Half Yearly Report

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Saga plc

Interim results for the six months ended 31 July 2014

Strong set of results, on track to meet market expectations for the full year

Saga plc ("Saga" or "the Group"), the UK's leading provider of products and services primarily tailored for the over 50s, announces its interim results for the six months ended 31 July 2014.

Financial highlights

- Group Trading EBITDA increased by 9.7% to £130.4m (2013: £118.9m).
- Group Operating profit increased by 15.2% to £110.0m (2013: £95.5m[2]).
- Group profit before tax on a like-for-like basis up 14.9% to £106.5m (2013: £92.7m[2]).
- Profit before tax, after IPO expenses and one-off cost of new debt, of £32.8m (2013: £92.1m).
- Basic and diluted earnings per share of 2.42p and 2.40p respectively, with Pro forma Operating earnings per share up by 19.6% to 7.37p (2013: 6.16p).
- Strong cash generation leading to a reduction in the net debt ratio from 3.1 at initial public offering ("IPO") to 2.5 as at the end of the period.
- Available operating cash flow of £143.7m achieved, 110.2% of Trading EBITDA.

Operational Highlights

- 10.6m contactable people on the Saga database (2013: 10.4m) with 2.7m active customers during the period (2013: 2.7m) with an average holding of 2.7 Saga products as at 31 July 2014 (2013: 2.7).
- Group admitted to the premium segment of the London Stock Exchange on 29 May 2014 ("Admission"), before entering the FTSE 250 on 22 Sept 2014. Over 200,000 retail investors became shareholders.
- Innovation team set up to assess opportunities and implement 'fast pilots' for new products and services.
- Continued progress across the Group's divisions:
    - Financial Services:
        - Pure combined ratio and Operating profit improved in Motor Insurance despite continuation of challenging market conditions
        - Launch of a new landlord insurance product
    - Travel

        - Acquisition of a majority shareholding in Destinology Limited ("Destinology")
        - Partnerships signed to extend the Saga brand into Third Party Cruising.

[1] Earnings before interest, tax, depreciation and amortisation, excluding exceptional expenses and fair value gains and losses on derivative financial instruments.
2 Presented on a like-for-like basis with 2014.
3 Profit after tax attributable to ordinary shareholders excluding exceptional expenses, one-off costs associated with the new debt and other items, and after adjustments made to facilitate a like-for-like comparison.

    - Healthcare
        - Continued improvements and costs savings seen from restructuring initiatives

- Progress made on a number of new opportunities
    - **Retirement Villages:** A sales and marketing agreement has been concluded with Rangeford Holdings, a developer of retirement villages, to market Wadswick Green, their new village in Corsham, Wiltshire**.**
    - **Private Pay Care:** Dedicated management team appointed to drive the private pay opportunity. Pilot project is being established to test some differentiated domiciliary care propositions. It is expected that the pilot will be up and running early in 2015.
    - **Wealth Management:** Comprehensive review of the marketplace completed and conversations at an advanced stage to enter the market through a partnership.

Commenting on the results, Lance Batchelor, Chief Executive Officer said:

"I am very pleased to be able to announce that Saga has made a positive start to its life as a listed company, delivering a strong set of interim results that put us on track to meet market expectations for the full year.

Saga is a unique business that occupies a position as a trusted brand and provider of products tailored to the 22.8m over 50s in the UK. That demographic is predicted to grow by more than 28% in the next 20 years and - as their wants and needs change - we will continue to work hard to capitalise on our insight and structural advantages to ensure the Saga offer is increasingly beneficial to our customers and delivers returns for our shareholders ."

END

A presentation to analysts will be held at 09.30 at the offices of Bank of America Merrill Lynch, 2 King Edward Street, London, EC1A 1HQ. There will be a live webcast of the analyst presentation for registered participants. Registration can be completed at http://corporate.saga.co.uk/. The webcast will be also accessible via the Saga website following the presentation.

For further information please contact:

Saga plc

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Notes to editors:

Saga is a leading provider of products and services primarily tailored for customers over the age of 50 in the UK. The Saga brand has been carefully developed over the past 60 years to become one of the most recognised and trusted brands among UK consumers aged over 50. Saga is synonymous in the UK with the over 50s market and is recognised for its high quality products and services. These include cruises and holidays, home *and motor insurance, savings and share dealing and publishing the UK's award winning Saga Magazine. Saga also provides domiciliary and primary healthcare services through Allied Healthcare. In addition to 2.7m customers in the period, it has built a proprietary database of more than 10.6m contactable names.*

www.saga.co.uk/

Group Executive Chairman's Statement

I am delighted to be able to introduce Saga plc's first set of interim results as a listed company.

This has been an historic period in the evolution of the Saga story. We completed our long held ambition to become a public company when the Group was successfully admitted to the premium segment of the London Stock Exchange on 29 May 2014 ("Admission"), before entering the FTSE 250 on 22 September 2014.

During that process, we invited our customers to become owners of the business and were delighted that over 200,000 retail investors became shareholders, over 80% of which are customers. Those qualifying shareholders, who hold their stake for 12 months, will have their loyalty rewarded with bonus shares equal to 5% of their holding.

We also welcomed a new Chief Executive Officer during the period, Lance Batchelor and I would like to take this opportunity to welcome him officially. I would also like to take this opportunity to thank the executive team, and all of the employees across the Saga Group for all their dedication and hard work to date in building such a unique business.

I am pleased to announce that we have appointed Jonathan Hill as Group CFO designate. Jonathan will join us from Bovis Homes Group PLC, where he has been Group Finance Director for the past four years. Before that, he held various senior roles within TUI Travel plc and Centrica PLC. Jonathan brings within him a wealth of experience as a CFO and within the listed environment and I very much look forward to working with him.

Stuart Howard, Group CFO, has informed us that - after more than 14 years in the role - he feels it is time to hand over to someone who can take the business forward in the next stage of its development as a listed company. Stuart therefore plans to retire at the end of 2015. Whilst there will be plenty of time to thank him properly, I want to acknowledge at this stage the immense contribution he has made to Saga's development.

Stuart will work closely with Jonathan to ensure an orderly handover of the role and we envisage Jonathan stepping up at some point in 2015.

Despite all of this activity, the core fundamentals of the Saga business have not changed. We remain committed to making life better for people aged 50 and over by putting our customers at the heart of everything we do, providing the best possible products and services and finding new areas where we can apply our skill and focus to benefit our customers.

This is the start of an exciting journey for Saga as a listed company and I look forward to working with the whole team to continue building a business we can all be proud of, one that makes life better for people aged 50 and over and that delivers returns for our shareholders.

It therefore gives me great pleasure to be announcing such a solid set of numbers that put us on track to meet market expectations for the financial year to January 2015.

Andrew Goodsell

4 Eligible Customers who acquired shares under the Customer Offer and hold them for a continuous period of one year following admission are entitled to receive at the end of that one year period one Free Share for every twenty Shares acquired in the Customer Offer, subject to the conditions set out in the Prospectus.

Group Chief Executive's Review

Overview

Upon joining the business in March, my immediate priority was to assist Andrew and the rest of the executive team with the IPO process. This gave me a unique opportunity to get to know the business in detail from those that have been responsible for its creation.

During that process, and in my time since, I have been very motivated by what I have found and I am very pleased to be reporting that the Group has had a strong first half.

Saga is a business which is structured to make the lives of the over 50s better.

At the heart of the business is customer insight derived from data, driven by our proprietary database that has been built up over more than 60 years. This data provides us with unique insight into our customer base and their changing needs. We use that insight to ensure we are constantly improving, innovating and delivering market leading products and services with exceptional customer service.

During the period, we continued to grow the database and we now have access to 10.6m people in the UK, 46% of those over 50. 2.7m customers were buyers of Saga products in the period, which is 12% of our total target demographic. Whilst this demonstrates our position amongst the over 50s, it also shows that the business still has great growth opportunities built in.

There are more than 20m people within our target demographic who do not currently buy from us and we continue to target them by offering market leading products and services in the areas we already operate. We are also able to identify and deliver additions to our current operations - both organically and through acquisition - that add to the Saga offer, such as the recently announced acquisition of Destinology in our Travel business.

Our approach means customers trust in our brand and know that we will only offer a product or service where we can control their experience and provide something better than is currently available in the marketplace. This also gives us a real opportunity to grow into new areas where we can use our experience, expertise and insight to make life better for the over 50s.

To drive our culture of innovation, we have set up a dedicated innovation team. I have tasked this team with using our data driven insight into the changing wants and needs of the UK's over 50s to assess what products and services our customers would most value in the future. This team has set up a programme of 'fast pilots', enabling us to test our findings and assumptions quickly in a real world environment. By doing this we will be able to look at many more areas in the future (some of which will work and some of which won't) in a highly efficient and focussed way.

Saga's customer focus is coupled with a relentless drive for operational efficiency. This approach helps to ensure a healthy operating margin and a high level of net cash generation, enabling us to pay down our debt at an enhanced rate and deliver a progressive dividend policy.

The strength of the Group is also in its breadth. As we provide market leading products and services across a number of marketplaces, we are not restricted to just one of them to deliver returns for our shareholders. Our access to data, our insight and our flexible business model give us the ability to move resources around the group to ensure we are operating in the areas that our customers value most highly and will therefore provide the Group with the greatest returns.

Finally, the people within the business are second to none. The management team at Saga is perhaps the best I have worked with and I have found a deep commitment amongst our 20,000 employees to put the customer at the heart of everything we do. This approach breeds a loyalty and long term success. That is reflected in the strong performance of the Group.

Financial Services

Motor

The Motor Insurance market has remained challenging with a continued downward trend in average premiums and increased price competition as widely reported across the sector.

Despite this we have significantly improved our pure combined ratio and increased operating profit in the first half of the year by 6.8%. This has been achieved despite a reduction in revenue in the period as a result of a reduction in the number of policies sold and the continued downward pressure on pricing across the market.

Saga has a number of structural advantages that make this performance possible:

1. Our cost to acquire new customers is much lower than industry average, as we already have over 10m customers and potential customers on the Saga database.

2 We can choose to act as underwriter on an Insurance policy or to act as a broker, providing us with great tactical flexibility.

3. Our underwriting performance has been very strong, giving us the flexibility to invest in the business.

4. Unlike "pure play" Insurance companies we have the ability to shift focus toward other categories, for example Travel or Financial Services. We do not need to chase volume in one particular market.

Whilst the evidence is that the downward trend in pricing has now come to an end, there is no sign yet of any price increases and we are not forecasting any increases for the rest of the year. We continue to focus on utilising our resources and structural advantages to secure existing relationships and build a book of attractive policies for the long term.

Home

Trading in Home Insurance has been solid during the period with policy volumes largely stable. We continue to work hard to expand and optimise pricing from our panel of underwriters and we have passed the benefit of lower net premiums achieved through to our customers.

In July, we launched a new landlord insurance product, demanded by our customer base as more and more of the over 50s become 'accidental landlords'. This was awarded Defaqto 5 star status upon its launch and early indications are that this product has been well received.

Other Financial Services

We have been delighted with the performance of Other Financial Services, which has made a sizeable contribution to the Group driven primarily by Travel Insurance and Private Medical Insurance, where policy numbers and profitability are both up.

Travel Insurance has been especially pleasing, growing strongly in the period as a result of our investment in the product - extending the areas we are able to cover -, new routes to market and an uplift in the travel market more generally.

We continue to look for innovative new solutions in this segment; an example is Legal Services where we have launched a very successful pilot. Based upon the feedback from that pilot, we are working with our partners to develop the offer further so that we can develop this exciting opportunity.

Underwriting

The Group has always taken a prudent approach to underwriting and reserving which, on the whole has led to annual reserve releases. There has been a stronger than anticipated performance during the period, allowing a release of reserves totalling £29.8m.

Travel

The Travel segment has had a very strong start to the year, delivering growth in like-for-like passenger volumes and margin.

The business has focussed heavily on improving its digital capabilities its customer contact strategy and implementing a number of initiatives to promote value added offerings to customers that have increased revenue and had a beneficial impact on the product mix. The business has also benefited from the healthier macroeconomic environment.

