped at £47.5m.

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

	2023 £m	2022 £m
Fair value of scheme assets	224.1	412.0
Present value of defined benefit obligation	(236.2)	(410.9)
Defined benefit scheme (liability)/asset	**(12.1)**	**1.1**

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

During the year ended 31 January 2023, the net position of the Saga Scheme has decreased by £13.2m, resulting in an overall scheme deficit of £12.1m. The movements observed in the scheme's assets and obligations have been impacted significantly by macroeconomic factors during the year where, at a global level, there have been rising inflation and cost of living pressures, as well as shifts in long-term market yields. The present value of defined benefit obligations decreased by £174.7m to £236.2m, primarily due to a 245bps increase in the discount rate which is based on increases in long-term trend corporate bond yields. The fair value of scheme assets decreased by £187.9m to £224.1m. The decrease in asset values has been largely driven by the sharp rise in interest rates in the year. Liability driven investment (**LDI**) strategies resulted in assets being sold in order to meet the liquidity calls required by the fall in leveraged LDI values. The Saga scheme has a hedged component, but this is relative to gilt yields, rather than corporate bond yields, which are used to derive the defined benefit obligation. A £5.8m deficit funding contribution was paid by the Group in February 2022 in relation to a recovery plan agreed under the latest triennial valuation of the scheme as at 31 January 2020.

The following table summarises the components of the net benefit expense recognised in the income statement, OCI and amounts recognised in the statement of financial position for the scheme for the year ended 31 January 2023:

	Fair value of scheme assets £m	Defined benefit obligation £m	Defined benefit scheme liability £m
1 February 2022	412.0	(410.9)	1.1
Pension cost charge to income statement			
Net interest	8.9	(8.8)	0.1
Included in income statement	8.9	(8.8)	0.1
Benefits paid	(6.8)	6.8	–
Return on plan assets (excluding amounts included in net interest expense)	(195.8)	–	(195.8)
Actuarial changes arising from changes in financial assumptions	–	184.3	184.3
Experience adjustments	–	(7.6)	(7.6)
Sub-total included in OCI	(202.6)	183.5	(19.1)
Total contributions by employer	5.8	–	5.8
At 31 January 2023	**224.1**	**(236.2)**	**(12.1)**

The following table summarises the components of the net benefit expense recognised in the income statement, OCI and amounts recognised in the statement of financial position for the scheme for the year ended 31 January 2022:

	Fair value of scheme assets £m	Defined benefit obligation £m	Defined benefit scheme (liability)/ surplus £m
At 1 February 2021	411.2	(415.5)	(4.3)
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(3.9)	(3.9)
Non-cash current service cost uplift	–	(1.6)	(1.6)
Total current service cost	–	(5.5)	(5.5)
Past service costs	–	(2.0)	(2.0)
Net interest	5.9	(5.9)	–
Included in income statement	5.9	(13.4)	(7.5)
Benefits paid	(7.5)	7.5	–
Return on plan assets (excluding amounts included in net interest expense)	(5.8)	–	(5.8)
Actuarial changes arising from changes in demographic assumptions	–	(5.3)	(5.3)
Actuarial changes arising from changes in financial assumptions	–	16.2	16.2
Experience adjustments	–	(0.3)	(0.3)
Sub-total included in OCI	(13.3)	18.1	4.8
Total contributions by employer	8.2	(0.1)	8.1
At 31 January 2022	**412.0**	**(410.9)**	**1.1**

27 Retirement benefit schemes continued

b) Defined benefit plan continued

The major categories of assets in the scheme are as follows:

	2023 £m	2022 £m
Equities	16.4	50.2
Bonds	92.2	159.4
Property and alternatives	74.6	58.4
Hedge funds	28.7	133.5
Insured annuities	3.9	5.3
Cash and other	8.3	5.2
Total	**224.1**	**412.0**

Equities and bonds are all quoted in active markets, while property and hedge funds are not. The impact of COVID-19 over the past three years and the Russia-Ukraine conflict have increased the level of uncertainty and volatility in global financial markets. While the ultimate extent of the effect of this on the asset portfolio is not possible to quantify at this time, management has used the latest available fund pricing data to derive the valuations of assets which are not quoted in active markets.

Within bonds is a hedging component totalling £85.5m (2022: £118.7m).

The pension scheme has not invested in any of the Group's own financial instruments.

The principal assumptions used in determining pension benefit obligations for the scheme are shown below:

	2023	2022
Real rate of increase of pensions in payment	3.05%	3.45%
Real rate of increase of pensions in deferment	3.00%	3.30%
Discount rate – pensioner	4.65%	2.20%
Discount rate – non-pensioner	4.60%	2.15%
Inflation – pensioner	3.20%	3.80%
Inflation – non-pensioner	3.15%	3.60%
Life expectancy of a member retiring in 20 years' time – Male	27.8 yrs	27.8 yrs
Life expectancy of a member retiring in 20 years' time – Female	29.5 yrs	29.5 yrs

The discount rate assumption is used to calculate the defined benefit obligation. The rate is derived from high quality corporate bonds, generally regarded as those with an AA rating. Management have opted to use the XPS Single Agency curve for deriving the discount rate assumptions at January 2023, rather than deriving the rate from the Merrill Lynch AA yield curve which was used for the 31 January 2022 valuation. The impact of this change in methodology is estimated at a £10.0m reduction in the defined benefit obligation as at 31 January 2023.

In addition, the scheme lost some of its inflation hedge during the year and as a result management have made an allowance for inflation risk premium of 0.2% (2022: nil). The impact of the change was an estimated £5.0m reduction in the defined benefit obligation as at 31 January 2023.

Mortality assumptions are set using standard tables based on specific experience, where available, and allow for future mortality improvements. The scheme assumption is that a member currently aged 60 will live on average for a further 26.2 years if they are male and on average for a further 28.0 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2023 and their impact on the scheme liabilities is as follows:

Assumptions	**Discount rate**		**Future inflation**		**Life expectancy**	
Sensitivity	**+/- 0.25%**		**+/- 0.25%**		**+/- 1 year**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact £m	(12.3)	13.2	5.7	(6.1)	8.0	(9.2)

Note: a positive impact represents an increase in the net defined benefit liability.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the prior period.

The expected contribution in respect of the accrual of benefits payable to the scheme for the next financial year is £nil and the average duration of the defined benefit plan obligation at the end of the reporting period has reduced from 22 to 23 years down to 20 to 21 years, due to the significant rise in the discount rate assumption. Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees, agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan to pay additional contributions above those needed to fund the scheme.

The Group's latest triennial valuation of the Saga Scheme defined benefit plan was as at 31 January 2020. Saga plc, and certain guarantor subsidiaries in the Group, have provided a super security to the Trustees of the scheme, which ranks before any liabilities under the Group's bank facilities. The value of the security is capped at £47.5m under the 2020 triennial valuation. Further to this valuation, a recovery plan was also put in place for the scheme. Under the agreed recovery plan, the Group made an additional payment of £5.8m during the year ended 31 January 2023 and will make annual payments of £5.8m totalling a further £29.0m over the next five financial years, with the last payment being made on 29 February 2027. The total expected contributions in the year ending 31 January 2024 are £5.8m and entirely relate to the £5.8m recovery payment.

The Group has also agreed to pay additional amounts into an escrow account should asset returns fall below an agreed level over set periods of time. Dependent upon the level of return on the scheme's assets between 31 January 2020 and 31 January 2027, any amount in the escrow account will be released to either the Group, or the scheme, by 30 June 2027.

