SAGA CRUISES V LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2022

SAGA CRUISES V LIMITED
Company information

Directors:	M Watkins	(appointed 9 July 2021)
	A Harwood	
	S A Jenkins	(resigned 9 July 2021)
Company Secretary:	V Haynes	
Registered Office:	Enbrook Park, Folkestone, Kent CT20 3SE	
Company Registration no:	09839927	
Auditor:	KPMG LLP, 15 Canada Square, London E14 5GL	

SAGA CRUISES V LIMITED
Strategic Report

The Directors submit the Annual Report and the audited Financial Statements of Saga Cruises V Limited ("the Company") for the year ended 31 January 2022.

Review of Business Developments and Principal Activity

Saga Cruises V Limited is an indirectly held subsidiary of Saga plc. Saga plc and its subsidiaries are collectively referred to as the Saga Group ("the Group").

The principal activity of the Company during the year is the chartering out of its cruise ship, the Spirit of Discovery, to its parent company Saga Cruises Limited. In light of the impact of COVID-19 on the Company, the Directors consider the results for the year to be satisfactory.

The profit before taxation for the year amounts to £7,854,000 (2021: £10,254,000). After taxation, a profit of £7,852,000 (2021: £10,173,000) has been taken to reserves. No dividends have been paid in the year (2021: £nil).

Since the Company charters its cruise ship, the Spirit of Discovery, to its parent company, Saga Cruises Limited, Key Performance Indicators relating to trading which are appropriate for an understanding of the development, performance or position of the business can be found in the parent company's financial statements.

Principal Risks and Uncertainties

COVID-19 risk
The impact of COVID-19 over the past two years has increased the level of uncertainty and earnings volatility for most Companies, including the Group within which the Company operates. The Group's largest business is its Insurance operations, which have been resilient over the last two years and have remained profitable. The Group successfully recommenced operations in its Travel business during 2021, with UK-only cruises and holidays operating from July 2021, and a return to international cruises from the end of August 2021 and international tours from September 2021. The Travel business has continued to operate since, despite the increased disruption from the emergence of the Omicron variant in November 2021. Furthermore, the Group announced at the end of January 2022 its plans to restructure the operations of its Travel business, which is expected to create operational synergies and place the business in a strong position as travel restrictions ease further and customer demand continues to recover.

Since the start of the pandemic in early 2020, the Group has increased the frequency and depth of its long-term financial forecasting and scenario modelling to allow the Directors to take appropriate action to ensure the ongoing liquidity and solvency of the business. Over this period, the Group has undertaken a series of transactions to restructure its operations and capital structure, strengthening the Group's balance sheet to allow it to withstand a further period of uncertainty that may be faced in 2022 and beyond. These actions have allowed the Group to fully repay its senior secured bank debt facilities, bolster cash reserves, increase financial flexibility and extend the maturity profile of Group debt. Further details can be obtained from the Group's latest annual report and accounts published on the Saga plc corporate website www.corporate.saga.co.uk.

SAGA CRUISES V LIMITED
Strategic Report

Principal Risks and Uncertainties (continued)

Political uncertainty
The Russian invasion of Ukraine on 24 February 2022 has created heightened global economic and political uncertainty. Whilst the situation continues to unfold, a number of potential risks have been identified that could impact the Group's ability to deliver on its strategy that will require close monitoring and an agile management response as the situation develops. These risks include increasing inflationary pressures on both product pricing and consumer spending behaviours caused by rising commodity prices, as well as foreign exchange volatility.

Future Developments

The ongoing impact of the COVID-19 pandemic is expected to be felt in the general travel market for some time to come, and whilst a full return to normal trading levels for the cruise business remains uncertain in the short-term, trading has resumed with the first cruise recommencing in June 2021.

The Directors have every confidence that the Company and wider group within which it operates are well-placed to successfully navigate through the remaining period of uncertainty.

By order of the Board

A Harwood
Director
4 July 2022

Registered office:
Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

SAGA CRUISES V LIMITED
Directors' report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2022.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report and Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors

The Directors, who served throughout the year and up to the date of this report (except as noted), were as follows:

M Watkins	(appointed 9 July 2021)
A Harwood	
S A Jenkins	(resigned 9 July 2021)

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance and its exposure to risk and its management of these risks, including the COVID-19 pandemic, are described on pages 2 and 3.

Notwithstanding net current liabilities of £51,890,000 as at 31 January 2022, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of twelve months from the date of approval of these financial statements which indicate that, after taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. This is made possible through the availability of funding from its intermediate parent company, Saga Group Limited. The Directors have also considered the cash flow forecasts and financial position of the wider Group that it is dependent on to ensure its continued viability.

Based on this assessment, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements for the year ending 31 January 2022. Full details regarding this assessment are included in note 2(b) to these financial statements.