Within the Holidays business we continue to innovate and look at ways of opening up the Saga experience to more of our target demographic. In August we announced the acquisition of Destinology, an acquisition that will expand and enhance Saga's offer in premium travel. In particular, given the age profile of Destinology's customer base, it will help improve access to the affluent younger age group (50-60) within Saga's target demographic.

In the Cruising business, we have extended the Saga brand into Third Party Cruising, through agreements with four separate cruise lines. Initial demand for this product has been strong and, encouragingly, 30% of the demand has originated from new customers - those that have not booked a cruise or holiday with us before - with a further 19% of the demand from people who have not holidayed or cruised with us for over 3 years.

Healthcare

The decision taken last year to reduce the hours delivered by our healthcare business to allow the business to restructure operations has flowed through into the current period, resulting in a revenue reduction of 10.1%. However, the impact of this has largely been offset by the cost savings made as a result of the restructuring initiatives.

The team continues to make progress in ensuring that the business has the right clinical governance, has created the right working environment for the employees and has the right technology, systems and processes in place. However, the Healthcare market generally remains challenging with continued pressure on Local Authority budgets and rising labour costs.

I believe there is an opportunity to build a business that provides a platform for further, value added services in the future.

To this end, we have appointed a dedicated management team to run our private pay offering. They will be running a small scale trial this winter of privately funded home care, which will take advantage of our accumulated learnings in the current, largely LHA business. We believe that private pay homecare can be a significant growth area for Saga.

New opportunities

We will protect the Saga brand and our relationship with our customers, by continuing to do things only where we can provide added value and offer something different to the marketplace. There are many opportunities to investigate but we will always act in the Saga way - starting with the customer, understanding the marketplace and identifying what we can do to enhance their experience.

One very interesting area for us, talked about at length in the past, is the provision of wealth management services. Since the IPO we have completed our comprehensive review of the market place and reached the conclusion that we will work with a partner to enter it. We are in advanced conversations with a number of providers and are encouraged by the progress made to date and by the opportunities we can see for the future.

Additionally, we have been exploring the opportunity to bring Saga's skills and insight to the provision of retirement villages in the UK. To this end, we have recently signed a partnership with Rangeford, a dedicated developer and financier of villages and communities focused on our demographic, to work alongside them on Wadswick Green in Wiltshire, with Saga initially providing sales and marketing expertise on the development.

The partnership is small, and in its early stages, but it is in an exciting segment for us and we are working to increase our understanding of best practice globally, through benchmarking and visits, so that we can apply that to any future Saga operations in the UK market.

Conclusion

My first six months as CEO has been a steep learning curve, but I have enjoyed getting to know the team and the business, and of course I am delighted that we are now firmly installed in the FTSE as a public company.

Our first set of interim results put us well on track to meet market expectations for the financial year to January 2015. In particular I am pleased that we have reduced our level of net debt ahead of schedule, which will allow us the financial flexibility either to invest in growth or to return to shareholders, or a combination of both.

The next stage of the story will be to lay out for you plans for the Group's further development, and the background work is well underway. This will encompass an outline plan for each of our current business divisions and describe the likely growth into new categories. I look forward to sharing this longer term vision with you in due course.

5 Net debt represents bank debt less available cash.

Group Chief Financial Officer's Review

Group Overview

The Group has produced a solid performance in the period and remains on track to meet market expectations for the financial year ended 31 January 2015.

Group P&L	**6m to Jul 2014**	***Growth***	**6m to Jul 2013** *Like-for-like*	**6m to Jul 2013** Reported	Adjustment
Revenue	**£583.5m**	***(3.9%)***	**£607.1m**	£632.0m	(£24.9m)
Trading EBITDA	**£130.4m**	***9.7%***	**£118.9m**	£122.4m	(£3.5m)
Trading EBITDA %	*22.3%*	*2.7%*	*19.6%*		
Depreciation / loss on disposal	(£11.5m)		(£10.7m)	(£13.9m)	£3.2m
Amortisation	(£8.9m)		(£13.6m)	(£13.6m)	
Interest on available cash	£0.0m		£0.9m	£0.0m	£0.9m
Operating profit	**£110.0m**	***15.2%***	**£95.5m**	£94.9m	£0.6m
Operating profit %	*18.9%*	*3.2%*	*15.7%*		
Exceptional expenses	(£4.3m)		(£4.7m)	(£4.7m)	
Net finance costs (pension scheme)	(£0.5m)		(£0.3m)	(£0.3m)	
Fair value gains on derivatives	£1.3m		£2.2m	£2.2m	
Profit before tax (like-for-like)	**£106.5m**	***14.9%***	**£92.7m**	£92.1m	£0.6m
Profit before tax %	*18.3%*	*3.0%*	*15.3%*		
IPO expenses and new debt costs					
IPO expenses	(£50.8m)				
New debt finance costs	(£22.9m)				
Profit before tax (reported)	£32.8m	*(64.6%)*	£92.7m	£92.1m	£0.6m
Tax expense	(£10.7m)	*(53.9%)*	(£23.2m)	(£23.2m)	

Profit after tax	£22.1m	(68.2%)	£69.5m	£68.9m	£0.6m

6 Adjustments have been made to the comparative period to enable like-for-like comparison between the two periods.
At the Revenue level, these adjustments relate to the Travel segment and reflect the retirement of one of the Group's ships, the Saga Ruby, and the cessation of some small Holidays businesses.
At the Operating profit level, these adjustments reflect the retirement of the Saga Ruby and the ceased Holidays businesses, together with the removal of a one-off benefit within the Media and Central Costs segment in respect of a deferred grant.

Reconciliation of Profit before tax (like-for-like) to Pro forma Operating earnings after tax

	6m to Jul 2014	*Growth*	6m to Jul 2013
Profit before tax (like-for-like)	**£106.5m**	***14.9%***	**£92.7m**
Adjustments:			
Exceptional expenses	£4.3m		£4.7m
Ongoing debt service costs	(£10.0m)		£0.0m
Non-controlling interest	(£0.2m)		(£0.7m)
	(£5.9m)		£4.0m
Pro forma adjustments:			
Interest charge	(£14.1m)		(£30.4m)
Plc costs	(£1.6m)		(£2.1m)
Tax effect of adjustments	£3.3m		£7.4m
	(£12.4m)		(£25.1m)
Tax expense	(£21.5m)		(£22.3m)
Pro forma Operating earnings after tax	**£66.7m**	***35.4%***	**£49.3m**

Group KPIs	6m to Jul 2014	*Growth*	6m to Jul 2013
Pro forma Operating EPS	7.37p	*19.6%*	6.16p
Available operating cash flow	£143.7m	*18.1%*	£121.7m
Number of active customers	2.7m	*0.0%*	2.7m

The Group's revenue for the six months to 31 July 2014 was £583.5m, down £23.6m (3.9%). This was driven by increased passenger revenues and ship passenger days within the Travel business being more than offset by the widely reported impact of lower premiums in the Motor Insurance market and a reduced number of hours of care delivered by Healthcare Services.

Despite this, underlying Trading EBITDA for the period was up £11.5m (9.7%) at £130.4m. This performance has been driven by Travel and Financial Services.

Similarly, Operating profit for the six months was up £14.5m (15.2%), at £110.0m.

Profit before tax on a like-for-like basis (i.e. excluding the impact of IPO expenses and new debt servicing costs), was £106.5m, up £13.8m (14.9%).

Exceptional Expenses

During the six months ended 31 July 2014, the Group incurred £55.1m of exceptional expenses, compared to £4.7m in the comparative period.

The majority of the exceptional expenses incurred during the period were in respect of the activities associated with the IPO and totalled £50.8m, including the cost of various associated share-based payments, with the remaining £4.3m from restructuring and other non-recurring activities.

The accounting cost of share-based payments in the period, including the cost of the customer share offer at the date of IPO, is £41.1m. The majority of this (£37.9m) has no impact on the Group's cash resources, and the balance (£3.2m) is likely to occur as a cash outflow next year.

Finance Costs

Net finance costs in the period totalled £23.4m reflecting £22.9m associated with the Group's debt financing, and £0.5m in respect of the Group's pension schemes.

There was no equivalent cost in the previous period for the amount charged to the Income Statement in respect of the Group's debt financing. The charge of £22.9m comprises costs incurred on issue of £6.1m, costs expensed on repayment of £550.0m of capital of £6.2m, amortisation of the remaining costs over the life of the debt of £0.8m, and interest paid and accrued of £9.8m.

Tax Expense

The Group's tax expense was £10.7m, down £12.5m (53.9%). This reflects the tax deductions during the period for allowable IPO expenses and finance costs of the new debt, together with a reduction in the tax effective rate:

	6m to Jul 2014	*Growth*	6m to Jul 2013
Profit before tax	£32.8m	*(64.6%)*	£92.7m
Remove underlying adjustments	£0.0m	*(100.0%)*	(£0.6m)
Non-deductible / non-taxable items	£17.2m	*514.3%*	£2.8m
Taxable profits	£50.0m	*(47.3%)*	£94.9m
Underlying tax rate	21.3%	*(1.9%)*	23.2%

Tax expense excl. prior year adj.	£10.7m	*(51.4%)*	£22.0m
Retranslation of deferred tax balances	£0.0m	*(100.0%)*	£1.2m
Tax expense	£10.7m	*(53.9%)*	£23.2m

Earnings per Share

The Group's basic earnings per share for the six months to 31 July 2014 was 2.42p.

However, given the exceptional expenses and new interest costs incurred in the period, it is the view of the Directors that a more meaningful calculation of earnings per share is Operating EPS on a pro forma basis and it is intended to use this to enable a like-for-like comparison across periods. Pro forma Operating EPS for the six months to 31 July 2014 was 7.37p (2013: 6.16p).

Dividends

As previously announced, the first dividend is intended to be a final dividend payable in June 2015.

Cash Flow and Liquidity

Available Cash Flow

The Group maintained a strong cash flow performance in the first half, achieving an available operating cash flow of £143.7m, or 110.2% of Trading EBITDA. This ratio improved by 7.8% on the comparable period last year.

	6m to Jul 2014	*Growth*	6m to Jul 2013
Trading EBITDA	£130.4m	*9.7%*	£118.9m
Less Trading EBITDA from restricted business	(£42.3m)	*(16.2%)*	(£36.4m)
Working capital and non-cash items	£62.8m	*45.4%*	£43.3m
Capital expenditure:			
Total capital expenditure	(£10.9m)	*(36.3%)*	(£17.3m)
Add back restricted businesses	£3.7m	*(71.8%)*	£13.2m
Net capital expenditure	(£7.2m)	*(80.0%)*	(£4.1m)
Available operating cash flow	**£143.7m**	***18.1%***	**£121.7m**
Available operating cash flow %	*110.2%*	*7.8%*	*102.4%*

The positive working capital movement in the period was primarily due to the release of surplus restricted cash from the Group's underwriting vehicle of £48.5m, which included the payment of a dividend. The Travel business also released £1.5m of its restricted cash in the period. In the Healthcare business, a focus on reducing outstanding debtors has had a favourable impact of £8.4m on the Group's available cash flow.

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

	6m to Jul 2014	6m to Jul 2013
Net cash flows from operating activities (reported)	£110.9m	£109.8m
Exclude cash impact of:		
Trading of restricted divisions	(£31.6m)	(£25.1m)
Cash released from restricted divisions	£26.5m	£0.0m
Exceptional expenses	£20.4m	£6.0m
Costs of new debt financing	£24.2m	£0.0m
	£39.5m	(£19.1m)
Capital expenditure funded from available cash	(£7.2m)	(£4.1m)
Exclude 'non-operating' interest and tax cash flows	£0.5m	£35.1m
Available operating cash flow	**£143.7m**	**£121.7m**

Financing

On 25 April 2014, the Group raised new financing of £1.25bn, and later utilised the £550.0m of proceeds raised via the IPO to repay the gross debt down to £700.0m. The debt matures in 2019. Interest is incurred at a variable rate of LIBOR plus 2.25%. To protect the Group from significant LIBOR increases, instruments are in place which cover the full amount of the debt and cap LIBOR at 3.0% until March 2016.

The Group has access to a revolving credit facility of £150.0m on a next day basis. This amount has not been drawn in cash although the Group has used £33.7m of it to secure various regulatory bonds and other guarantees.