28 Insurance contract liabilities and reinsurance assets

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

	2023 £m	2022 £m
Gross		
Claims outstanding	285.2	292.8
Provision for unearned premiums	83.1	93.9
Total gross liabilities	**368.3**	**386.7**

	2023 £m	2022 £m
Recoverable from reinsurers		
Claims outstanding	62.1	59.1
Provision for unearned premiums	6.7	6.3
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**68.8**	**65.4**
Amounts recoverable under funds-withheld quota share agreements recognised within trade receivables/payables:		
– Claims outstanding	123.1	133.0
– Provision for unearned premiums	44.6	50.7
Total reinsurers' share of insurance liabilities after funds-withheld quota share	**236.5**	**249.1**
Analysed as:		
Claims outstanding	185.2	192.1
Provision for unearned premiums	51.3	57.0
Total reinsurers' share of insurance liabilities after funds-withheld quota share	**236.5**	**249.1**

	2023 £m	2022 £m
Net		
Claims outstanding	223.1	233.7
Provision for unearned premiums	76.4	87.6
Total net insurance liabilities	**299.5**	**321.3**
Amounts recoverable under funds-withheld quota share agreements recognised within trade receivables/payables:		
– Claims outstanding	(123.1)	(133.0)
– Provision for unearned premiums	(44.6)	(50.7)
Total net insurance liabilities after funds-withheld quota share	**131.8**	**137.6**
Analysed as:		
Claims outstanding	100.0	100.7
Provision for unearned premiums	31.8	36.9
Total net insurance liabilities after funds-withheld quota share	**131.8**	**137.6**

28 Insurance contract liabilities and reinsurance assets continued

Reconciliation of movements in claims outstanding	2023 £m	2022 £m
Gross claims outstanding at 1 February	292.8	329.5
Less: reinsurance claims outstanding	(192.1)	(212.3)
Net claims outstanding at 1 February	100.7	117.2
Gross claims incurred	157.2	94.6
Less: reinsurance recoveries	(99.1)	(63.3)
Net claims incurred	58.1	31.3
Gross claims paid	(164.8)	(131.3)
Less: received from reinsurance	106.0	83.5
Net claims paid	(58.8)	(47.8)
Gross claims outstanding at 31 January	285.2	292.8
Less: reinsurance claims outstanding	(185.2)	(192.1)
Net claims outstanding at 31 January	100.0	100.7

Reconciliation of movements in the provision for net unearned premiums	2023 £m	2022 £m
Gross unearned premiums at 1 February	93.9	96.8
Less: unearned reinsurance premiums	(57.0)	(62.3)
Net unearned premiums at 1 February	36.9	34.5
Gross premiums written	178.7	200.1
Less: outward reinsurance premium	(105.6)	(118.5)
Net premiums written	73.1	81.6
Gross premiums earned	(189.5)	(203.0)
Less reinsurance premium earned	111.3	123.8
Net premiums earned	(78.2)	(79.2)
Gross unearned premiums at 31 January	83.1	93.9
Less: unearned reinsurance premiums	(51.3)	(57.0)
Net unearned premiums at 31 January	31.8	36.9

The net income of purchasing reinsurance in 2023 was £22.4m (2022: £7.7m cost).

The insurance liabilities presented here, and on the face of the Group's statement of financial position, are based on an Ogden discount rate of –0.25%.

a) Discounting

Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of –1.5% (2022: –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 £342.8m (2022: £330.8m) gross of reinsurance and £116.2m (2022: £109.2m) net of reinsurance.

The period between the statement of financial position date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 36 years (2022: 38 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2022: 2.0%).

b) Analysis of claims incurred: claims development tables

The following tables detail the Group's initial estimate of ultimate gross and net claims incurred over the past 10 years and the re-estimation at subsequent financial period ends.

The following table analyses the gross incurred claims (before deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												
Analysis of claims incurred	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 £m**	**2022 £m**	**2023 £m**	**Total £m**	**Claims paid £m**	**Gross claims out-standing £m**
Accident year													
2014 and earlier	238.4	(66.8)	(65.1)	(65.3)	(36.6)	(25.5)	(15.1)	(13.4)	(1.7)	(4.0)	n/a	n/a	45.6
2015		231.6	12.9	(12.2)	(14.0)	(16.5)	(8.6)	(8.5)	(1.2)	(0.8)	182.7	(178.2)	4.5
2016			250.0	2.2	(11.0)	(33.1)	(7.3)	(1.9)	(9.7)	0.2	189.4	(176.1)	13.3
2017				204.2	(1.7)	(13.7)	(9.5)	(14.6)	(2.2)	(1.8)	160.7	(155.5)	5.2
2018					196.9	5.4	(10.9)	(10.8)	(7.0)	(4.5)	169.1	(162.7)	6.4
2019						185.4	4.5	(1.5)	(9.6)	(10.7)	168.1	(145.1)	23.0
2020							182.4	9.1	(9.9)	(6.3)	175.3	(151.0)	24.3
2021								142.9	(15.0)	(16.5)	111.4	(87.6)	23.8
2022									136.6	19.4	156.0	(101.8)	54.2
2023										166.4	166.4	(88.3)	78.1
	238.4	164.8	197.8	128.9	133.6	102.0	135.5	101.3	80.3	141.4			278.4
Claims handling costs	17.2	18.0	21.4	20.6	20.8	18.0	16.7	16.3	14.3	15.8			6.8
	255.6	**182.8**	**219.2**	**149.5**	**154.4**	**120.0**	**152.2**	**117.6**	**94.6**	**157.2**			**285.2**

Favourable claims development over the year has resulted in a £25.0m (2022: £56.3m) reduction in the gross claims incurred in respect of prior years.

The development of the associated loss ratios on the same basis is as follows:

	Financial year ended 31 January									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Accident year										
2014	76%	72%	67%	63%	61%	58%	57%	56%	56%	56%
2015		70%	73%	70%	66%	61%	58%	55%	55%	55%
2016			77%	78%	75%	65%	62%	62%	59%	59%
2017				70%	69%	65%	61%	56%	56%	55%
2018					76%	78%	74%	70%	67%	65%
2019						78%	80%	79%	75%	71%
2020							78%	82%	78%	75%
2021								64%	58%	50%
2022									67%	77%
2023										88%

28 Insurance contract liabilities and reinsurance assets continued

The following table analyses the net incurred claims (after deducting reinsurance recoveries) on an accident year basis:

Analysis of claims incurred	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m	Claims paid £m	Net claims out-standing £m
	Financial year ended 31 January												
Accident year													
2014 and earlier	219.8	(57.8)	(72.8)	(53.9)	(35.3)	(28.1)	(13.0)	(11.1)	(2.3)	(4.7)	n/a	n/a	18.9
2015		219.1	5.3	(9.2)	(11.1)	(16.4)	(5.0)	(7.9)	(1.0)	(0.8)	173.0	(168.5)	4.5
2016			220.9	3.2	(15.1)	(22.5)	(9.1)	(5.8)	(4.6)	(1.7)	165.3	(161.2)	4.1
2017				94.0	1.5	(3.8)	(1.9)	(3.6)	(0.5)	(1.8)	83.9	(78.7)	5.2
2018					78.8	(0.8)	(1.6)	(2.7)	(1.7)	(4.4)	67.6	(61.2)	6.4
2019						72.3	(0.2)	(0.1)	(2.0)	(9.6)	60.4	(42.7)	17.7
2020							55.9	0.6	(1.4)	(0.2)	54.9	(48.8)	6.1
2021								41.8	(4.9)	(2.0)	34.9	(29.6)	5.3
2022									43.7	(1.8)	41.9	(35.7)	6.2
2023										78.9	78.9	(60.1)	18.8
	219.8	161.3	153.4	34.1	18.8	0.7	25.1	11.2	25.3	51.9			93.2
Claims handling costs	17.2	18.0	21.5	11.5	10.5	8.9	5.7	7.0	6.0	6.2			6.8
	237.0	**179.3**	**174.9**	**45.6**	**29.3**	**9.6**	**30.8**	**18.2**	**31.3**	**58.1**			**100.0**

The development of the associated loss ratios on the same basis is as follows:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Financial year ended 31 January									
Accident year										
2014	75%	71%	65%	62%	59%	56%	55%	54%	54%	54%
2015		67%	69%	66%	63%	58%	56%	54%	53%	53%
2016			70%	71%	66%	59%	56%	54%	53%	52%
2017				56%	56%	54%	53%	51%	51%	50%
2018					66%	65%	64%	62%	60%	56%
2019						71%	71%	71%	69%	59%
2020							63%	64%	62%	62%
2021								53%	47%	44%
2022									55%	53%
2023										101%

Favourable claims development over the year resulted in a £27.0m (2022: £18.4m) reduction in the net claims incurred in respect of prior years.

29 Contract liabilities

	2023 £m	2022 £m
Deferred revenue (Note 3b)	122.2	114.6
	122.2	**114.6**
Current	119.6	113.0
Non-current	2.6	1.6
	122.2	**114.6**

Deferred revenue comprises amounts received within the Cruise and Travel segment for cruises and holidays with departure dates after the reporting date, and insurance premiums and sales revenues received in the Insurance segment in respect of insurance policies which commence after the reporting date, and represents the performance obligations not yet satisfied as at 31 January 2023.