Political donations

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Disclosure of information to the auditor

Each current Director has made enquiries of their fellow Directors and the Company's auditor and taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each Director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

Auditor

In accordance with section 487(2) of the Companies Act 2006, the Auditor KPMG LLP is deemed re-appointed.

By order of the Board

A Harwood
Director
4 July 2022

Registered office:
Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA CRUISES V LIMITED

Opinion

We have audited the financial statements of Saga Cruises V Limited ("the Company") for the year ended 31 January 2022 which comprise the Statement of Financial Position, Income Statement, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA CRUISES V LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of key policies and papers provided to those charged with governance as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is not complex in nature and there is no significant management judgement or estimation involved in recording the revenue transactions.

We also identified fraud risks related to inappropriate assessment of the recoverability of the carrying value of cruise ships in response to possible pressures to meet profit targets.

We did not identify any additional fraud risks.

To address the pervasive risk as it relates to management override, we performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those including specific words based on our risk criteria, those posted to unusual accounts those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and

- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. The company is a member of the Association of British Travel Agents (ABTA), the International Air Transport Association (IATA) and the Federation of Tour Operators (FTO). These are well-recognised trade bodies with codes of conduct which members are required to adhere to. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA CRUISES V LIMITED (continued)

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA CRUISES V LIMITED (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Rose (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

6 July 2022

SAGA CRUISES V LIMITED
Income statement for the year ended 31 January 2022

	Notes	2022	2021
		£'000	£'000
Turnover	3	27,668	28,330
Cost of sales	4	(10,519)	(8,071)
Gross profit		17,149	20,259
Interest payable and similar expenses	7	(9,295)	(10,005)
Profit on ordinary activities before taxation		7,854	10,254
Taxation	8	(2)	(81)
Retained profit for the financial year		7,852	10,173

There are no other items of comprehensive income other than those included above in the income statement; accordingly, the profit for the financial year is also total comprehensive profit for the year.

Notes 1 to 18 form an integral part of these financial statements.

SAGA CRUISES V LIMITED
Balance sheet as at 31 January 2022

	Notes	2022	2021
		£'000	£'000
Fixed Assets			
Tangible assets	9	275,380	285,849
		275,380	285,849
Current Assets			
Debtors	10	-	-
		-	-
Creditors - amounts falling due within one year	11	(51,890)	(42,993)
Net current liabilities		(51,890)	(42,993)
Total assets less current liabilities		223,490	242,856
Creditors – amounts falling due in more than one year	12	(197,538)	(224,756)
Net assets		25,952	18,100
Capital and reserves	14		
Called-up share capital		-	-
Retained earnings		25,952	18,100
Shareholders' funds		25,952	18,100

These financial statements were approved by the Board of Directors on 4 July 2022 and were signed on its behalf by

A Harwood
Director
4 July 2022

Company Registration No. 09839927

Notes 1 to 18 form an integral part of these financial statements.

SAGA CRUISES V LIMITED
Statement of changes in equity for the year ended 31 January 2022

	Called-up Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2020	-	7,927	7,927
Profit for the financial year	-	10,173	10,173
At 31 January 2021	-	18,100	18,100
Profit for the financial year	-	7,852	7,852
At 31 January 2022	-	25,952	25,952

Notes 1 to 18 form an integral part of these financial statements.

SAGA CRUISES V LIMITED
Notes to the financial statements

1 General information

Saga Cruises V Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 09839927) with a Registered Office; Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.

2 Significant Accounting policies

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

The Directors have reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included in note 2(b). Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

Saga Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 16.

2 Significant Accounting policies (continued)

a) Basis of preparation (continued)

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 "Financial Instruments: Disclosures".

b) the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement".

c) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 "Revenue from Contracts with Customers".

d) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:

   i) paragraph 79(a)(iv) of IAS 1; and
   ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment.

e) the requirements of paragraphs 10(d), 10(f), 16, 38A,38B-D, 40A-D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements".

f) the requirements of IAS 7 "Statement of Cash Flows".

g) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors".

h) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures".

i) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

b) Going concern

The Directors continue to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next twelve months from the date of approval of these accounts and that the going concern basis of accounting remains appropriate.

2 Significant Accounting policies (continued)

b) Going concern (continued)

The Company's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, are described on pages 2 and 3. As a consequence, the Directors believe that the Company is well-placed to successfully manage its business risks, but given the Company is dependent on funding from its intermediate parent, Saga Group Limited, it remains exposed to the viability of the wider Saga plc Group. The Company is also dependent on the provision of back-office functions such as Finance, IT and HR that are operated centrally as shared services on behalf of the Group as a whole.