The pro forma starting leverage ratio for the Group, which has been adjusted to treat all IPO and refinancing costs as paid at that date, was 3.1x. Since then, cash generation and Trading EBITDA growth has reduced this ratio by 0.6x to 2.5x as at 31 July 2014.

Segmental Trading Performance

Financial Services

Motor Insurance

The reduction in average premiums within the Motor market over the course of 2013 has continued this year, driven by reductions in claims costs and competitive pricing from a number of insurers.

However, the Group's careful pricing strategy and a reduction in claims costs has led to a significant improvement in the pure combined ratio. This, coupled with a broadly consistent level of reserve releases, resulted in an overall improvement in operating profit.

	6m to Jul 2014	Growth	6m to Jul 2013	6m to Jul 2013 Reported	6m to Jul 2013 Adjustment
Saga core business	£113.6m	(13.3%)	£131.0m	£131.0m	
Ancillary income	£23.0m	(13.5%)	£26.6m	£26.6m	
Other trading activity	£23.4m	(4.9%)	£24.6m	£24.6m	
Third party premiums	£13.9m	0.7%	£13.8m	£13.8m	
Gross revenue	£173.9m	(11.3%)	£196.0m	£196.0m	
Third party premiums	(£13.9m)	0.7%	(£13.8m)	(£13.8m)	
Revenue	£160.0m	(12.2%)	£182.2m	£182.2m	
Claims costs	(£87.4m)	(22.7%)	(£113.0m)	(£113.0m)	
Reserve releases	£29.8m	(9.7%)	£33.0m	£33.0m	
Other cost of sales	(£17.1m)	(8.0%)	(£18.6m)	(£18.6m)	
Total cost of sales	(£74.7m)	(24.2%)	(£98.6m)	(£98.6m)	
Gross profit	£85.3m	1.9%	£83.6m	£83.6m	
Gross profit %	*49.1%*	*6.4%*	*42.7%*		
Overheads	(£24.7m)	(5.0%)	(£26.0m)	(£26.1m)	£0.1m
Net interest received	£6.0m	13.2%	£5.3m	£5.3m	
Trading EBITDA	£66.6m	5.7%	£62.9m	£62.8m	£0.1m
Trading EBITDA %	*38.3%*	*6.2%*	*32.1%*		
Operating profit	£64.6m	6.8%	£60.5m	£60.4m	£0.1m
Operating profit %	*37.1%*	*7.0%*	*30.1%*		
Number of policies sold (LTM)					
- core policies	1,014k	(7.0%)	1,089k		
- add-ons	1,469k	(15.9%)	1,748k		
Gross written premiums	£160.2m	(13.9%)	£186.1m		
Pure combined ratio	91.8%	9.8%	101.6%		
Reported combined ratio	65.6%	10.8%	76.4%		

7 Leverage ratio is calculated as net debt (bank debt less available cash) divided by the last 12 months rolling Trading EBITDA.
8 Pure combined ratio is calculated in respect of underwritten Saga-branded core Motor business and represents claims costs and other expenses as a proportion of net earned premiums, after adjusting out the effect of reserve releases.
9 Reported combined ratio is calculated as per the pure combined ratio without adjusting out the effect of reserve releases.

The Group sold 2,483k Motor policies in the twelve months to 31 July 2014, which was down 354k (12.5%). Core policies have fallen by 7.0% year-on-year due to the underlying market dynamics. Add-on policies have fallen more quickly by 15.9% as we have fully implemented regulatory changes affecting the way that add-ons are sold.

Gross written premiums in the period of £160.2m were down £25.9m (13.9%), and this has earned through together with the reduced level of premiums in the second half of the previous year to a £22.2m (12.2%) reduction in revenue.

The Group has maintained its discipline of careful and considered underwriting, which has led to an improvement in gross margin over the same period, which has increased by 5.2 percentage points to 48.3%. This was primarily driven by a £25.6m (22.7%) improvement in current year claims costs as a result of continued favourable claims experience coupled with a lower volume of policies.

The combination of lower claims costs and lower overheads, due to reduced acquisition costs associated with lower policy sales volumes, has generated a 9.8 percentage point improvement in the pure combined ratio to 91.8%. This ratio calculates the sum of claims costs and other expenses as a proportion of net earned premiums, after adjusting out the effect of reserve releases.

With a backdrop of falling premiums and competitive pricing, the Group's approach to underwriting has delivered a £4.1m (6.8%) improvement in Operating profit in the period of £64.6m.

Home Insurance

Trading in the Home Insurance sub-segment over the last six months has been in line with management expectations.

	6m to Jul 2014	Growth	6m to Jul 2013	6m to Jul 2013 Reported	6m to Jul 2013 Adjustment
Saga core business	£34.1m	0.1%	£34.0m	£34.0m	
Ancillary income	£9.6m	(6.7%)	£10.3m	£10.3m	
Third party premiums	£49.0m	(8.1%)	£53.3m	£53.3m	
Gross revenue	£92.7m	(5.0%)	£97.6m	£97.6m	
Third party premiums	(£49.0m)	(8.1%)	(£53.3m)	(£53.3m)	
Revenue	£43.7m	(1.4%)	£44.3m	£44.3m	
Gross profit	£40.9m	(3.1%)	£42.2m	£42.2m	
Gross profit %	*44.1%*	*0.9%*	*43.2%*		

	6m to Jul 2014	Growth	6m to Jul 2013	6m to Jul 2013 Reported
Trading EBITDA	£29.0m	*(7.6%)*	£31.4m	£31.4m
Trading EBITDA %	*31.3%*	*(0.9%)*	*32.2%*	
Operating profit	£27.9m	*(8.8%)*	£30.6m	£30.6m
Operating profit %	*30.1%*	*(1.3%)*	*31.4%*	
Number of policies sold (LTM)				
- core policies	1,292k	*(1.6%)*	1,313k	
- add-ons	625k	*16.6%*	536k	
Gross written premiums	£92.1m	*(5.5%)*	£97.5m	

Revenue was £43.7m, down £0.6m (1.4%), with gross written premiums down £5.4m (5.5%). This reflects lower net rates from the Panel of underwriters, which the Group passed on to its customers contributing to a broadly consistent level of core policy sales.

The total number of Home Insurance policies sold in the twelve months to 31 July 2014 increased by 3.7% to 1,917k. Whilst core policy volumes remained broadly flat, add-on policies increased by 16.6% largely due to initiatives to promote the Saga Home Emergency product. Discounts given as part of the initiative contributed to the slight fall in gross profit of £1.3m (3.1%).

Operating profit was down slightly by £2.7m (8.8%) at £27.9m.

Other Financial Services

Trading in Other Financial Services in the first six months of the year has been strong, driven by uplifts in the performance of the Travel and Private Medical Insurance product lines.

These improvements reflect the continued strengthening of the Travel market, and growth in Private Medical Insurance policy volumes as a result of establishing new routes to market via third-party lead generators.

	6m to Jul 2014	*Growth*	6m to Jul 2013	6m to Jul 2013 Reported	6m to Jul 2013 Adjustment
Saga core business	£44.1m	*2.4%*	£43.0m	£43.0m	
Ancillary income	£0.1m	*(22.1%)*	£0.2m	£0.2m	
Other trading activity	£4.8m	*(3.4%)*	£5.0m	£5.0m	
Third party premiums	£18.0m	*21.6%*	£14.8m	£14.8m	
Gross revenue	£67.0m	*6.3%*	£63.0m	£63.0m	
Third party premiums	(£18.0m)	*21.6%*	(£14.8m)	(£14.8m)	
Revenue	£49.0m	*1.7%*	£48.2m	£48.2m	
Gross profit	£30.4m	*8.2%*	£28.1m	£28.1m	
Gross profit %	*45.4%*	*0.8%*	*44.6%*		
Trading EBITDA	£18.9m	*11.8%*	£16.9m	£16.9m	
Trading EBITDA %	*28.2%*	*1.4%*	*26.8%*		
Operating profit	£18.2m	*10.3%*	£16.5m	£16.5m	
Operating profit %	*27.2%*	*1.0%*	*26.2%*		
Number of policies sold (LTM)					
- core policies	343k	*2.4%*	335k		
- add-ons	5k	*0.6%*	4k		
Gross written premiums	£63.1m	*8.0%*	£58.4m		
Number of Personal Finance customers	0.3m	*0.0%*	0.3m		

Revenue for the six months to 31 July 2014 was £49.0m, up £0.8m (1.7%).

The overall number of policies sold in the twelve months to 31 July 2014 remained largely stable, as higher Travel Insurance and Private Medical Insurance volumes were partially offset by lower policy sales on some of the smaller insurance lines. However, gross written premiums in the period showed a strong increase, being up £4.7m (8.0%). The Group's Personal Finance products have performed in line with expectation during the period.

Gross profit for the period was up £2.3m (8.2%), and after overheads, which were up £0.6m (5.2%), the sub-segment has delivered an increase in Operating profit of £1.7m (10.3%).

Insurance Underwriting

Reserving

The Group's prudent approach to underwriting and reserving has facilitated reserve releases in most financial years. Reserves are regularly assessed by the Group's internal actuarial team and are reviewed annually by external professional actuaries. Due to the volatile nature of claims reserves, the Group deems it appropriate to maintain surpluses for a period of time to allow sufficient experience to be gained. When it is appropriate to do so, they are released and realised in the Group's Trading EBITDA.

Favourable claims development experience at the end of 2013 and throughout the six months to 31 July 2014 has resulted in prior year claims reserves totalling £29.8m being released during the period. This release isbroadlyin line with last year:

	6m to Jul 2014	*Growth*	6m to Jul 2013
Motor insurance	29.8	*(9.7%)*	33.0
Home insurance	0.0	*n/a*	0.0
Other insurance	0.0	*n/a*	0.0

Total	29.8	(9.7%)	33.0

The Group's total insurance contract liabilities net of reinsurance assets has reduced by £14.1m over the six months from 31 January 2014 to £651.7m at 31 July 2014, driven by a £14.8m reduction in net claims outstanding.

Analysis of insurance contract liabilities at 31 July 2014 and 31 July 2013 is as follows:

	As at Jul 2014			As at Jul 2013		
	Gross	Reinsurance Assets	Net	Gross	Reinsurance Assets	Net
Reported claims	268.1	(19.8)	248.3	256.3	(10.0)	246.3
Incurred but not reported	242.0	(5.4)	236.6	243.7	(6.6)	237.1
Claims handling provision	8.9	0.0	8.9	7.9	0.0	7.9
Total claims outstanding	519.0	(25.2)	493.8	507.9	(16.6)	491.3
Unearned premiums	160.5	(2.6)	157.9	180.4	(2.5)	177.9
Total	679.5	(27.8)	651.7	688.3	(19.1)	669.2

Solvency Capital

The Group's underwriting entity continues to hold more than twice the amount of capital reserves that it is statutorily required to hold pursuant to Gibraltar Financial Services Commission regulations, and in fact the margin has increased from 225% to 238% over the six month period.

The coverage ratio maintained by the underwriting company at 31 July 2014 was up 13 percentage points since 31 January 2014 to 238%, where the regulator requires a minimum of 200%. The Group does not foresee any requirement to inject additional capital into the underwriting business as a result of Solvency II coming into effect in the future.

The Group's solvency test calculations are shown on the following page.

	As at Jul 2014	As at Jul 2013	As at Jan 2014
Solo statutory solvency capital			
Total invested equity	156.7	164.6	161.2
Regulatory adjustments	(17.0)	(18.7)	(17.4)
Total regulatory capital resource	139.7	145.9	143.8
European Insurance Directive Requirement (Solvency I)			
Required minimum margin	58.7	62.5	64.0
Capital resources in excess of Required Minimum Margin	81.0	83.4	79.8
Coverage ratio	*238%*	*233%*	*225%*

Travel

Travel has achieved a significant improvement in volumes and margins in the period, when compared on a like-for-like basis against the same period last year. The adjustments required to allow comparison of the two periods are the removal of the results of the Saga Ruby which retired from service in January 2014, and the removal of some small discontinued Holidays businesses.

The Group has been working hard to add value to the range of holidays it offers under the Saga brand and this, combined with a shift in product mix towards long-haul and river cruises during the period, has yielded an improvement in gross margin in the six months to 31 July 2014. The Group has also achieved a 20% rise in the number of Titan passengers travelling over the same period.