30 Loans and borrowings

	2023 £m	2022 £m
Bonds	400.0	400.0
Ship loans	469.2	515.6
Revolving credit facility	–	–
Accrued interest payable	5.5	5.9
	874.7	921.5
Less: deferred issue costs	(20.1)	(25.0)
	854.6	**896.5**

Bonds, RCF and term loan

At 31 January 2023, the Group's financing facilities consisted of a £150.0m seven-year senior unsecured bond (repayable May 2024), a £250.0m five-year senior unsecured bond (repayable July 2026) and a £50.0m five-year RCF (expiry in May 2025). The bonds are listed on the Irish Stock Exchange and are guaranteed by Saga Services Limited and Saga Mid Co Limited.

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

During the year to 31 January 2023, the Group agreed amendments with its banks to simplify the RCF arrangement to remove certain clauses that were introduced during the COVID-19 pandemic and reduce the aggregate facility cost. The amendments to the RCF include:

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

In addition, dividends remain restricted while leverage (excluding Cruise) is above 3.0x.

Subsequent to the above, the Group had further discussions with its lending banks behind the RCF and agreed the following amendments to the facility:

- The introduction of a restriction whereby no utilisation of the facility is permitted prior to repayment of the 2024 bond if leverage exceeds 5.5x, or liquidity is below £170m.
- During 2023 and 2024, should the RCF be drawn, leverage covenant testing will be quarterly.
- Repayment of the 2024 bond, ahead of maturity, is restricted while leverage remains above 3.75x.
- Amendments to the leverage and interest cover covenants attached to the facility, as follows:

	Leverage (excl. Ocean Cruise)	Interest cover
31 January 2023	4.75x	2.5x
30 April 2023	6.75x	n/a
31 July 2023	6.75x	2.5x
31 October 2023	6.75x	n/a
31 January 2024	5.5x	2.75x
30 April 2024	5.5x	n/a
31 July 2024	5.5x	3.0x
31 October 2024	5.5x	n/a
31 January 2025	4.75x	3.0x

At 31 January 2023, the Group's £50.0m RCF remained undrawn. Accrued interest payable on the Group's bonds at 31 January 2023 is £2.2m (2022: £2.8m).

During the year ended 31 January 2022, the Group repaid its £200.0m five-year term loan (repayable May 2023) in full. Interest was incurred at a variable rate of London Inter-Bank Offered Rate (LIBOR, since replaced by SONIA) plus a bank margin which was linked to the Group's leverage ratio.

30 Loans and borrowings continued

Ocean cruise ship loans

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

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

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

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

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

After the year end, the Group concluded discussions with its Cruise lenders in respect of the covenant restrictions attaching to its two ship debt facilities (Note 41). Lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio for the 31 July 2023 testing date.

Interest on the Spirit of Discovery ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees). Interest on the Spirit of Adventure ship loan is incurred at an effective annual interest rate of 3.30% (including arrangement and commitment fees). Interest payable on the Group's ocean cruise ship debt deferrals is incurred at a variable rate of SONIA plus a bank margin.

Accrued interest payable on the Group's ocean cruise ship loans at 31 January 2023 is £3.3m (2022: £3.1m).

Also since the year end, on 3 April 2023, the Company entered into a forward starting loan facility agreement with Sir Roger De Haan, commencing on 1 January 2024, under which the Company may draw down up to £50m with 30 days' notice to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024. The facility is provided on an arm's length basis and is guaranteed by Saga plc, Saga Midco and Saga Services Limited. Interest will accrue on the facility at the rate of 10% and is payable on the last day of the period of the loan. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. The facility is subject to a 2% arrangement fee, payable on entering into the arrangement. A draw down fee of 2% on any amount drawn down under the facility is payable on the drawing date; and milestone fees of 2% on any uncancelled amount of the facility become payable on 31 March 2024 and 31 December 2024 respectively. The facility would automatically terminate on the completed sale of AICL.

Total debt and finance costs

At 31 January 2023, debt issue costs were £20.1m (2022: £25.0m). The movement in the year represents expense amortisation for the period.

During the year, the Group charged £41.0m (2022: £37.4m) to the income statement in respect of fees and interest associated with the bonds, RCF, term loan and ship loans. In addition, finance costs recognised in the income statement include £1.2m (2022: £0.7m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £nil (2022: £2.7m). The Group has complied with the financial covenants of its borrowing facilities during the current year and prior year.

31 Provisions

	PMI £m	Other £m	Total £m
At 1 February 2021	4.9	6.8	11.7
Utilised during the year	(4.8)	(8.5)	(13.3)
Released unutilised during the year	–	(0.4)	(0.4)
Charge for the year	0.7	8.0	8.7
At 31 January 2022	**0.8**	**5.9**	**6.7**
Utilised during the year	(0.8)	(4.2)	(5.0)
Released unutilised during the year	–	(0.6)	(0.6)
Charge for the year	–	4.1	4.1
At 31 January 2023	**–**	**5.2**	**5.2**

	PMI £m	Other £m	Total £m
Current	–	4.4	4.4
Non-current	–	0.8	0.8
At 31 January 2023	**–**	**5.2**	**5.2**

	PMI £m	Other £m	Total £m
Current	0.8	5.6	6.4
Non-current	–	0.3	0.3
At 31 January 2022	**0.8**	**5.9**	**6.7**

The COVID-19 pandemic led to a high level of disruption to private medical inpatient appointments over 2020 and 2021, with appointments and operations initially being delayed and rescheduled. In the year ended 31 January 2021, delayed appointments had a favourable impact on the underwriting performance of PMI, resulting in a profit share due from the underwriter. Due to the Group's public commitment to not profit from the impacts of COVID-19, a provision to offset this profit share was made.

Other provisions primarily comprise:

- provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date or as a result of being cancelled during the statutory cooling-off period after the reporting date;
- credit hire and repair claims handling and litigation costs on income booked as at the reporting date;
- fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date;
- customer remediation relating to areas where there is likely to be a requirement to remedy various errors that have had an adverse impact on customer outcomes; and
- an employer liability provision relating to various Group-related, self-funded insurance arrangements.

All provisions are expected to be fully utilised over the next 12 months with the exception of the fleet insurance, credit hire and repair claims handling and litigation costs, and employer liability provisions. The timing of fleet insurance costs is uncertain and will depend upon the nature of each incident. The costs of debt recovery on credit hire and repair claims handling and litigation costs are uncertain and will depend upon the nature and timing of each claim. The settlement cash outflows from the employer liability provision depend on the timing of the settlement of claims.

These items are reviewed and updated annually.

32 Reconciliation of liabilities arising from financing activities

The following tables analyse the cash and non-cash movements for liabilities arising from financing activities:

	2022 £m	Financing cash flows £m	Non-cash changes: New leases (Note 18) £m	Non-cash changes: Other £m	2023 £m
Lease liabilities (Note 37)	35.3	(7.8)	25.6	(20.5)	**32.6**
Ship loans (Note 30)	515.6	(46.4)	–	–	**469.2**
Bonds (Note 30)	400.0	–	–	–	**400.0**
Deferred issue costs (Note 30)	(25.0)	–	–	4.9	**(20.1)**

	2021 £m	Financing cash flows £m	Non-cash changes: New leases (Note 18) £m	Non-cash changes: Other £m	2022 £m
Lease liabilities (Note 37)	4.4	(3.6)	35.8	(1.3)	**35.3**
Bank loans (Note 30)	70.0	(70.0)	–	–	**–**
Ship loans (Note 30)	515.6	–	–	–	**515.6**
Bonds (Note 30)	250.0	150.0	–	–	**400.0**
Deferred issue costs (Note 30)	(26.8)	(6.8)	–	8.6	**(25.0)**

Included within 'Other' for lease liabilities are amounts relating to foreign exchange movements of £2.0m credit (2022: £0.9m debit), lease modifications of £nil (2022: £0.4m debit) and lease re-assessments of £22.5m debit (2022: £nil) (Note 18).

Included within 'Other' for deferred issue costs is the amortisation of costs of £4.9m (2022: £8.6m).

In the prior year, cash flows relating to bonds comprise proceeds from borrowings of £250.0m, relating to a new five-year senior unsecured bond, less repayment of borrowings of £100.0m, relating to the existing seven-year senior unsecured 2024 bond.

Accrued interest payable on the loans and bonds above is disclosed in Note 30. Interest paid during the year is included within operating activities in the consolidated statement of cash flows.

33 Called up share capital

	Ordinary shares: Number	Ordinary shares: Nominal value £	Ordinary shares: Value £m
Allotted, called up and fully paid			
At 1 February 2021	140,102,227	0.15	21.0
Issue of shares – 12 November 2021	235,044	0.15	0.1
At 31 January 2022 and 31 January 2023	**140,337,271**	**0.15**	**21.1**

On 12 November 2021, Saga plc issued 235,044 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an Employee Benefit Trust to satisfy employee incentive arrangements.