In the Cruising business, the Group has restructured its pricing policy and the banding of its cabins, the result of which has been an increase in demand for higher-graded cabins from customers.

The Group has also enhanced the availability of packages for on-board services and excursions, both in advance of and during each cruise, further improving revenues. Combined with increased passenger numbers manifesting in higher load factors on both the Saga Sapphire and the Saga Pearl II, this has led to higher margins and profit.

	6m to Jul 2014	*Growth*	6m to Jul 2013	6m to Jul 2013 Reported	Adjustment
Revenue:					
Holidays	£133.2m	*7.8%*	£123.6m	£132.2m	(£8.6m)
Cruising	£43.3m	*13.6%*	£38.1m	£54.4m	(£16.3m)
	£176.5m	*9.2%*	£161.7m	£186.6m	(£24.9m)
Gross profit:					
Holidays	£29.1m	*6.9%*	£27.2m	£22.0m	£5.2m
Cruising	£8.6m	*91.6%*	£4.5m	£7.3m	(£2.8m)
	£37.7m	*18.9%*	£31.7m	£29.3m	£2.4m
Gross profit %	*21.4%*	*1.8%*	*19.6%*		
Trading EBITDA	£15.2m	*67.0%*	£9.1m	£9.9m	(£0.8m)
Trading EBITDA %	*8.6%*	*3.0%*	*5.6%*		
Operating profit	£9.1m	*250.0%*	£2.6m	£0.2m	£2.4m
Operating profit %	*5.2%*	*3.6%*	*1.6%*		

Number of holidays passengers	78k	*1.3%*	77k
Number of ship passenger days	174k	*8.1%*	161k

The shift in Saga Holidays product mix and growth in passengers on the Titan brands has generated a £9.6m (7.8%) increase in revenue from the Holidays business.

Total passenger days in the Cruising business were up 13k (8.1%) through improved load factors on both of Saga's ships. Together with improved per diem yields and higher on-board revenues, this resulted in a £5.2m (13.6%) increase in revenue from the Cruising business.

Overall, the Travel revenue for the period was £176.5m, up £14.8m (9.2%).

Gross margin has improved by 1.8% across the Travel business, driven by the improved operating efficiencies of both of its ships. Together with the revenue increase, this has delivered Gross profit of £37.7m, up £6.0m (18.9%).

Overheads were down £0.5m (1.7%), ensuring the increased Gross profit has flowed through to the bottom line. For the six months to 31 July 2014, the Travel business has produced an Operating profit of £9.1m, which was up £6.5m (250%) on a like-for-like basis.

On 13 August, the Group acquired a 75% shareholding in Destinology Limited, one of the UK's leading travel businesses with strong expertise in online sales and marketing and award winning service. The acquisition cost of £23.4m, including expenses, was wholly funded from cash resources within the Travel business. The Group has the option to acquire the remaining 25% shareholding at a later date.

Healthcare Services

Trading in the Healthcare Services segment remains challenging due to the continuing pressure on local authority care budgets, however the restructuring activity undertaken last year has yielded a number of ongoing cost savings that have flowed through into the period (£3.7m).

Operating profit has remained largely flat, despite a decline in revenue against the same period last year that has resulted from a decline in the number of hours of care delivered per week. As in the last year, profits within the segment are weighted towards the second half of the year due to the impact of holiday pay accrual for the workforce at the half year, and due to the arrival of efficiency savings.

	6m to Jul 2014	*Growth*	6m to Jul 2013	6m to Jul 2013 Reported	Adjustment
Revenue	£145.5m	*(10.1%)*	£161.9m	£161.9m	
Gross profit	£43.9m	*(7.4%)*	£47.4m	£47.4m	
Gross profit %	*30.2%*	*0.9%*	*29.3%*		
Trading EBITDA	£1.9m	*11.8%*	£1.7m	£1.7m	
Trading EBITDA %	*1.3%*	*0.2%*	*1.1%*		
Operating profit	(£0.1m)	*0.0%*	(£0.1m)	(£0.1m)	
Operating profit %	*(0.1%)*	*0.0%*	*(0.1%)*		
Number of hours of care delivered	8.1m	*(8.0%)*	8.8m		

The number of hours of care delivered in the six months to 31 July 2014 was down 8.0%. Revenue for the period was down £16.4m (10.1%) to £145.5m. Some improvement in gross margin means the resultant impact on gross profit has been reduced slightly, and it was down £3.5m (7.4%).

Last year's restructuring activity has led to significantly lower overheads in the period of £44.0m, down £3.5m (7.4%). As a result of this, trading EBITDA was up by £0.2m to £1.9m. Overall, Healthcare made an operating loss in the period of £0.1m.

Media and Central Costs

	6m to Jul 2014	*Growth*	6m to Jul 2013	6m to Jul 2013 Reported	Adjustment
Revenue	£13.7m	*2.2%*	£13.4m	£13.4m	
Gross profit	£5.7m	*21.3%*	£4.7m	£4.7m	
Gross profit %	*41.6%*	*6.5%*	*35.1%*		
Trading EBITDA	(£1.2m)	*61.3%*	(£3.1m)	(£0.3m)	(£2.8m)
Trading EBITDA %	*(8.8%)*	*14.3%*	*(23.1%)*		
Operating profit	(£4.5m)	*31.8%*	(£6.6m)	(£4.7m)	(£1.9m)
Operating profit %	*(32.8%)*	*16.5%*	*(49.3%)*		

Media and Central Costs generated an Operating loss for the six months to 31 July 2014 of £4.5m, a reduction of £2.1m (31.8%) This was primarily due to a change in the phasing of costs throughout the year and lower telephony and data communication costs driven by IT cost saving initiatives.

During the period, the Group incurred incremental non-exceptional costs of £0.5m as a direct result of the Group becoming a listed company.

Condensed consolidated income statement for the period ended 31 July 2014

	Note	**Unaudited 6m to Jul 2014**	Unaudited 6m to Jul 2013	Unaudited 12m to Jan 2014

	Note	£'m	£'m	£'m
Revenue	4	583.5	632.0	1,257.9
Cost of sales	4	(344.5)	(401.3)	(817.9)
Gross profit		**239.0**	**230.7**	**440.0**
Administrative & selling expenses	5	(190.6)	(147.0)	(292.4)
		-		
Investment income		6.5	6.5	12.7
		-		
Finance costs		(22.8)	(1.5)	(11.1)
Finance income		0.7	3.4	-
Profit before tax		**32.8**	**92.1**	**149.2**
Tax expense	6	(10.7)	(23.2)	(39.6)
Profit for the period		**22.1**	**68.9**	**109.6**
Attributable to:				
Equity holders of the parent		21.9	68.2	108.5
Non-controlling interests		0.2	0.7	1.1
		22.1	**68.9**	**109.6**
Earnings per share:				
Basic	7	2.42p	8.53p	13.56p
Diluted	7	2.40p	8.53p	13.56p

Condensed consolidated statement of comprehensive income for the period ended 31 July 2014

	Note	**Unaudited 6m to Jul 2014 £'m**	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Profit for the period		**22.1**	**68.9**	**109.6**
Other comprehensive income				
Other comprehensive income to be reclassified to the income statement in subsequent periods				
Exchange differences on translation of foreign operations		-	0.1	0.1
Net gain/(loss) on available-for-sale financial assets		0.1	(0.5)	(1.1)
Net movement on cash flow hedges		(1.7)	-	-
Tax effect		0.4	0.1	0.2
		(1.2)	(0.3)	(0.8)
Other comprehensive income not to be reclassified to the income statements in subsequent periods				
Re-measurement losses on defined benefit plans	13	(1.0)	(6.8)	(16.4)
Tax effect		0.2	1.2	3.3
		(0.8)	(5.6)	(13.1)

Total other comprehensive income	**(2.0)**	**(5.9)**	**(13.9)**
Total comprehensive income for the period	**20.1**	**63.0**	**95.7**
Attributable to:			
Equity holders of the parent	19.9	62.3	94.6
Non-controlling interests	0.2	0.7	1.1
	20.1	**63.0**	**95.7**

Condensed consolidated statement of financial position as at 31 July 2014

Assets	Note	**Unaudited As at Jul 2014 £'m**	**Unaudited As at Jul 2013 £'m**	**Unaudited As at Jan 2014 £'m**
Goodwill	8	1,636.2	1,636.2	1,636.2
Intangible fixed assets	9	42.0	57.5	47.4
Property, plant and equipment	10	132.1	157.4	139.8
Financial assets	11	623.6	1,597.7	1,681.7
Deferred tax assets	6	25.5	14.0	19.9
Current tax assets		-	5.1	5.1
Reinsurance assets	14	27.8	19.1	24.7
Inventories		5.0	6.8	4.8
Trade and other receivables		185.3	217.5	193.9
Prepayments and other assets		22.2	29.6	22.5
Cash and short term deposits	12	214.2	146.9	151.3
Total assets		**2,913.9**	**3,887.8**	**3,927.3**
Liabilities				
Pension scheme obligations	13	23.1	16.6	24.3
Gross insurance contract liabilities	14	679.5	688.3	690.5
Provisions		9.3	9.9	9.2
Financial liabilities	11	701.9	1,759.8	1,798.4
Deferred tax liabilities	6	5.9	8.9	7.0
Current tax liabilities		16.8	-	-
Other liabilities		150.4	144.6	113.2
Trade and other payables		163.9	172.1	164.9
Total liabilities		**1,750.8**	**2,800.2**	**2,807.5**
Equity				
Issued capital		**11.1**	-	-
Share premium		**518.3**	-	-
Retained earnings		**593.5**	1,085.9	1,118.7
Share-based payment reserve		**40.1**	-	-
Foreign currency translation reserve		**0.5**	0.6	0.5
Available for sale reserve		**0.7**	1.0	0.6
Hedging reserve		**(1.3)**	-	-
Equity attributable to equity holders of the parent		**1,162.9**	1,087.5	1,119.8
Non-controlling interest		**0.2**	0.1	**-**
Total equity		**1,163.1**	**1,087.6**	**1,119.8**
Total liabilities and equity		**2,913.9**	**3,887.8**	**3,927.3**

Condensed consolidated statement of changes in equity
for the period ended 31 July 2014

	Attributable to the equity holders of the parent									
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Available for sale reserve £'m	Hedging reserve £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
At January 2014	**-**		**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**
Profit for the period	-	-	21.9	-	-	-	-	21.9	0.2	22.1
Other comprehensive income	-	-	(0.8)	-	-	0.1	(1.3)	(2.0)	-	(2.0)
Corporate restructuring	8.0	-	1,515.8	-	-	-	-	1,523.8	-	1,523.8)
Dividends paid	-	-	(2,063.0)	-	-	-	-	(2,063.0)	-	(2,063.0)
Issue of share capital	3.0	547.0	-	-	-	-	-	550.0	-	550.0
Costs associated with issue of share capital	-	(28.7)	-	-	-	-	-	(28.7)	-	(28.7)
Issue of treasury shares	0.1	-	-	(0.1)	-	-	-	-	-	-
Share based payment charge	-	-	-	41.1	-	-	-	41.1	-	41.1
Exercise of share options	-	-	0.9	(0.9)	-	-	-	-	-	-
At July 2014	**11.1**	**518.3**	**593.5**	**40.1**	**0.5**	**0.7**	**(1.3)**	**1,162.9**	**0.2**	**1,163.1**
At January 2013	**-**	**-**	**1,043.3**	**-**	**0.5**	**1.4**	**-**	**1,045.2**	**(0.1)**	**1,045.1**
Profit for the period	-	-	68.2	-	-	-	-	68.2	0.7	68.9
Dividends paid	-	-	(20.0)	-	-	-	-	(20.0)	(0.5)	(20.5)
Other comprehensive income	-	-	(5.6)	-	0.1	(0.4)	-	(5.9)	-	(5.9)
At July 2013	-	-	**1,085.9**	-	**0.6**	**1.0**	**-**	**1,087.5**	**0.1**	**1,087.6**
At January 2013	**-**	**-**	**1,043.3**	**-**	**0.5**	**1.4**	**-**	**1,045.2**	**(0.1)**	**1,045.1**
Profit for the period	-	-	108.5	-	-	-	-	108.5	1.1	109.6
Dividends paid	-	-	(20.0)	-	-	-	-	(20.0)	(1.0)	(21.0)
Other comprehensive income	-	-	(13.1)	-	-	(0.8)	-	(13.9)	-	(13.9)
At January 2014	**-**	**-**	**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**

Condensed consolidated statement of cash flows
for the period ended 31 July 2014

	Note	**Unaudited 6m to Jul 2014 £'m**	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Operating activities				
Profit before tax		32.8	92.1	149.2
Depreciation and impairment of property, plant and equipment		11.4	13.8	28.3
Amortisation and impairment of intangible assets		8.9	13.6	29.3
Loss on disposal of property, plant and equipment		0.1	0.1	1.6
Share based payment expense		41.1	-	-
Finance costs		22.8	1.5	11.1
Finance income		(0.7)	(3.4)	-
Interest income from investments		(6.5)	(6.5)	(12.7)
Movements in other liabilities		37.2	24.0	(7.5)
Movements in provisions		0.1	0.6	(0.2)

Movements in reinsurance		(3.1)	(0.5)	(5.8)
Movements in insurance contract liabilities		(11.0)	(7.3)	(5.1)
Movements in pensions		(2.8)	(2.9)	(5.1)
Movements in working capital		1.6	12.7	35.4
		131.9	137.8	218.5
Interest received		3.7	7.1	12.6
Interest paid		(5.9)	-	-
Debt issue costs		(24.2)	-	-
Interest on finance lease agreements		-	(0.1)	(0.1)
Income tax paid		5.4	(35.0)	(56.9)
Net cash flows from operating activities		**110.9**	**109.8**	**174.1**
Investing activities				
Proceeds from sale of property, plant and equipment		0.2	0.1	9.3
Purchase of property, plant, equipment and software		(10.9)	(17.3)	(29.3)
Net sale of financial assets		(49.8)	6.3	(39.2)
Acquisition of subsidiaries		(0.1)	(0.6)	(0.7)
Net cash flows used in investing activities		**(60.6)**	**(11.5)**	**(59.9)**
Financing activities				
Payment of finance lease liabilities		(0.1)	(1.0)	(1.2)
Proceeds from borrowings	15	1,250.0	-	-
Repayment of borrowings	15	(550.0)	-	-
Proceeds from issue of share capital on flotation		550.0	-	-
Costs associated with issue of share capital on flotation		(25.3)	-	-
Net movement with previous related undertaking		(4.1)	(1,265.5)	(1,262.2)
Net movement on parent undertaking borrowings		774.9	834.8	814.7
Dividend distributions to the parent		(2,063.0)	(20.5)	(21.0)
Net cash flows from financing activities		**(67.6)**	**(452.2)**	**(469.7)**
Net decrease in cash and cash equivalents		**(17.3)**	**(353.9)**	**(355.5)**
Net foreign exchange differences		-	0.1	0.1
Cash and cash equivalents at the start of the period		253.6	609.0	609.0
Cash and cash equivalents at the end of the period	12	**236.3**	**255.2**	**253.6**

Notes to the condensed consolidated interim financial statements

1 General information

Saga plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act (registration number 8804263). Its registered office is located at Enbrook Park, Folkestone, Kent, CT20 3SE. On 29 May 2014, the Company was admitted via a Premium Listing to the London Stock Exchange.

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2014 were authorised for issue in accordance with a resolution of the directors on 29 September 2014.

2.1 Basis of preparation

These condensed financial statements comprise the interim financial statements of the Group for the six month period to 31 July 2014.

The presentation currency of the Group is Sterling. Unless otherwise stated, the amounts shown in the condensed consolidated financial statements are in millions of pounds Sterling (£'m).

These are the first condensed consolidated interim financial statements of the Group and have been prepared in accordance with IAS 34 'Interim Financial Reporting'. IFRS 1 'First Time Adoption of International Financial Reporting Standards' requires an explanation to be presented of how the transition to IFRS has affected the reported financial position and the financial performance of the Group. As these are the Group's first interim financial statements prepared under any GAAP, no transitional disclosures are necessary.

On the basis that the Group was created via a corporate reorganisation including the creation of a new parent (the Company), the transaction is considered to be outside the scope of IFRS 3 'Business Combinations' and has been accounted for using the pooling of interest method, whereby the carrying values of the assets and liabilities of the combining entities are included at previous IFRS carrying values, adjusted to achieve uniformity of accounting policies. The results and cash flows of all of the Group entities have been consolidated as if the transactions that gave rise to the formation of the Group took place at the beginning of the earliest period presented in the Historical Financial Information included in the Prospectus, being 1 February 2011. This date is also the date of transitioning to IFRS for the combining entities.

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3. The Group has applied all IFRS standards and interpretations adopted by the EU effective for the period ending 31 January 2015. The condensed consolidated interim financial statements have been reviewed by Ernst & Young LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

No previous consolidated financial statements have been prepared other than the historical financial information for the three years ended 31 January 2014 included within the Prospectus. The report of the Reporting Accountant on the historical financial information was unqualified, and did not contain an emphasis of matter paragraph.

Notes to the condensed consolidated interim financial statements (continued)

2.2 Basis of consolidation

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

2.3 Significant accounting policies

There have been no changes to the accounting policies of the Group during the six months ended 31 July 2014 other than those listed below. Full details of the accounting policies are detailed in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares.

During the period, the Group has implemented two new accounting policies in respect of accounting transactions and balances that it previously did not have:

a Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges of certain forecast transactions. These transactions are highly probable to occur and present an exposure to variations in cash flows that could ultimately affect amounts determined in profit or loss.

Where a derivative financial instrument is designated as a hedge, the effective part of any fair value gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately within the income statement.

When a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any associated cumulative gain or loss is removed from the hedging reserve and reclassified into the income statement in the same period in which the asset or liability affects profit or loss. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, any associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

Prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, through comparison of the projected fair values of the hedged forecast transaction and the hedging instrument using a combination of the hypothetical derivative approach and sensitivity analysis, as part of the dollar-offset method. Retrospective hedge testing is also performed at each reporting date using the dollar-offset method, by comparing the cumulative changes in the fair values of the forecast hedged transaction and the hedging instrument.

When a hedging instrument no longer meets the criteria for hedge accounting, through maturity, sale, other termination, or the revoking of the designated hedging relationship, hedge accounting is discontinued prospectively. If the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss remains in the hedging reserve and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

Notes to the condensed consolidated interim financial statements (continued)

2.3 Significant accounting policies (continued)

b Share-based payments

The Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes modelling techniques. In valuing equity settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions, and service conditions.

Where the equity settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in share-based payments reserve.

Upon vesting of an equity instrument, the cumulative cost in the share-based payments reserve is reclassified to retained earnings in equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.4 Key Performance Measures

Trading EBITDA
The nature of the Group's operations means that for management's decision making and internal performance management, the key performance metric is Trading EBITDA.

Trading EBITDA comprises earnings before interest, tax, depreciation and amortisation and excludes exceptional expenses and fair value gains and losses on derivative financial instruments. Exceptional expenses are those items which, by virtue of their nature or incidence, are excluded to enable a better understanding of the underlying financial performance of the Group.

The Group undertakes a programme of economic hedging to fix the costs associated with its Travel operations which are impacted by movements in currency exchange rates and fuel oil commodity prices. The Group considers its hedging programme to be economically effective and therefore excludes the fair value gains and losses which arise on these derivatives from Trading EBITDA to enable a better understanding of the underlying financial performance of the Travel operation.

The Trading EBITDA of the Group is analysed in the segmental information set out in note 4, with further information on the nature of the exceptional expenses provided in note 5.

Notes to the condensed consolidated interim financial statements (continued)

2.4 Key Performance Measures (continued)

Trading EBITDA %
Trading EBITDA % is calculated to show Trading EBITDA as a percentage of Gross revenue. Gross revenue comprises the Group's revenues as shown in the Income Statement plus the value of premiums sold on behalf of third party insurers, which are included to facilitate meaningful comparison with the Group's own underwritten insurance business.

Operating profit
Operating profit represents earnings derived from trading activities before interest and tax. In line with Trading EBITDA, Operating profit excludes exceptional expenses and fair value gains and losses on financial instruments.

Operating earnings per share
Operating earnings per share (Operating EPS) is calculated by dividing Operating earnings by the weighted average number of shares used in the basic and diluted EPS calculations respectively.

Operating earnings represents operating profit before exceptional items and exceptional finance costs, but after tax, which is attributable to ordinary shareholders.

To enable comparison with the prior period, Operating earnings has been adjusted to present earnings on a more like-for-like basis, and this has been used to calculate Pro forma Operating earnings per share. Details of the calculations and the pro forma adjustments are provided in note 7.

2.5 Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis.

The Group has a strong financial position with access to sufficient cash and other financial resources together with a large renewing income stream from its insurance customers and high repeat purchase levels from customers of its other products, together with long-term contracts and relationships with its key suppliers.

The Directors have reviewed the Group's projections including cash flows for the twelve months from the date of approval of the condensed consolidated interim financial statements and beyond, and have concluded that the Group has sufficient funds to continue trading for this period, and for the foreseeable future.

2.6 Standards issued but not yet effective

Standards that are in issue and which have been endorsed for use in the EU, but are not effective as at 31 July 2014, are unchanged from the end of the previous period and are detailed in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares. They have been adopted by the Group for the purpose of preparing the condensed consolidated interim financial statements.

The standards and interpretations that are issued, but not yet effective or endorsed, are disclosed below. The Group intends to adopt these standards when they become effective. Until then, the Group is monitoring developments and considering the associated impact on the Group's financial statements.

IFRS 9 Financial Instruments
IFRS 9 'Financial Instruments' will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets. The effective date is 1 January 2018.

Notes to the condensed consolidated interim financial statements (continued)

2.6 Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers
The objective of IFRS 15 is to establish the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date is 1 January 2017.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments to IAS 16 and IAS 38 provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The requirements of IAS 16 and IAS 38 are amended to clarify that depreciation and amortisation methods that are based on revenue are not appropriate. The effective date is expected to be 1 January 2016.

Amendments to IAS 19: Defined Benefit Plans - Employee Contributions
Amendments to IAS 19 'Employee Benefits' clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The effective date was 1 July 2014, however this has yet to be endorsed by the EU.

3 Significant accounting judgements, estimates and assumptions

Full details of critical accounting estimates and judgements used in the application of the Group's accounting policies can be found in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares. There have been no significant changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period. Two new areas of significant accounting estimate and judgement have arisen in the period as follows:

i) Share-based payments

During the period, the Group has granted a number of different equity-based awards to employees and customers for which a share-based payments charge may be required to be made in the Income Statement. The Group has considered each award separately to determine whether it comprises a share-based payment and to determine whether it is "equity-settled" or "cash-settled", and to determine the vesting period and any vesting conditions.

The fair values of share-based payments have been determined using techniques based upon the "Black-Scholes" pricing model. The model assumptions have been considered at the time of award and, in the case of cash-settled share-based payments, will be revisited at each reporting date up to vesting.

ii) Share issue costs

The Group incurred incremental costs totalling £32.0m in respect of its listing on the London Stock Exchange and issue of new shares. IAS 32 'Financial Instruments: Presentation' requires the Group to charge the costs of issuing new shares against the Share Premium Account within Equity.

The Group has reviewed the incremental costs to identify those solely incurred in issuing new shares, those incurred in connection with the entire share capital, and those not associated with issuing new shares at all. Those costs incurred in connection with the entire share capital have been apportioned to the issue of new shares by reference to the number of new shares compared to the entire share capital.

Further to this the Group has charged £28.7m against Share premium and charged the remaining £3.3m to the Income Statement as an exceptional expense.

Notes to the condensed consolidated interim financial statements (continued)

4 Segmental information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- *Financial services*: the segment primarily comprises general insurance and financial services products. Revenue is derived primarily from insurance premiums, insurance commissions and financial services product commissions. This segment is further analysed into three sub-segments:

- Motor insurance
- Home insurance
- Other financial services

The Group operates its own general insurer which underwrites all of the Group's Saga-branded Motor insurance policies, a proportion of its Home insurance policies, and some of its other products. The remaining insurance policies are underwritten by third party underwriters.