34 Reserves

Share-based payment reserve

Prior to vesting, the share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. More detail is provided in Note 36.

Fair value reserve

The fair value reserve comprises the unrealised gains or losses of FVOCI assets pending subsequent recognition in profit or loss once the investment is derecognised.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in: (a) profit or loss as the hedged cash flows or items affect profit or loss; or (b) the statement of financial position as the hedged cash flows or items affect property, plant and equipment.

35 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital comprises total equity of £369.5m (2022: £652.9m) as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

The Group's financial services businesses are regulated primarily by the Financial Services Commission in Gibraltar and by the FCA in the UK; and the cash requirements of its River Cruise and Travel businesses are regulated by the CAA in the UK. It is the Group's policy to comply with the requirements of these regulators in respect of capital adequacy or other similar tests at all times.

The Group's regulated Underwriting business is based in Gibraltar and regulated by the FSC. The Underwriting business is required to ensure that it has a sufficient level of capitalisation in accordance with Solvency II.

The Group and its subsidiaries have complied with externally-imposed capital requirements during the year. (The amounts set out in the following three paragraphs are provisional and unaudited).

The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2023, having previously received approval from the FSC for the Undertaking of Specific Parameters when applying the standard formula to measure capital requirements for this business under Solvency II rules. Under Solvency II, AICL remained well capitalised, and at 31 January 2023 available capital was £98.4m against a Solvency Capital Requirement of £45.6m, giving 216% coverage. As at 31 January 2022, available capital was £115.1m against a Solvency Capital Requirement of £54.1m, giving 213% coverage.

The Group's regulated Insurance Broking business is based in the UK and regulated by the FCA. Due to the nature of the business, the capital requirements are significantly less than for the Underwriting business, but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 2.4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence, calculates and holds an appropriate amount of capital in respect of the Insurance Broking business. The Minimum Regulatory Capital requirement of this business at 31 January 2023 was £5.7m (2022: £11.7m).

The regulated River Cruise and Travel businesses are required to comply with a main test based on liquidity. The CAA liquidity test is a requirement to hold at least 70% of advanced customer receipts in cash on the last day of each month. The Group monitors its compliance with this test on a monthly basis including forward-looking compliance using budgets and forecasts. As at 31 January 2023 and 31 January 2022, the businesses had sufficient coverage against this covenant.

36 Share-based payments

The Group has granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments:

a. Share options and Free Shares offer granted at the time of the IPO

- On 29 May 2014, nil cost options over 13,132,410 shares were granted to certain Directors and employees with no exercise price and no service or performance vesting conditions. There are no cash settlement alternatives.
- Eligible customers and employees who acquired their shares under the Customer or Employee Offers in the Prospectus received one bonus share for every 20 shares they acquired and held continuously for one year to 29 May 2015. As these were bonus shares, there was no exercise price and no cash settlement alternative.

b. Saga Transformation Plan (STP)

- In July 2022, the Board and shareholders approved the issue of an additional new award called the STP. The STP has a five-year vesting period and participants receive a 12.5% share in shareholder value (share price plus dividends) created above a £6 per share hurdle over a five-year performance period commencing from the grant date, subject to continuing employment. For Directors and senior leaders, the STP will be equity-settled. For other employees, the STP will be settled in cash. There is a cap of £88.0m on the value of awards that may vest, and the awards have a range of grant dates based on the tranche that each participant falls into.
- On 5 July 2022, nil cost options were issued under the STP to certain Directors and other senior employees which vest and become exercisable on the fifth anniversary of the grant date, subject to continuing employment.

c. Restricted Share Plan (RSP)

- The RSP is a discretionary executive share plan under which the Board may grant options over shares in Saga plc.
- During the year, nil cost options over 2,548,775 shares were issued under the RSP to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date, subject to continuing employment.

36 Share-based payments continued

d. Long-term Incentive Plan (LTIP)

- The LTIP is a legacy discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc.
- Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, earnings per share, and 50% linked to a market vesting condition, total shareholder return (**TSR**).
- From 1 February 2017 to 31 January 2018, these options were 60% linked to non-market vesting conditions (30% linked to basic earnings per share and 30% linked to organic earnings per share) and 40% linked to a market vesting condition, TSR.
- From 1 February 2018, these options were 60% linked to non-market vesting conditions (30% linked to organic earnings per share and 30% linked to return on capital employed (**ROCE**)) and 40% linked to a market vesting condition, TSR.
- From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.

e. Deferred Bonus Plan (DBP)

- On 28 April 2022, nil cost options over 345,353 shares were issued under the DBP to the Executive Directors reflecting their deferred bonus in respect of 2021/22, which vest and become exercisable on the third anniversary of the grant date. Under the DBP scheme, executives receive two-thirds of the bonus award in cash and one-third in the form of rights to shares of the Company.

f. Employee Free Shares

- There were no shares awarded during the year. Employee Free Shares are allocated at nil cost and the shares become beneficially owned over a three-year period from allocation, subject to continuing service.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. With the exception of share options granted at the time of the IPO, if an employee ceases to be employed by the Group, the option rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	IPO options	RSP	LTIP	DBP	STP	Employee Free Shares	Total
At 1 February 2022	8,437	1,362,338	618,203	365,502	–	560,566	**2,915,046**
Granted	–	2,548,775	–	345,353	–	–	**2,894,128**
Forfeited	–	(59,184)	(545,236)	–	–	(28,065)	**(632,485)**
Exercised	(1,117)	–	(9,402)	–	–	(40,453)	**(50,972)**
At 31 January 2023	7,320	3,851,929	63,565	710,855	–	492,048	**5,125,717**
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	**£nil**
Exercisable at 31 January 2023	7,320	–	63,565	33,094	–	114,464	**218,443**
Average remaining contractual life	–	1.9 years	–	1.5 years	4.4 years	1.0 years	**1.7 years**
Average fair value at grant	£27.75	£2.11	£9.84	£3.26	n/a	£5.80	**£2.75**

The average fair values at grant date have been restated to reflect the impact of the share consolidation on 13 October 2020.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 January 2023 was £1.48 (2022: £3.85).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled and cash-settled share-based remuneration schemes operated by the Group.

	RSP	DBP
Model used	Black-Scholes	Black-Scholes
Expected life of share option	3 years	3 years
Weighted average share price	£1.55	£2.43

As at 31 January 2023, the Group did not hold any liability in relation to cash-settled share-based remuneration that had vested by the end of the year.

As only limited historical data for the Group's share price is available, the Group 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 awards under the RSP, DBP and Employee Free Share scheme.

For awards under the new STP scheme, approved in July 2022, a volatility assumption of 31% has been employed, calculated based on volatility in Saga plc's historical share price in the five years to 31 December 2019. This time period was selected to strip out the impact of the COVID-19 pandemic, which has had a significant impact on Saga's business since the beginning of 2020. The impacts on the share price of profit warnings in December 2019 and April 2019 have also been excluded from the calculation.

The total amount charged to the income statement in the year ended 31 January 2023 is £3.9m (2022: £3.4m). This has been charged to administrative and selling expenses.

The Group did not enter into any share-based payment transactions with parties other than employees during the current period.

37 Commitments and contingencies

a) Lease commitments

The Group leases various river cruise ships, offices, warehouses, equipment and vehicles. The contract lengths of the leases vary considerably and may include extension or termination options. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option are included in the measurement of the lease liability. Future minimum lease payments under lease contracts, together with the present values of the net minimum lease payments, are as follows:

	2023 £m	2022 £m
Within one year	11.5	5.4
Between one and five years	15.4	19.5
After five years	11.1	18.0
Total minimum lease payments	38.0	42.9
Less amounts representing finance charges	(5.4)	(7.6)
Present value of minimum lease payments	**32.6**	**35.3**

As at 31 January 2023, the value of lease liabilities contracted for, but not provided for, in the financial statements in respect of right-of-use assets amounted to £nil (2022: £42.5m). At 31 January 2022, these lease commitments related to the river cruise vessel, Spirit of the Danube which has been recognised within right-of-use assets (Note 18) during the year to 31 January 2023.

During the year ended 31 January 2023, management reviewed the allocation of costs under its river cruise charter agreements. As a consequence, a proportion of costs previously included as lease costs for Spirit of the Rhine were reassessed as costs of ongoing service provision. Accordingly, the right-of-use asset and liability relating to this ship have been adjusted in the current year, reflecting a prospective change in estimate as required under IAS 8. For Spirit of the Danube, a similar treatment has been applied. Please refer to Note 18 for further detail.

b) Commitments

As at 31 January 2023, the capital amount contracted for, but not provided for, in the financial statements in respect of property, plant and equipment, amounted to £nil (2022: £nil).

c) Contingent liabilities

The CAA and ABTA regulate the Group's River Cruise and Travel businesses. ABTA requires the Group to put in place bonds to provide customer protection. At 31 January 2023, the Group had £28.4m (2022: £19.4m) of Ocean Cruise and Travel related bonds in place.

38 Assets held for sale

At the end of the year ended 31 January 2021, the Group made the decision to initiate an active programme to locate buyers for a number of its freehold properties. At the point of reclassification to held for sale, the carrying values of £16.9m were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required.

During the year ended 31 January 2022, the Group disposed of a property reclassified from property, plant and equipment to held for sale in the period. Cash consideration received (net of transaction costs) was £10.2m and the carrying value of the property at the date of disposal was £3.0m. Profit arising on disposal was £7.2m.

In addition, during the year ended 31 January 2022, the Group declassified one of the properties from held for sale back to property, plant and equipment, since it was no longer being actively marketed for disposal. The carrying value of this property as at 31 January 2021 was £3.0m.

Management conducted impairment reviews of the freehold property assets held for sale as at 31 January 2022 and 31 January 2023. In relation to these freehold properties, value-in-use continued to be negligible and so the Group obtained updated market valuations to determine the fair value of each building. The outcome of these impairment reviews concluded that net impairment charges totalling £1.2m (2022: £1.0m) should be recognised against the Group's property assets held for sale as at 31 January 2023 and 31 January 2022 respectively.

At the end of the year ended 31 January 2023, the Group made the decision to initiate an active programme to locate buyers for a further two of its freehold properties and one of its long leasehold properties. The Group also reclassified to held for sale the related fixtures and fittings associated with one of these freehold properties. At the point of reclassification to held for sale, the carrying values of £15.9m for the properties and £3.6m for the related fixtures and fittings, total £19.5m, were considered to be equal to, or below, fair value less costs to sell and hence no revaluation at the point of reclassification was required. These properties are being actively marketed and the disposals are expected to be completed within 12 months of the end of the financial year.

As at 31 January 2023, the carrying values of the properties classified as held for sale, totalling £31.2m, are representative of either each property's fair value or historic cost less accumulated depreciation and any impairment charges to date, whichever is lower.

39 Subsidiaries

The entities listed below are subsidiaries of the Company or Group. All of the undertakings are wholly owned and included within the consolidated financial statements. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, United Kingdom. The registered office address of Acromas Insurance Company Limited is 57/63 Line Wall Road, Gibraltar. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The registered office address of Saffron Maritime Limited is Aspire Corporate Services Limited, PO Box 191, Elizabeth House, Ruettes Brayes, St Peter Port, Guernsey, GY1 4HW.

Company name	Country of registration	Nature of business
Saga Personal Finance Limited	England	Delivery of regulated investment products
Saga Services Limited	England	Regulated Insurance broking
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
CHMC Limited[9]	England	Motor accident management
PEC Services Limited[9]	England	Repairer of automotive vehicles
ST&H Limited	England	Tour operating
Titan Transport (UK) Limited	England	Dormant company
Saga Travel Group (UK) Limited (formerly Titan Travel (UK) Limited)	England	Tour operating
Saga Travel Group Limited (formerly Titan Travel Group Limited)	England	Tour operating
Titan Transport Limited	England	Tour operating
Saga Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saga Crewing Services Limited[9]	England	Cruising
Saffron Maritime Limited	Guernsey	Cruising
CustomerKNECT Limited[9] (formerly MetroMail Limited)	England	Mailing house
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited[9]	England	Publishing
Saga Membership Limited[9]	England	Customer loyalty scheme
The Big Window Consulting Limited[9]	England	Research and insight analysis
CHMC Holdings Limited	England	Dormant holding company
ST&H Group Limited	England	Holding company
Saga Leisure Limited	England	Dormant holding company
Saga Group Limited	England	Provision of administrative function for central costs
Confident Services Limited	England	Dormant company
Saga Healthcare Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company

9 These subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 January 2023. As required, Saga plc, the ultimate parent undertaking and controlling party of the Group, guarantees all outstanding liabilities to which these subsidiary companies are subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against Saga plc as the ultimate parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities.

40 Related party transactions

There were no related party transactions in the year ended 31 January 2023.

A working capital facility of £10.0m, agreed with Sir Roger De Haan, the Non-Executive Chairman of Saga plc, to fund the short-term liquidity needs of the Cruise business was cancelled in July 2021.

As set out in Note 30, on 3 April 2023, the Company entered into a forward starting loan facility agreement with Sir Roger De Haan, commencing on 1 January 2024, under which the Company may draw down up to £50m with 30 days' notice to support liquidity needs and specifically the repayment of £150m bonds maturing in May 2024. The facility is provided on an arm's length basis and is guaranteed by Saga plc, Saga Midco and Saga Services Limited. Interest will accrue on the facility at the rate of 10% and is payable on the last day of the period of the loan. The facility matures on 30 June 2025, at which point any outstanding amounts, including interest, must be repaid. The facility is subject to a 2% arrangement fee, payable on entering into the arrangement. A draw down fee of 2% on any amount drawn down under the facility is payable on the drawing date; and milestone fees of 2% on any uncancelled amount of the facility become payable on 31 March 2024 and 31 December 2024 respectively. The facility would automatically terminate on the completed sale of AICL.

41 Events after the reporting period

After the year end, the Group concluded discussions with its Cruise lenders in respect of the covenant restrictions attaching to its two ship debt facilities (Note 30). Lenders have agreed to a waiver of the EBITDA to debt repayment covenant ratio for the 31 July 2023 testing date.

Also since 31 January, the Company has agreed a £50m loan facility with Sir Roger De Haan, to commence on 1 January 2024, details of which are set out in Note 40 above.

Company financial statements of Saga plc
Balance sheet

	Note	2023 £m	2022 £m
Fixed assets			
Investment in subsidiaries	2	167.3	552.3
Current assets			
Debtors – amounts falling due after more than one year	3	521.3	501.8
Debtors – amounts falling due within one year	3	3.3	3.0
Cash and short-term deposits		–	38.0
		524.6	**542.8**
Creditors – amounts falling due within one year	4	**(2.9)**	**(3.9)**
Net current assets		**521.7**	**538.9**
Creditors – amounts falling due after more than one year	5	**(397.2)**	**(396.2)**
Net assets		**291.8**	**695.0**
Capital and reserves			
Called up share capital	6	21.1	21.1
Share premium account		648.3	648.3
Retained (deficit)/earnings		(386.6)	18.1
Share-based payment reserve		9.0	7.5
Total shareholders' funds		**291.8**	**695.0**

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the **Act**). The loss included in the financial statements of the Company, determined in accordance with the Act, was £407.1m (2022: £21.9m).

Company number: 08804263

The Notes on pages 205-208 form an integral part of these financial statements.

Signed for and on behalf of the Board on 17 April 2023 by

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

Company financial statements of Saga plc
Statement of changes in equity

	Called up share capital £m	Share premium account £m	Retained earnings/ (deficit) £m	Share-based payment reserve £m	Total equity £m
At 1 February 2021	21.0	648.3	38.2	5.9	713.4
Loss for the financial year	–	–	(21.9)	–	(21.9)
Issue of share capital (Note 6)	0.1	–	–	–	0.1
Share-based payment charge	–	–	–	3.4	3.4
Transfer upon vesting of share options	–	–	1.8	(1.8)	–
At 31 January 2022	**21.1**	**648.3**	**18.1**	**7.5**	**695.0**
Loss for the financial year	–	–	(407.1)	–	(407.1)
Share-based payment charge	–	–	–	3.9	3.9
Transfer upon vesting of share options	–	–	2.4	(2.4)	–
At 31 January 2023	**21.1**	**648.3**	**(386.6)**	**9.0**	**291.8**

The Notes on pages 205-208 form an integral part of these financial statements.

1.1 Accounting policies

a) Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (**FRS 101**).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 (the **Act**) and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Act, and are prepared on a going concern basis (please refer to Note 2.1 of the Saga plc consolidated accounts on pages 143-144 for an assessment of the going concern basis for the Group and the Company).