- *Travel*: the segment primarily comprises the operation and delivery of package tours and cruise holiday products. The Group operates its own cruise ships and one hotel. All other holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.

- *Healthcare services*: the segment primarily comprises the delivery of domiciliary care services and delivery of various primary care services.

- *Media and Central costs*: the segment primarily comprises a monthly subscription magazine product, the Group's internal mailing house and centrally borne administrative costs.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA (see note 2.4). Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to individual operating segments.

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

Finance income and costs, and fair value gains and losses on derivative financial instruments are not allocated to individual segments as the underlying instruments are managed on a group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to segments as they are also managed on a group basis.

Seasonality

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

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

Typically, increased holiday departures in the shoulder months of May, June and September and low departure volumes during July and August create seasonal fluctuations in the profit of the Travel segment.

When the seasonalities of the various segments are considered in conjunction, the resultant half yearly Trading EBITDA is broadly consistent with half of the full year result, although changes in the phasing of any reserve margin releases can have a significant impact on this.

Notes to the condensed consolidated interim financial statements (continued)

4 Segmental information (continued)

	Financial Services				Travel	Healthcare Services	Media & Central Costs	Adjustments	Total
Unaudited 6m to Jul 2014	Motor Insurance	Home Insurance	Other Financial Services	Total					
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	173.9	92.7	67.0	333.6	176.5	145.5	8.8	-	664.4
Inter-segment	-	-	-	-	-	-	4.9	(4.9)	-
Segment revenue	173.9	92.7	67.0	333.6	176.5	145.5	13.7	(4.9)	664.4
Third party premiums	(13.9)	(49.0)	(18.0)	(80.9)	-	-	-	-	(80.9)
Revenue	160.0	43.7	49.0	252.7	176.5	145.5	13.7	(4.9)	583.5
Cost of sales	(74.7)	(2.8)	(18.6)	(96.1)	(138.8)	(101.6)	(8.0)	-	(344.5)
Gross profit	**85.3**	**40.9**	**30.4**	**156.6**	**37.7**	**43.9**	**5.7**	**(4.9)**	**239.0**
Results									
Trading EBITDA	**66.6**	**29.0**	**18.9**	**114.5**	**15.2**	**1.9**	**(1.2)**	**-**	**130.4**
Trading EBITDA %	*38.3%*	*31.3%*	*28.2%*	*34.3%*	*8.6%*	*1.3%*	*(8.8%)*	-	*19.6%*
Depreciation	(1.4)	(0.9)	(0.7)	(3.0)	(3.6)	(2.3)	(2.5)	-	(11.4)
Loss on disposal	-	-	-	-	(0.1)	-	-	-	(0.1)
Amortisation of intangible assets	(0.6)	(0.2)	-	(0.8)	(2.4)	0.3	(0.8)	(5.2)	(8.9)
Impairment of intangibles	-	-	-	-	-	-	-	-	-
Operating profit	**64.6**	**27.9**	**18.2**	**110.7**	**9.1**	**(0.1)**	**(4.5)**	**(5.2)**	**110.0**
Exceptional expenses									(55.1)
Fair value gains on derivative financial instruments									1.3

Net finance costs									(23.4)
Profit before tax									**32.8**
Total assets less liabilities				336.2	9.1	(33.3)	(146.9)	998.0	1,163.1
No of employees				2,079	2,051	15,738	627		20,495

The total revenue of £583.5m is generated £581.1m in the UK and £2.4m in the rest of the world.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 4b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 848 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated interim financial statements (continued)

4 Segmental information (continued)

	Financial Services				Travel	Healthcare Services	Media & Central Costs	Adjustments	Total
Unaudited 6m to Jul 2013	Motor Insurance	Home Insurance	Other Financial Services	Total					
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	196.0	97.6	63.0	356.6	186.6	161.9	8.8	-	713.9
Inter-segment	-	-	-	-	-	-	4.6	(4.6)	-
Segment revenue	196.0	97.6	63.0	356.6	186.6	161.9	13.4	(4.6)	713.9
Third party premiums	(13.8)	(53.3)	(14.8)	(81.9)	-	-	-	-	(81.9)
Revenue	182.2	44.3	48.2	274.7	186.6	161.9	13.4	(4.6)	632.0
Cost of sales	(98.6)	(2.1)	(20.1)	(120.8)	(157.3)	(114.5)	(8.7)	-	(401.3)
Gross profit	**83.6**	**42.2**	**28.1**	**153.9**	**29.3**	**47.4**	**4.7**	**(4.6)**	**230.7**
Results									
Trading EBITDA	**62.8**	**31.4**	**16.9**	**111.1**	**9.9**	**1.7**	**(0.3)**	**-**	**122.4**
Trading EBITDA %	*32.0%*	*32.2%*	*26.8%*	*31.2%*	*5.3%*	*1.1%*	*(2.2%)*	-	*17.1%*
Depreciation	(0.7)	(0.3)	(0.1)	(1.1)	(8.4)	(1.4)	(2.9)	-	(13.8)
Loss on disposal	-	-	-	-	(0.1)	-	-	-	(0.1)
Amortisation of intangible assets	(1.7)	(0.5)	(0.3)	(2.5)	(1.2)	(0.4)	(1.5)	(8.0)	(13.6)
Impairment of intangibles	-	-	-	-	-	-	-	-	-
Operating profit	**60.4**	**30.6**	**16.5**	**107.5**	**0.2**	**(0.1)**	**(4.7)**	**(8.0)**	**94.9**
Exceptional expenses									(4.7)
Fair value gains on derivative financial instruments									2.2
Net finance costs									(0.3)
Profit before tax									**92.1**
Total assets less liabilities				347.0	(5.0)	(31.5)	(151.5)	928.6	1,087.6
No of employees				2,151	2,434	17,261	666		22,512

The total revenue of £632.0m is generated £629.2m in the UK and £2.8m in the rest of the world.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 4b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 1,240 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated interim financial statements (continued)

4 Segmental information (continued)

	Financial Services				Travel	Healthcare Services	Media & Central Costs	Adjustments	Total
Unaudited 12m to Jan 2014	Motor Insurance	Home Insurance	Other Financial Services	Total					

	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	362.6	197.8	122.5	682.9	379.6	318.6	17.1	-	1,398.2
Inter-segment	-	-	-	-	-	-	8.9	(8.9)	-
Segment revenue	362.6	197.8	122.5	682.9	379.6	318.6	26.0	(8.9)	1,398.2
Third party premiums	(7.4)	(107.3)	(25.6)	(140.3)	-	-	-	-	(140.3)
Revenue	355.2	90.5	96.9	542.6	379.6	318.6	26.0	(8.9)	1,257.9
Cost of sales	(218.9)	(4.4)	(38.0)	(261.3)	(315.0)	(224.9)	(16.7)	-	(817.9)
Gross profit	**136.3**	**86.1**	**58.9**	**281.3**	**64.6**	**93.7**	**9.3**	**(8.9)**	**440.0**
Results									
Trading EBITDA	**96.7**	**63.1**	**37.3**	**197.1**	**27.8**	**10.2**	**(1.4)**	**-**	**233.7**
Trading EBITDA %	*26.7%*	*31.9%*	*30.4%*	*28.9%*	*7.3%*	*3.2%*	*(5.4%)*	-	*16.7%*
Depreciation	(1.3)	(0.5)	(0.3)	(2.1)	(17.9)	(2.8)	(5.5)	-	(28.3)
Loss on disposal	-	-	-	-	(1.6)	-	-	-	(1.6)
Amortisation of intangible assets	(3.1)	(1.3)	(0.7)	(5.1)	(2.4)	(0.3)	(3.1)	(14.7)	(25.6)
Impairment of intangibles	-	-	-	-	-	-	-	(3.7)	(3.7)
Operating profit	**92.3**	**61.3**	**36.3**	**189.9**	**5.9**	**7.1**	**(10.0)**	**(18.4)**	**174.5**
Exceptional expenses									(14.2)
Fair value losses on derivative financial instruments									(10.4)
Net finance costs									(0.7)
Profit before tax									**149.2**
Total assets less liabilities				274.9	(5.3)	(29.4)	(55.5)	935.1	1,119.8
No of employees				2,113	2,423	16,844	651		22,031

The total revenue of £1,257.9m is generated £1,252.4m in the UK and £5.5m in the rest of the world.

Cost of sales within the Financial Services segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 4b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 1,218 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated interim financial statements (continued)

4 Segmental information (continued)

Amortisation of intangible assets detailed as unallocated relates to the separately identified intangibles acquired as part of the Healthcare acquisitions. This arises on consolidation and is not considered to be part of the underlying trading of any segment.

Total assets less liabilities detailed as adjustments relates to the following unallocated items:

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Goodwill	1,636.2	1,636.2	1,636.2
Contracts, brands and customer relationships	23.9	39.2	29.2
Bank loans (note 15)	(687.3)	-	-
Net amounts owed to parent undertakings	-	(769.5)	(749.2)
Net amounts owed to previous related undertaking	-	(0.8)	(4.2)
Deferred tax - non-pension scheme related	25.2	23.5	23.1
	998.0	928.6	935.1

4a Analysis of Financial Services revenue

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Income from insurance underwritten by the Group			
- Motor Insurance	137.5	161.4	310.9
- Home Insurance	8.2	8.1	16.4
- Other	20.0	21.5	41.7
	165.7	191.0	369.0
Income from other insurance and financial services			

products	87.0	83.7	173.6
	252.7	274.7	542.6

4b **Analysis of Financial Services cost of sales**

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Net Claims incurred on insurance underwritten by the Group			
- Motor Insurance	63.0	85.8	194.8
- Home Insurance	2.8	2.1	4.4
- Other	18.4	20.0	37.8
	84.2	107.9	237.0
Other cost of sales	11.9	12.9	24.3
	96.1	120.8	261.3

Notes to the condensed consolidated interim financial statements (continued)

5 **Exceptional expenses**

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Share-based payments costs	41.1	-	-
Flotation and other costs	9.7	-	-
Restructuring costs	3.7	4.1	12.9
Cost of cancelled and curtailed cruises	0.6	0.6	0.8
Other exceptional expenses	-	-	0.5
	55.1	4.7	14.2

Refinancing and flotation costs represents costs associated with the refinancing and flotation of the Group.

Restructuring costs represent costs associated with restructuring and re-organising a number of Group operations and include staff-related costs such as redundancy and other termination costs, together with various professional fees for advice and processes associated with the restructuring.

6 **Tax**

The half-year current tax charge is based on the estimate of the likely effective current tax rate for the year, expressed as a percentage of the expected results for the year and then applied to the half-yearly profits or losses arising within statutory entities across the group. Where material, exceptional and one-off items were taken out of the calculation with the current tax effect of the items evaluated separately and added to the current tax effect of regular profits and losses.

The half-year deferred tax charge is based on the estimate of the difference between the likely effective total tax rate and the likely effective current tax rate for the year, expressed as a percentage of the expected results for the year and then applied to the half-yearly profits or losses arising within statutory entities across the group. IFRS adjustments, and where material, exceptional and one-off items were taken out of the calculation with the deferred tax effect of the items evaluated separately and added to the deferred tax effect of regular profits and losses.

In arriving at the effective tax rates, account has been taken of all the capital allowances, reliefs and tax losses expected to be utilised when computations for the year are submitted to relevant tax authorities.

The major components of the income tax expense are:

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Consolidated income statement			
Current income tax			
Current income tax charge	17.0	26.3	47.4
Adjustments in respect of previous years	-	-	0.9
	17.0	26.3	48.3
Deferred tax			
Relating to origination and reversal of temporary differences	(6.3)	(3.1)	(8.7)
Tax expense in the income statement	10.7	23.2	39.6

Notes to the condensed consolidated interim financial statements (continued)

6 **Tax (continued)**

Reconciliation of net deferred tax assets / (liabilities):

	Unaudited 6m to Jul 2014 £'m	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m

At 1 February	12.9	0.7	0.7
Tax income/(expense) recognised in the income statement	6.3	3.1	8.7
Tax income/(expense) recognised in OCI	0.4	1.3	3.5
At the end of the period	19.6	5.1	12.9

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set-off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

A reduction in the UK corporation tax rate to 20% has been enacted in the Finance Act 2013 to take effect from 1 April 2015. As a result the closing deferred tax balances have been stated at 20%.