The Company's financial statements are presented in sterling and all values are rounded to the nearest hundred thousand (£m) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2023.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of International Financial Reporting Standard (**IFRS**) 7 'Financial Instruments: Disclosures'.
- The requirement in paragraph 38 of International Accounting Standard (**IAS**) 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment'.

b) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less a provision for impairment and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c) Debtors

Trade and other debtors are initially recognised at fair value and, where the time value of money is material, subsequently measured at amortised cost using the effective interest rate (**EIR**) method. Provision for impairment is made using the simplified approach set out in IFRS 9, whereby no credit loss allowance is recognised on initial recognition, and then at each subsequent reporting date the loss allowance will be the present value of the expected cash flow shortfalls over the remaining life of the debtors (i.e. lifetime expected credit losses (**ECLs**)). Balances are written off when the probability of recovery is assessed as being remote.

Amounts due from Group undertakings are classified as debtors. They have no fixed date of payment and are payable on demand. The amounts due from Group undertakings are disclosed at amortised cost.

d) Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income (**OCI**), in which case the deferred tax is dealt with in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e) Share-based payments

The Company provides benefits to employees (including Directors) of Saga plc and its subsidiary undertakings, in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes 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.

1.1 Accounting policies continued

Where the equity-settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in share-based payments reserve.

Upon vesting of an equity instrument, the cumulative cost in the share-based payments reserve is reclassified to reserves.

f) Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, fair value through other comprehensive income (**FVOCI**) or fair value through profit and loss (**FVTPL**). The classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics.

The Company measures all financial assets at fair value at each reporting date, other than those instruments measured at amortised cost.

The Company's financial assets at amortised cost include amounts due from Group undertakings. The Company does not hold any financial assets classified as FVOCI or FVTPL.

Financial assets at amortised cost

Initial recognition and measurement

A financial asset is classified at amortised cost if it meets both of the following conditions and is not elected to be designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

These assets are subsequently measured at amortised cost using the EIR method. The amortised cost is reduced by impairment losses (see (ii) below). Impairment losses are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Company has transferred substantially all the risks and rewards relating to the asset to a third party.

ii) Impairment of financial assets

The ECL impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Company measures loss allowances at an amount equal to 12-month ECLs, except for trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities comprise loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

g) Audit remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

1.2 Significant accounting judgements, estimates and assumptions

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

Significant estimates

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

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

Acc. policy	Items involving estimation	Sources of estimation uncertainty
1.1b	Investment in subsidiaries impairment testing	The Company determines whether investment in subsidiaries needs to be impaired when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and EBITDA multiple on the present value calculation, which is shown in Note 2 below.

2 Investment in subsidiaries

	£m
Cost	
At 1 February 2021	4,132.7
At 31 January 2022 and 31 January 2023	**4,132.7**
Amounts provided for	
At 1 February 2021 and 31 January 2022	3,580.4
Amounts provided in the year	385.0
At 31 January 2022 and 31 January 2023	**3,965.4**
Net book value	
At 31 January 2023	**167.3**
At 31 January 2022	552.3

See Note 39 to the consolidated financial statements for a list of the Company's investments.

The net assets of the Company were in excess of its market capitalisation at 31 January 2023, thus constituting an indicator of impairment. An impairment assessment was therefore performed in which the recoverable amount of the investment was compared to its carrying value.

The recoverable amount of the Company's investment in subsidiaries has been determined based on a sum-of-the-parts valuation, by deriving a value-in-use for each of the Group's businesses, using discounted cash flow projections from the Group's Board-approved five-year plan to 2027/28 for certain parts of the business, and EBITDA multiples to estimate the present value of future dividend streams for other subsidiaries.

For the discounted cash flow projections, a terminal value has been calculated using the Gordon Growth Model based on the fifth year of those projections and an annual growth rate of 2.0% (2022: 2.0%) as the expected long-term average nominal growth rate of the UK economy. The cash flows have then been discounted to present value using a suitably risk-adjusted nominal discount rate relevant to each of the segments. As at 31 January 2023, the range of pre-tax discount rates used was 13.0% to 14.7% (2022: 9.9% to 11.7%). As per IAS 36.44, incremental cash flows directly attributable to growth initiatives not yet enacted at the balance sheet date have been removed for the purpose of the value-in-use calculation.

In the current year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in a deficit of £385.0m, therefore management considered it necessary to impair the investment in subsidiaries balance by this amount.

The deficit calculated is most sensitive to the EBITDA multiple, the discount rate, and the terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2023 and its impact on the headroom/(deficit) against the carrying value of investment in subsidiaries is as follows:

	EBITDA multiple		Pre-tax discount rate		Terminal growth rate	
	+1x £m	–1x £m	+1.0ppt £m	–1.0ppt £m	+1.0ppt £m	–1.0ppt £m
Impact	86.6	(86.6)	(34.9)	42.8	41.2	(32.6)

3 Debtors

	2023 £m	2022 £m
Amounts falling due after more than one year		
Amounts due from Group undertakings	521.3	501.8
	521.3	**501.8**

	2023 £m	2022 £m
Amounts falling due within one year		
Deferred tax asset	2.0	1.7
Other debtors	1.3	1.3
	3.3	**3.0**

For amounts due from Group undertakings, the expected credit losses are considered to be immaterial.

4 Creditors – amounts falling due in less than one year

	2023 £m	2022 £m
Other creditors	1.1	2.0
Accrued interest payable	1.8	1.9
	2.9	**3.9**

5 Creditors – amounts falling due in more than one year

	2023 £m	2022 £m
Bonds	400.0	400.0
Unamortised issue costs	(2.8)	(3.8)
	397.2	**396.2**

Please refer to Note 30 of the Saga plc consolidated accounts on pages 193-194 for further details relating to the bonds.

6 Called up share capital

	Ordinary shares		
	Number	**Nominal value £**	**Value £m**
Allotted, called up and fully paid			
At 1 February 2021	140,102,227	0.15	21.0
Issue of shares – 12 November 2021	235,044	0.15	0.1
At 31 January 2022 and 31 January 2023	**140,337,271**	**0.15**	**21.1**

On 12 November 2021, Saga plc issued 235,044 new ordinary shares of 15p each, with a value of £0.1m, for transfer into an Employee Benefit Trust to satisfy employee incentive arrangements.

7 Commitments

The Company has provided guarantees for the Group's bonds, ship debt, RCF and bank overdraft (please refer to Notes 25 and 30 of the Saga plc consolidated accounts on pages 185, and 193-194).

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

Definitions for the primary APMs used in this report are set out below. APMs are usually derived from financial statement line items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement to, rather than a substitute for, GAAP measures.

Underlying Profit/(Loss) Before Tax

Underlying Profit/(Loss) Before Tax represents the loss before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, the charge on closure of the defined benefit pension scheme, foreign exchange movements on river cruise ship leases, costs incurred for the ship debt holiday, costs in relation to the acquisition of The Big Window Consulting Limited (the **Big Window**), the International Financial Reporting Standard (**IFRS**) 16 lease accounting adjustment on river cruise vessels and restructuring costs. It is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 45.

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

Trading EBITDA/Adjusted Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the IAS 19R pension charge, exceptional costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16 leases and the Trading EBITDA relating to the two ocean cruise ships, Spirit of Discovery and Spirit of Adventure in line with the covenant on the Group's revolving credit facility (**RCF**). It is reconciled to Underlying Profit/(Loss) Before Tax within the Group Chief Financial Officer's Review on page 56. Underlying Profit/(Loss) Before Tax is reconciled to statutory loss before tax within the Group Chief Financial Officer's Review on page 45.

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

Underlying Basic Earnings/(Loss) Per Share

Underlying Basic Earnings/(Loss) Per Share represents basic loss per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the net profit on disposal of assets, impairment of the carrying value of assets including goodwill, the charge on the closure of the defined benefit pension scheme, foreign exchange gains on river cruise ship leases, costs incurred for the ship debt holiday, costs in relation to the acquisition of the Big Window, the IFRS 16 lease accounting adjustment on river cruise vessels and restructuring costs. This measure is reconciled to the statutory basic loss per share in Note 12 to the accounts on page 167.

This measure is linked to the Group's key performance indicator Underlying Profit/(Loss) Before Tax and represents what management consider to be the underlying shareholder value generated in the year.

Available Cash

Available Cash represents cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries. This measure is reconciled to the statutory measure of cash in Note 25 to the accounts on page 185.

Available Operating Cash Flow

Available Operating Cash Flow is net cash flow from operating activities after capital expenditure but before tax, interest paid, restructuring costs, proceeds from business and property disposals and other non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction. It is reconciled to statutory net cash flow from operating activities within the Group Chief Financial Officer's Review on page 56.

Net Debt

Net Debt is the sum of the carrying values of the Group's debt facilities less the amount of Available Cash it holds and is analysed further within the Group Chief Financial Officer's Review on page 59.

Adjusted Net Debt

Adjusted Net Debt is the sum of the carrying values of the Group's debt facilities less the amount of Available Cash it holds but excludes the ship debt and the Cruise business Available Cash. It is linked to the covenant on the Group's RCF, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Group Chief Financial Officer's Review on page 59.

Glossary

ABTA (Association of British Travel Agents) the trade association for tour operators and travel agents in the UK

Accident year the financial year in which an insurance loss occurs

Act the UK Companies Act 2006, as amended from time to time

Add-on an insurance policy that is actively marketed and sold as an addition to a core policy

AGM (Annual General Meeting) to be held at 11.00am on 20 June 2023 at Numis Securities Limited at 45 Gresham Street, London EC2V 7EH

AICL (Acromas Insurance Company Limited) the Group's Insurance Underwriting business

Annual Bonus Plan provides an incentive to the Executive Directors, linked to achievement in delivering goals that are closely aligned with Saga's strategy

Annual policy a 12-month insurance policy with no option to fix the premium at renewal

APMs (Alternative Performance Measures) a series of measures which are not required or commonly reported under accounting standards but are used by the Group to help the user of the accounts better understand the financial performance and position of the business

AQR (Audit Quality Review) inspection of the quality of Saga's external audit carried out by the Financial Reporting Council

ATOL (Air Travel Organiser's Licence) government-run financial protection scheme operated by the Civil Aviation Authority

Be Well our new colleague wellbeing brand and proposition

Board Saga plc Board of Directors

CAA (Civil Aviation Authority) one of the bodies that regulates the Group's Travel business, responsible for the management of the Air Travel Organiser's Licence scheme

CDP (formerly known as the Carbon Disclosure Project) charity that manages companies' disclosure of their environmental impacts

CEO (Chief Executive Officer) Euan Sutherland for the 2022/23 financial year

CFO (Chief Financial Officer) James Quin for the 2022/23 financial year

CGU (cash generating unit) group of assets that generate cash inflows

CIIA (Chartered Institute of Internal Auditors) body representing internal auditors in the UK

Claims frequency the number of claims incurred divided by the number of policies earned in a given period

Claims reserves accounting provisions that have been set to meet outstanding insurance claims, incurred but not reported and associated claims handling costs

Code the UK Corporate Governance Code published by the UK Financial Reporting Council setting out guidance in the form of principles and provisions to address the principal aspects of corporate governance

Colleague Ambassador a Saga colleague who represents the voices and views of peers at our People Committee and Colleague Forums

Colleague Forum a monthly forum, chaired by a member of the Executive Leadership Team, enabling colleagues to have their say

Company Saga plc

COO (Chief Operating Officer) Paula Kerrigan for the 2022/23 financial year

COR (combined operating ratio) the ratio of the claims costs and expenses incurred to underwrite insurance (numerator), to the revenue earned by Acromas Insurance Company Limited (denominator) in a given period. Can otherwise be calculated as the sum of the loss ratio and expense ratio

Core policy an insurance policy that is actively marketed and sold on its own, irrespective of any add-ons purchased

CPO (Chief People Officer) Jane Storm for the 2022/23 financial year

Credit hire and credit repair the temporary replacement vehicle services provided by a credit hire organisation in the event of a non-fault road traffic accident

CustomerKNECT our in-house mailing and printing business formerly known as MetroMail

DBP (Deferred Bonus Plan) reward scheme used to incentivise colleagues over the longer term, ensuring alignment with Company goals

DE&I (diversity, equity and inclusion) the agenda under which Saga is committed to creating an inclusive culture where all colleagues can bring their full and authentic selves to work

DTRs (Disclosure and Transparency Rules) rules published by the Financial Conduct Authority relating to the disclosure of information by a company listed in the UK

Dual reporting the quantification, and reporting, of Scope 2 greenhouse gas emissions under the location-based method and the market-based method

Employee Assistance Programme a service offered by Saga intended to support colleagues with problems that may adversely impact their work, health and wellbeing

Earned premium insurance premiums that are recognised in the income statement over the period of cover to which the premiums relate, deferred on a 365^{ths} basis

Earnings per share represents underlying shareholder value generated in a given period

EBITDA earnings before interest, tax, depreciation and amortisation of acquired intangibles, non-trading costs and impairments

ECL (expected credit loss) impairment model applied to financial assets

EIR (effective interest rate) method used to calculate interest paid and payable

ELT (Executive Leadership Team) the first layer of management below Board level

eNPS (employee net promoter score) a measure that represents the willingness of colleagues to recommend Saga to others

EQ (Equiniti) our share registrar and first point of contact for shareholding-related enquiries

Equity-settled transactions benefits provided to colleagues in the form of share-based payment transactions

ESEF (European Single Electronic Format) the electronic reporting format that Saga must use to prepare their annual financial reports

ESG (Environmental, Social and Governance) central factors in measuring the sustainability and societal impact of the business

Executive Director of Saga plc (unless otherwise stated)

Expense ratio the ratio of expenses incurred to underwrite insurance (numerator) to the revenue earned by Acromas Insurance Company Limited (denominator) in a given period

EV (electric vehicles) the Group's insurance offering for electric vehicles

FCA (Financial Conduct Authority) the independent UK body that regulates the financial services industry, including general insurance

FRC (Financial Reporting Council) the independent body that regulates auditors, accountants and actuaries in the UK

Free Shares the gift of shares to colleagues to recognise their contributions towards the Company's performance

FRS (Financial Reporting Standard) accounting standards issued by the International Financial Reporting Standards Foundation

FVOCI (fair value through other comprehensive income) one of three classification categories for financial assets under International Financial Reporting Standard 9

FVTPL (fair value through profit and loss) one of three classification categories for financial assets under International Financial Reporting Standard 9

GAAP (Generally Accepted Accounting Principles) a common set of accounting principles, standards and procedures issued by the Financial Accounting Standards Board

GDPR (General Data Protection Regulation) data protection regulation introduced in 2018 that applies to most UK businesses, including Saga

Generation Experience a term used by Saga referring to people over 50 in the UK

GHG (greenhouse gas) a type of gas for which Saga provides annual reporting on its emissions

GIPP (General Insurance Pricing Practices) a review into pricing practices within the UK insurance market conducted by the Financial Conduct Authority

Gross premium the premium charged to the customer in respect of insurance cover

Group the Saga plc group

Growth plan Saga's three-step strategic plan set out in March 2022

GWP (gross written premium) the total premium charged to customers for a core insurance product, excluding insurance premium tax but before the deduction of any outward reinsurance premiums

Hurdle the level at which Executive Directors share in the value created under the Saga Transformation Plan, currently £6.00, including share price and dividends

IAA (Internal Audit and Assurance) the Group's internal audit and assurance function

IAS (International Accounting Standards) accounting standards issued by the International Accounting Standards Committee

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) accounting standards issued by the International Accounting Standards Board

IPO (Initial Public Offering) the first sale of shares by a previously unlisted company to investors on a securities exchange

IPT (insurance premium tax) tax payable on general insurance premiums in the UK

IR (Investor Relations) the team responsible for facilitating communication between Saga plc and its investors

KPI (key performance indicator) quantifiable measure used to evaluate performance

LDI (liability driven investment) a type of investment strategy used by pension funds

Leverage ratio the ratio of Adjusted Net Debt to Adjusted Trading EBITDA

LIBOR (London inter-bank offered rate) benchmark interest rate estimated from London banks

Listing Rules a set of mandatory regulations of the Financial Conduct Authority applicable to a company listed on the London Stock Exchange

Load factor the total number of Cruise passengers booked (numerator) as a proportion of the total cruise ship capacity (denominator)

Loss ratio a ratio of the claims costs (numerator) to the net earned premium (denominator) in a given period

LSE (London Stock Exchange) the stock exchange upon which Saga plc is listed

LTIP (Long-term Incentive Plan) legacy reward scheme used to incentivise colleagues over the longer term, ensuring alignment with Company goals

Malus an arrangement that permits the forfeiture of unvested remuneration awards in circumstances the Company considers appropriate

Management Report the Directors' Report, together with the Strategic Report within this document

Master Trust Saga's defined contribution pension scheme, operated by Aviva

Measurement Date the date on which the value created at the end of the five-year performance period is measured under the Saga Transformation Plan

MMQ (middle market quotation) the average of the best buying and selling prices quoted by market makers taken at the close of the market each day

Net earned premium earned premium net of any outward earned reinsurance premium paid