The Group has tax losses which arose in the UK of £7.7m (July 2013: £4.5m, January 2014: £8.0m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

7 Earnings per share

Basic EPS is calculated by dividing the profit after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit after tax attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all potential dilutive options into ordinary shares.

The Group did not exist in its current form for the comparative period, therefore basic and diluted EPS have been calculated using the number of shares pre-admission to the London Stock Exchange as if they had always been in issue, in accordance with IAS33.

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

The calculation of basic and diluted EPS is as follows:

Basic EPS	**Unaudited 6m to Jul 2014**	Unaudited 6m to Jul 2013	Unaudited 12m to Jan 2014
Profit attributable to ordinary equity holders of the parent (£million)	21.9	68.2	108.5
Original shares (millions)	800.0	800.0	800.0
297.3m shares issued on 29 May 2014	105.1	-	-
Weighted average number of ordinary shares outstanding (millions)	905.1	800.0	800.0
Basic EPS	**2.42p**	**8.53p**	**13.56p**

Notes to the condensed consolidated interim financial statements (continued)

7 Earnings per share (continued)

Diluted EPS	**Unaudited 6m to Jul 2014**	Unaudited 6m to Jul 2013	Unaudited 12m to Jan 2014
Profit attributable to ordinary equity holders of the parent (£million)	21.9	68.2	108.5
Weighted average number of ordinary shares for basic EPS (millions)	905.1	800.0	800.0
Effect of dilution:			
13.1m share options (see note 17a)	4.6	-	-
7.3m bonus shares (see note 17c)	2.6	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution (millions)	912.3	800.0	800.0
Diluted EPS	**2.40p**	**8.53p**	**13.56p**

The Group's key earnings per share measure is Operating EPS, which is defined in note 2.4.

The following table provides a reconciliation of Operating earnings and the calculated basic and diluted Operating EPS:

Operating EPS	**Unaudited 6m to Jul 2014 £'m**	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Profit before tax	32.8	92.1	149.2
Adjusted for:			
Exceptional expenses	55.1	4.7	14.2
Exceptional finance costs	12.9	-	-

Non-controlling interests	(0.2)	(0.7)	(1.1)
Pre-tax operating earnings	100.6	96.1	162.3
Pre-tax operating EPS (basic)	**11.11p**	**12.01p**	**20.29p**
Pre-tax operating EPS (diluted)	**11.03p**	**12.01p**	**20.29p**
Tax at effective rate of 21.3% (23.2% Jul 2013 and Jan 2014)	(21.5)	(22.3)	(37.6)
Post-tax operating earnings	79.1	73.8	124.7
Post-tax operating EPS (basic)	**8.74p**	**9.23p**	**15.59p**
Post-tax operating EPS (diluted)	**8.67p**	**9.23p**	**15.59p**

Notes to the condensed consolidated interim financial statements (continued)

7 Earnings per share (continued)

In order to provide more comparable period-on-period understanding Pro forma Operating EPS has also been calculated:

Pro forma Operating EPS	**Unaudited 6m to Jul 2014 £'m**	Unaudited 6m to Jul 2013 £'m	Unaudited 12m to Jan 2014 £'m
Post-tax operating earnings attributable to ordinary shareholders	79.1	73.8	124.7
Adjusted for:			
Pro forma interest charge	(14.1)	(30.4)	(61.3)
Pro forma plc costs	(1.6)	(2.1)	(4.1)
Underlying adjustments	-	0.6	(4.9)
Tax on adjustments at effective rate of 21.3% (23.2% Jul 2013 and Jan 2014)	3.3	7.4	16.3
Post-tax pro forma operating earnings attributable to ordinary shareholders	**66.7**	**49.3**	**70.7**
Post-tax pro forma operating EPS (basic)	**7.37p**	**6.16p**	**8.84p**
Post-tax pro forma operating EPS (diluted)	**7.31p**	**6.16p**	**8.84p**

8 Goodwill

Goodwill represents that arising via the pooling of interest method detailed in note 2.1, and goodwill acquired through business combinations. Goodwill has been allocated to cash-generating units on initial recognition and for subsequent impairment testing, and is allocated to the Financial Services, Travel, and Healthcare Services segments.

The Group performed impairment testing over the carrying value of goodwill at 31 January 2014. The Group has performed a review for indicators of impairment as at 31 July 2014, and concluded that no further impairment testing is required at this date.

9 Intangible fixed assets

During the period, the Group capitalised £3.4m (July 2013: £2.5m) of software assets and charged £8.9m (July 2013: £13.6m) of amortisation to its intangible assets. At 31 July 2014 the net book value of its intangible assets was £23.9m (July 2013: £39.2m) for acquired contracts and brands and £18.1m (July 2013: £18.3m) of software.

The Group has performed a review for indicators of impairment of the acquired contracts and brands at 31 July 2014, and assessed the recoverable amounts to be at least equal to the carrying amounts.

10 Property, plant and equipment

During the period ended 31 July 2014, the Group capitalised assets with a cost of £4.1m (July 2013: £12.2m).

The Group's capital amounts contracted for but not provided in the financial statements amounted to £0.1m (July 2013: £0.1m).

Notes to the condensed consolidated interim financial statements (continued)

11 Financial assets and financial liabilities

a. Financial assets and financial liabilities

Financial Assets	**Unaudited As at Jul 2014 £'m**	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Fair value through profit or loss			
Foreign exchange forward contracts	0.1	5.9	-
Fuel oil swaps	0.1	0.1	-
Loan funds	19.8	-	13.0
Hedge funds	13.4	-	13.1
Equities	6.3	-	-
	39.7	6.0	26.1
Loans and receivables			
Deposits with financial institutions	483.4	430.4	465.8

Amounts owed by parent undertaking	-	979.3	1,030.7
Amounts owed by previous related undertaking	-	2.3	0.4
	483.4	1,412.0	1,496.9
Available-for-sale investments			
Debt securities	72.8	65.9	51.2
Money market funds	27.7	113.8	107.5
	100.5	179.7	158.7
Total financial assets	623.6	1,597.7	1,681.7
Current	234.8	1,240.9	1,291.3
Non-current	388.8	356.8	390.4
	623.6	1,597.7	1,681.7

Available-for-sale investments and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to contractual restrictions and are not readily available to be used for other purposes within the Group.

Whilst fixed / floating interest securities investments could be realised at short notice, it is anticipated that they will be held until maturity

	Unaudited	Unaudited	Unaudited
Financial Liabilities	**As at Jul 2014**	As at Jul 2013	As at Jan 2014
Fair value through profit or loss	**£'m**	£'m	£'m
Derivative liabilities not designated as hedges			
Foreign exchange forward contracts	6.7	0.6	7.2
Fuel oil swaps	0.3	0.9	0.9
	7.0	1.5	8.1
Fair value through other comprehensive income			
Foreign exchange forward contracts	1.7	-	-
	1.7	-	-
Loans and borrowings			
Bank Loans (note 15)	687.3	-	-
Obligations under finance leases and hire purchase	0.3	1.1	0.6
Bank overdrafts	5.6	5.5	5.2
Amounts owed to parent undertaking	-	1,748.7	1,779.9
Amounts owed to previous related undertaking	-	3.0	4.6
	693.2	1,758.3	1,790.3
Total financial liabilities	701.9	1,759.8	1,798.4
Current	13.4	1,759.2	1,797.5
Non-current	688.5	0.6	0.9
	701.9	1,759.8	1,798.4

Notes to the condensed consolidated interim financial statements (continued)

11 Financial assets and financial liabilities (continued)

b. Fair values (continued)

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques, and are categorised into a fair value measurement hierarchy as follows:

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 equities and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted market price.

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 counter-parties, 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, CVA / DVA risk adjustment is factored into the fair values of these instruments. As at 31 July 2014, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counter-party default risk.

The fair values are periodically reviewed by the treasury committee.

Level 3
These are valuation techniques for which any one or more significant inputs are not based on observable market data. There are no level 3 instruments in the Group as at 31 July 2014, 31 January 2014 or 31 July 2013.

The fair value and carrying value of all financial assets and financial liabilities are materially same.

Notes to the condensed consolidated interim financial statements (continued)

11 Financial assets and financial liabilities (continued)

b. Fair values (continued)

The following tables provide the quantitative fair value hierarchy of the Group's financial assets and financial liabilities:

	Unaudited As at Jul 2014			Unaudited As at Jul 2013			Unaudited As at Jan 2014		
	Level 1 £'m	Level 2 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	**Total £'m**
Financial assets measured at fair value									
Foreign exchange forward contracts	-	0.1	**0.1**	-	5.9	**5.9**	-	-	**-**
Fuel oil swaps	-	0.1	**0.1**	-	0.1	**0.1**	-	-	**-**
Loan funds	-	19.8	**19.8**	-	-	**-**	-	13.0	**13.0**
Hedge funds	-	13.4	**13.4**	-	-	**-**	-	13.1	**13.1**
Equities	6.3	-	**6.3**	-	-	**-**	-	-	**-**
Available-for-sale financial assets									
Debt securities	72.8	-	**72.8**	65.9	-	**65.9**	51.2	-	**51.2**
Money market funds	-	27.7	**27.7**	-	113.8	**113.8**	-	107.5	**107.5**
Financial liabilities measured at fair value									
Foreign exchange forward contracts	-	8.4	8.4	-	0.6	0.6	-	7.2	**7.2**
Fuel oil swaps	-	0.3	0.3	-	0.9	0.9	-	0.9	**0.9**
Assets for which fair values are disclosed									
Loans and receivables									
Deposits with financial institutions	-	483.4	**483.4**	-	430.4	**430.4**	-	465.8	**465.8**
Amounts owed by parent undertaking	-	-	**-**	-	979.3	**979.3**	-	1,030.7	**1,030.7**
Amounts owed by previous related undertaking	-	-	**-**	-	2.3	**2.3**	-	0.4	**0.4**
Liabilities for which fair values are disclosed									
Loans and borrowings									
Bank Loans	-	687.3	**687.3**	-	-	**-**	-	-	**-**
Obligations under finance leases and hire purchase	-	0.3	**0.3**	-	1.1	**1.1**	-	0.6	**0.6**
Bank overdrafts	-	5.6	**5.6**	-	5.5	**5.5**	-	5.2	**5.2**
Amounts owed to parent undertaking	-	-	**-**	-	1,748.7	**1,748.7**	-	1,779.9	**1,779.9**
Amounts owed by previous related undertaking	-	-	**-**	-	3.0	**3.0**	-	4.6	**4.6**

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities.

c. Cash flow hedges for currency risks

During the period to 31 July 2014, the Group designated 124 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

The table below summarises the foreign currency cash flow hedging instruments in place as at 31 July 2014:

	Designated in 6m to Jul 14		All current cash flow hedges	
	Volume	Fair Value £'m	Volume	Fair Value £'m
Foreign Currency Cash Flow Hedging Instruments				
Euro (EUR)	38	(1.3)	38	(1.3)
US Dollar (USD)	33	(0.4)	33	(0.4)
Other currencies	53	-	53	-
Total	124	(1.7)	124	(1.7)

The table below summarises the present value of the highly probable forecast foreign currency cash flows that have been designated in a hedging relationship as at 31 July 2014. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £'m	USD £'m	Other currencies £'m	Total £'m
1 Aug 14 - 31 Jan 15	-	0.4	0.1	0.5
1 Feb 15 - 31 Jul 15	17.4	8.2	2.6	28.2
1 Aug 15 - 31 Jan 16	19.0	20.4	3.6	43.0
1 Feb 16 - 31 Jul 16	0.5	4.7	0.2	5.4
Total	36.9	33.7	6.5	77.1

There has been no de-designation of hedges during the six month period to 31 July 2014 as a result of foreign currency cash flows forecast at the previous reporting date that are no longer expected to occur, or as a result of failed ineffectiveness testing.

During the period, the Group recognised £0.1m of gains and £1.8m of losses on forward currency cash flow hedging instruments through other comprehensive income into the hedging reserve.

During the same period, the Group did not de-designate any hedges due to ineffectiveness or remove any amounts from the hedging reserve to be included in either profit or loss or in the carrying value of non-financial assets and liabilities. The Group recognised a £0.1m loss though the Income Statement in respect of the ineffective portion of hedges measured during the period.

Notes to the condensed consolidated interim financial statements (continued)

12 Cash and short term deposits

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Cash at bank and in hand	93.9	27.5	52.4
Short term deposits	120.3	119.4	98.9
Cash and short term deposits	214.2	146.9	151.3
Money markets funds	27.7	113.8	107.5
Bank overdraft	(5.6)	(5.5)	(5.2)
Cash and cash equivalents in the cash flow statement	236.3	255.2	253.6

Included within cash and short term deposits are amounts held by the Group's travel and insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for purposes outside of these restrictions within the Group and total £109.2m (July 2013: £81.9m, January 2014: £66.8m).

13 Pensions

The Group operates pension benefits for the employees of the Group consisting of defined contribution plans and three funded defined benefit schemes. Two of these schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ("Nestor schemes") provide benefits based on final salary and are closed to new members. The Saga Pension Scheme ("Saga scheme") is open to new members who accrue benefits on a career average salary basis. The assets of all schemes are held separately from those of the Group in independently administered funds.

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

Unaudited At July 2014	Saga scheme £'m	Nestor scheme £'m	Total £'m
Fair value of scheme assets	182.4	50.8	233.2
Present value of defined benefit obligation	(196.9)	(59.4)	(256.3)
Defined benefit scheme liability	(14.5)	(8.6)	(23.1)

Unaudited At July 2013	Saga scheme £'m	Nestor scheme £'m	Total £'m
Fair value of scheme assets	168.3	46.7	215.0
Present value of defined benefit obligation	(173.5)	(58.1)	(231.6)
Defined benefit scheme liability	(5.2)	(11.4)	(16.6)

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

The valuations used have been based on a full assessment of the liabilities of the schemes. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

During the period ended 31 July 2014, the net liability portion of the three schemes has improved by £1.2m to a total scheme liability of £23.1m.

14 Insurance contract liabilities and reinsurance assets

Analysis of recognised amounts

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Gross			
Claims outstanding	519.0	507.9	529.1
Provision for unearned premiums	160.5	180.4	161.4
Total gross insurance liabilities	679.5	688.3	690.5

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Recoverable from reinsurers			
Claims outstanding	25.2	16.6	20.5
Provision for unearned premiums	2.6	2.5	4.2
Total reinsurers' share of insurance liabilities	27.8	19.1	24.7

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Net			
Claims outstanding	493.8	491.3	508.6
Provision for unearned premiums	157.9	177.9	157.2
Total net insurance liabilities	651.7	669.2	665.8

Reconciliation of movements in claims outstanding

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Gross claims outstanding at 1 February	529.1	516.7	516.7
Less: reinsurance claims outstanding	(20.5)	(16.1)	(16.1)
Net claims outstanding at 1 February	508.6	500.6	500.6
Gross claims incurred	89.5	109.3	242.6
Less: reinsurance recoveries	(5.3)	(1.4)	(5.6)
Net claims incurred (note 4b)	84.2	107.9	237.0
Gross claims paid	(99.6)	(118.1)	(230.2)
Less: received from reinsurance	0.6	0.9	1.2
Net claims paid	(99.0)	(117.2)	(229.0)
Gross claims outstanding at the period end	519.0	507.9	529.1
Less: reinsurance claims outstanding	(25.2)	(16.6)	(20.5)
Net claims outstanding at the period end	493.8	491.3	508.6

14 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in the provision for net unearned premiums

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Gross unearned premiums at 1 February	161.4	178.9	178.9
Less: unearned reinsurance premiums	(4.2)	(2.5)	(2.5)
Net unearned premiums at 1 February	157.2	176.4	176.4
Gross premiums written	168.9	195.2	358.2
Less: outward reinsurance premium	(2.5)	(2.7)	(8.4)
Net premiums written	166.4	192.5	349.8

Gross premiums earned	(169.8)	(193.7)	(375.7)
Less reinsurance premium earned	4.1	2.7	6.7
Net premiums earned (note 4a)	(165.7)	(191.0)	(369.0)
Gross unearned premiums at the period end	160.5	180.4	161.4
Less: unearned reinsurance premiums	(2.6)	(2.5)	(4.2)
Net unearned premiums at the period end	157.9	177.9	157.2

The total gain on purchasing reinsurance in the period ending July 2014 was £1.2m (July 2013: £1.3m loss; January 2014: £1.1m loss)

The development of the associated net loss ratios on the same basis is as follow:

		Unaudited Financial Year ended 31 January					Unaudited Period ended 31 July 2014
		2010	2011	2012	2013	2014	
		£'m	£'m	£'m	£'m	£'m	£'m
Accident Year	2010	73%	73%	72%	70%	68%	67%
	2011		78%	78%	76%	75%	72%
	2012			76%	70%	62%	62%
	2013				76%	72%	68%
	2014					75%	75%
	2015						69%

The net loss ratio for the period to 31 July 2014 is for a six month period, compared to annual periods for the other ratios.

The Group experiences a greater proportion of claims notified in the second half of any financial year compared the first half of the year. The loss ratio of 69% for the first half of the 2015 accident year is not therefore directly comparable with the loss ratios for previous accident years.

Notes to the condensed consolidated interim financial statements (continued)

15 Loans and Borrowings

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Bank loans	687.3	-	-

	Unaudited As at Jul 2014 £'m	Unaudited As at Jul 2013 £'m	Unaudited As at Jan 2014 £'m
Maturing April 2019	700.0	-	-
	700.0	-	-
Less:- deferred issue costs	(12.7)	-	-
	687.3	-	-

On 17 April 2014, the Group entered into a Senior Facilities Agreement in order to provide appropriate debt finance and to ensure the availability of sufficient liquidity reserves for the Group.

The amounts available to the Group under the Senior Facilities Agreement included (i) a term loan facility of £825.0m maturing in 2019 ("Facility A"), (ii) a term loan facility of £425.0m maturing in 2020 ("Facility B") and (iii) a multicurrency revolving credit facility of £150.0m.

On 25 April 2014, the Group drew £825.0m under Facility A and £425.0m under Facility B. At the end of May, following the receipt of £550.0m from the Group's flotation, Facility B was repaid in full and £125.0m of Facility A" was repaid, to leave the outstanding principal on the Group's borrowings at £700.0m.

Further to the repayment of £550.0m, interest on the debt is incurred at a variable rate of LIBOR plus 2.25%. To protect the Group from significant increases in interest rates, interest rate caps are in place to cover the full amount of the debt until March 2016, and cap LIBOR at 3.0%.

During the period the Group charged £22.9m to the income statement in respect of fees and interest associated with the Senior Facilities Agreement.

16 Corporate restructuring

In preparation for the listing of the Group on the London Stock Exchange, a corporate restructuring took place to establish the Group in its current legal form, and to settle outstanding balances between the Group and its parent undertaking. Full details of these transactions are provided in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares; however, the key transactions affecting the results for the period are set out below.

Prior to entering into the new Senior Facilities Agreement (see note 15), the Group's existing debt facilities were provided by Acromas Mid Co Limited, an intermediate parent company, and distributed to the Group via inter-company loans.

Dividend distributions totalling £2,063.0m were made in order to facilitate the repayment of Acromas Mid Co Limited's borrowings following the draw-down of the new Group facilities on 25 April 2014, and to eliminate other intercompany liabilities. Finally, the Group used part of its distributable reserves to release its parent undertakings from the remaining balance due to it. Following these transactions, the amounts owed by and to parent undertakings were reduced to £nil.

Notes to the condensed consolidated interim financial statements (continued)

17 Share-based payments

During the period, the Group has granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments. The fair values of these awards have been assessed using techniques based upon the "Black-Scholes" pricing model.

The Group has charged amounts to the Income Statement in respect of the following share-based payments:

a) Options over 13,132,410 shares issued to certain Directors and employees on 29 May 2014 to recognise their contribution to the business in the lead up to Admission;

b) Options over 2,162,162 shares issued to the Chief Executive Officer on 29 May 2014 which vest over the three to five year period following Admission;

c) Bonus shares receivable by Eligible Customers and Eligible Employees who acquired shares under the Customer and Employee Offers on 29 May 2014 and who hold those shares for a continuous period of 12 months from that date;

d) Options over 4,015,508 shares issued under the Long-Term Incentive Plan to certain Directors and employees on 30 June 2014 which vest and become exercisable on the third anniversary of the grant date and are 50% linked to EPS performance and 50% linked to TSR performance.

Further information on items a) to c) is provided in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares. The total amount charged to the Income Statement in respect of these items and treated as exceptional expenses in the six months ended 31 July 2014 is £41.1m.

The total amount charged to the Income Statement in respect of item d) in the six months ended 31 July 2014 is £0.1m.

18 Related party transactions

In previous periods, the Group has had related party transactions with the Acromas group of companies as its parent undertaking, and with the AA group of companies which were under common control.

On 2 July 2013, all transactions between the Group and the AA group were formalised under an arm's length agreement. On 26 June 2014, the Acromas group sold its entire shareholding in the AA group and the Group's related party relationship ceased with it on that date. Transactions with the AA group during the period up to 26 June 2014 were similar in nature to those for the year ended 31 January 2014.

Transactions with the Acromas group have previously been in respect of cash flows passed to service the debt financing provided by the parent undertaking. Further to the listing of the Group on the London Stock Exchange, the Acromas group remains the majority shareholder; however, following the Senior Facilities drawn down by the Group on 25 April 2014, these cash flows have ceased.

Full details of the Group's related party transactions for the year ended 31 January 2014 are provided in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares.

Notes to the condensed consolidated interim financial statements (continued)

19 Events after the reporting period

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

The acquisition cost for the shareholding, including expenses, was £23.4m and this was settled using cash held by the Travel segment. Of the acquisition price, £0.8m is deferred and will be paid during the year ending 31 January 2016. The Group has the option to acquire the remaining 25% shareholding at a later date. It is expected that the acquisition will add £1.3m to Operating profit in the year ending 31 January 2015, prior to the amortisation of any separately identified intangible assets.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those set out in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares.

The Group considers strategic, operational and compliance risks and identifies actions to mitigate those risks. The principal risks and uncertainties facing the Group relate to:

Group-wide

- Maintaining favourable brand recognition or the adverse impact of negative publicity

- Competitor activity and increased competition
- Downturns in economic conditions in the UK and elsewhere
- Regulatory supervision and legislation
- Inability to attract and retain key management and appropriate qualified personnel
- Operation of IT and communication systems
- Changes in financial markets which may adversely affect the Group's investment portfolio
- Pension commitments

Financial Services

- Compliance with capital adequacy requirements and other regulations
- Underwriting assumptions and risk pricing models
- Failing to optimise the pricing of the Group's insurance products
- Adequacy of claims reserves
- Claims frequency and uncertainty caused by changes in regulations and legislations
- Managing underwriting risk successfully through reinsurance arrangements
- Actions taken by the Home insurance underwriting panel
- Managing potential for fraudulent claims

Travel

- Threats affecting the health, safety, security and satisfaction of customers and employees
- Damage to the Group's cruise ships or the inability to implement ship repairs or maintenance
- Changes in and compliance with environmental laws and regulations.
- Transactional risks due to volatility in foreign exchange rates and fuel prices.

Healthcare Services

- Changes in publicly funded local purchasers in the UK which affect revenue
- Threats affecting the health, safety, security and satisfaction of customers and employees
- Complaints and claims resulting from the nature of the services provided

Responsibility Statement

We confirm that to the best of our knowledge:

a) The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR 4.2.7R) - indication of important events during the six month period and their impact on the condensed consolidated interim financial statements and description of principal risks and uncertainties for the remaining six months of the financial year; and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

On behalf of the Board

Lance Batchelor	Stuart Howard
Chief Executive Officer	Chief Financial Officer
29 September 2014	29 September 2014

INDEPENDENT REVIEW REPORT TO SAGA PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2014 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, and related explanatory notes 1 to 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2.1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
29 September 2014