Net premium the component of gross premium that is charged by the underwriter for each insurance claim

New business new insurance policies sold to customers that do not have an existing policy

NPS (net promoter score) represents the willingness of customers to recommend Saga products and services to others

OCI (other comprehensive income) revenues, expenses, gains and losses under International Financial Reporting Standards that are excluded from the income statement

Ogden discount rate the discount rate set by the relevant government bodies, the Lord Chancellor and Scottish Ministers, and used to calculate lump sum awards in bodily injury cases

PAA (premium allocation approach) Saga's expected approach to International Financial Reporting Standard 17 adoption

PBT (profit before tax) one of the Group's primary key performance indicators

People Champion Eva Eisenschimmel for the 2022/23 financial year

People Committee a monthly forum, chaired by the Chief People Officer and attended by Lead Colleague Ambassadors from across the Group, enabling colleagues to share their thoughts and views

Per diem the total amount of Cruise revenue earned per guest per day

PMI (private medical insurance) one of the products offered within the Group's Insurance Broking business

Policies in force the number of core insurance policies in force at any given time

Glossary continued

PPO (periodic payment order) a court order prescribing settlement of an insurance claim through regular payments

Private jet tour a new escorted tour offering within our Travel business

PRUs (principal risks and uncertainties) the most significant risks threatening Saga plc

PwC (PricewaterhouseCoopers) an advisor that provides independent consultation advice to the Group

RCF (revolving credit facility) the facility that Saga has in place with its lending banks, allowing draw down of funds up to £50m

Real living wage a pay rate that is independently-calculated, based on the cost of living and is typically higher than the national minimum wage

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

Relationship Agreement agreement that regulates the relationship between the Company and Roger De Haan

Restricted Shares share awards granted annually to Executive Directors under Saga's Restricted Share Plan

Risk adjustment one of the components for measuring the liability for incurred claims under International Financial Reporting Standard 17, being an explicit margin above the expected future cash flows that represents the compensation required for bearing non-financial uncertainty

ROCE (return on capital employed) a financial ratio used as a performance condition under the legacy Long-term Incentive Plan

RSP (Restricted Share Plan) share scheme, and corresponding share awards used to incentivise colleagues over the longer-term, ensuring alignment with Company goals

Run-off deviations differences between the outstanding claims provision at the reporting date and the settlements and provisions in the following year

Saga Cruise Saga Cruises Limited, Saga Cruises IV Limited, Saga Cruises V Limited, Saga Cruises VI Limited, Saga Cruises GmbH, Saga Crewing Services Limited and Saffron Maritime Limited

Saga Insight The Big Window Consulting Limited

Saga Insurance Saga Services Limited, Acromas Insurance Company Limited, CHMC Holdings Limited, CHMC Limited and PEC Services Limited

Saga Media Saga Publishing Limited

Saga Money Saga Personal Finance Limited

Saga Travel ST&H Limited, ST&H Group Limited, Saga Travel Group Limited, Titan Transport (UK) Limited, Saga Travel Group (UK) Limited and Titan Transport Limited

Scope 2 Guidance standardises how corporations measure emissions from purchased or acquired electricity, steam, heat and cooling

SDGs (Sustainable Development Goals) a series of goals adopted by the United Nations as a universal call to action to end poverty, protect the planet and ensure that, by 2030, all people enjoy peace and prosperity

Shareholder Information annual reports, notices of shareholder meetings and other documentation that Saga is required to send to shareholders

Shareholder Reference a unique reference number issued to shareholders of Saga plc

Shareview Portfolio an online portal, accessed via www.sagashareholder.co.uk that allows shareholders to manage all aspects of their shareholding in Saga plc

SIP (Share Incentive Plan) a plan available to all colleagues allowing them to purchase shares in Saga plc through a monthly payroll deduction

SLT (Senior Leadership Team) the second layer of management below Board level

SMT (Senior Management Team) the third layer of management below Board level

Solvency Capital Requirement/Solvency II insurance regulations designed to harmonise European Union insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk

SONIA (Sterling Overnight Index Average) a replacement for the London inter-bank offered rate, introduced in the UK in 2021

Speak Up Champion Gareth Hoskin for the 2022/23 financial year

SPF (Saga Personal Finance) the Group's Personal Finance Business, known as Saga Money

SSL (Saga Services Limited) the Group's Insurance Broking business

STP (Saga Transformation Plan) a long-term incentive for participants to receive a portion of the value created above a stretching hurdle over a five-year period

STP Pool the maximum number of share awards which may vest under the Saga Transformation Plan, being 12.5% of the value created above £6.00 of shareholder value

Street pricing adjustment any adjustment to the net premium of an insurance policy that is applied during the broking service

Swaps fixed price contracts used by the Group to manage its exposure to fuel prices

TCFD (Task Force on Climate-Related Financial Disclosures) part of the regulatory framework introduced by the Financial Stability Board to improve and increase reporting on climate-related financial information

tCH_4 tonnes of methane

tCO_2e tonnes of carbon dioxide equivalent

tN_2O tonnes of nitrous oxide equivalent

Tell Euan About sessions a communications forum allowing colleagues to interact with the Group Chief Executive Officer

the Big Window known as Saga Insight, a specialist research and insight business focused on the ageing process

Three-year fixed-price policy an insurance policy with the option to fix the premium for three years

Travel passengers the number of passengers that have travelled on a Saga or Titan holiday in a given period

Trust (Saga Employee Benefit Trust) trust established to hold assets to provide benefits for employees

TSR (total shareholder return) the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity

Unearned premium an amount of insurance premium that has been written but not yet earned

Unmind a mental health app provided to colleagues as part of our suite of wellbeing tools

Workplace Saga's internal communications platform that keeps colleagues informed and connected via a single, mobile-first channel

Written to earned adjustment an Insurance Broking accounting adjustment required under International Financial Reporting Standard 15 that spreads revenue and associated costs which are underwritten by the Group over the life of the insurance policy

Financial calendar

2023 Annual General Meeting – 20 June 2023

Shareholder information online

The Company will publish annual reports, notices of shareholder meetings and other documents which we are required to send to shareholders (**Shareholder Information**) on our website. Consenting shareholders will be notified either by post or email, if preferred, each time the Company publishes Shareholder Information. This allows us to increase speed of communication, reduce our impact on the environment and keep costs to a minimum.

Shareholders can change their communication preference via their Shareview Portfolio which can be accessed on our website (www.sagashareholder.co.uk) or by contacting Equiniti (**EQ**). In order to register, a Shareholder Reference is required which can be found on most communications from EQ.

Shareview Portfolio is free to use, secure, easy to administer and allows shareholders to elect to receive certain communications electronically, update their UK bank account details, send general meeting voting instructions in advance of meetings, keep their contact details up to date and buy and sell shares easily.

Shareholder fraud

Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If any such unsolicited communication is received, shareholders should check that the company, or person, contacting them 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 shares are purchased or sold in this way, individuals may lose their money. More information can be found on the FCA website or by calling the FCA Consumer Helpline on 0800 1116768. If a shareholder has already paid money to share fraudsters, they should contact Action Fraud on 0300 123 2040.

Advisers

Joint corporate brokers

Investec Bank plc
30 Gresham Street
London EC2V 7QP

Numis Securities Ltd
45 Gresham Street
London EC2V 7BF

Media relations advisers

Headland Consultancy
Cannon Green
1 Suffolk Lane
London EC4R 0AX

Independent auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Legal advisers

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Registrars

Equiniti Group

For shareholder enquiries, please contact:

Equiniti Group
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder Helpline: +44 (0) 371 384 2640

Calls to freephone numbers will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

customer@equiniti.com

Information for shareholders

Information for shareholders is provided online as part of the Group's corporate website (www.corporate.saga.co.uk/investors).

Registered office

Saga plc
Enbrook Park
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Kent CT20 3SE

Registered in England. Company Number: 08804263

Corporate websites

Information made available on the Group's websites does not, and is not intended to, form part of this Annual Report and Accounts.

Forward-looking statements

This Annual Report and Accounts contains certain forward-looking statements with respect to Saga's expectations, including strategy, management objectives, future developments and financial position and performance. These statements are subject to assumptions, risks and uncertainties, many of which relate to factors that are beyond Saga's ability to control and which could cause actual results and performance to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made are based upon the knowledge and information available to Directors on the date of this Annual Report and Accounts and are subject to change without notice. Shareholders are cautioned not to place undue reliance on the forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit estimate or forecast.

This publication is produced by a CarbonNeutral® company and Carbon Balanced with World Land Trust.

Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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