The impact of COVID-19 over the past two years has increased the level of uncertainty and earnings volatility for the Company, as it has done for many businesses, including the wider Saga plc Group. The Group's largest business is its Insurance operations, which have been resilient over the last two years and have remained profitable. The Group successfully recommenced operations in its Travel business during 2021, with UK-only cruises and holidays operating from July 2021, and a return to international cruises from the end of August 2021 and international tours from September 2021. The Travel business has continued to operate since, despite the increased disruption from the emergence of the Omicron variant in November 2021. Furthermore, the Group announced at the end of January 2022 its plans to restructure the operations of its Travel business, which is expected to create operational synergies and place the business in a strong position as travel restrictions ease further and customer demand continues to recover.

Since the start of the pandemic in early 2020, the Group has increased the frequency and depth of its long-term financial forecasting and scenario modelling to allow the Directors to take appropriate action to ensure the ongoing liquidity and solvency of the business. Over this period, the Group has undertaken a series of transactions to restructure its operations and capital structure, strengthening the Group's balance sheet to allow it to withstand a further period of uncertainty that may be faced in 2022 and beyond. These actions have allowed the Group to fully repay its senior secured bank debt facilities, bolster cash reserves, increase financial flexibility and extend the maturity profile of Group debt.

The latest scenario modelling has considered a range of downside sensitivities, including further COVID-19 related disruption to the Group's travel businesses, higher inflation driven in part by the Russia-Ukraine conflict, and an initial estimate of the impact of the FCA market study on general insurance pricing within the Insurance business which is expected to have an adverse impact on profit before tax in 2022/23 and 2023/24. Further details on the actions taken and downside stress-testing for the Group are disclosed in the Group's latest annual report and accounts published on the Saga plc corporate website www.corporate.saga.co.uk.

2 Significant Accounting policies (continued)

b) Going concern (continued)

Based on the analysis performed the Directors have a reasonable expectation that the Company will continue to trade through the continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months from the date of approval of these accounts, and accordingly have prepared the financial statements on a going concern basis.

c) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as the balance sheet date, that are not readily apparent from other sources. However, the nature of estimation means that actual outcomes may differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The critical accounting judgements and key sources of estimation uncertainty have been set out as follows:

Critical accounting judgements

Management have not identified any critical judgements in applying the Company's accounting policies.

Key sources of estimation uncertainty

The carrying value of the Company's cruise ship, Spirit of Discovery, is an area of key estimation uncertainty for the Company, particularly in-light of the continued impact of the COVID-19 pandemic on the travel industry. Management conducted impairment reviews at 31 January 2022, 31 July 2021 and 31 January 2021 of the cruise ship. Based on these impairment reviews, and looking at the probability of a range of outcomes, the Company remains comfortable that there is headroom over and above the carrying value of the ocean cruise ship asset. Given the headroom in the test for the vessel and the degree of caution already adopted in the reasonable worse case-stress scenario, the Directors concluded that no impairment of the vessel was necessary, and that there would need to be a reasonably significant change in the key assumptions for this to be the case.

d) Turnover and cost of sales

Turnover from charter income is recognised on a daily basis over the charter period.

Cost of sales represents the depreciation of the Company's cruise ship.

2 Significant Accounting policies (continued)

e) Tangible fixed assets

Tangible fixed assets comprise the Company's cruise ship which is stated at cost less accumulated depreciation and accumulated impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately. Such costs comprise the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

Cruise ship and core components	30 years
IT and soft furnishings	3 – 10 years
Dry dock refit capitalisation	2 – 5 years

Costs relating to mandatory cruise-ship dry-dockings are capitalised and depreciated over the period up to the next dry-dock.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

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

f) Impairment of non-financial assets

The carrying values of tangible fixed assets and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

2 Significant Accounting policies (continued)

f) Impairment of non-financial assets (continued)

The recoverable amount is calculated as the higher of fair value less costs to sell, and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its value-in-use calculations on detailed budgets, plans and long-term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

g) Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement and where the time value of money is material, they are measured at amortised cost, using the effective interest rate method. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Amounts due from group undertakings are classified as debtors. They have no fixed date of payment and are payable on demand. The amounts due from group undertakings are disclosed at fair value.

h) Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Amounts in the financial statements are stated in the Company's functional currency of pounds sterling (£'000).

2 Significant Accounting policies (continued)

h) Foreign currencies (continued)

Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value is determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of gains or losses arising on a change in the fair value of the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

i) Trade and other creditors

Trade and other creditors are initially recognised at fair value, and where the time value of money is material, subsequently measured at amortised cost using the effective interest method. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Amounts due to group undertakings are classified as loans and borrowings. They have no fixed date of payment and are payable on demand. The amounts owed to group undertakings are disclosed at fair value.

j) Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The Company has elected to be in the UK tonnage tax regime. Under the tonnage tax regime, the current year tax charge is calculated by reference to the net tonnage of the qualifying ship operated by the Company. To the extent that the Company generates profit/losses which do not qualify for inclusion under the above regime, they will be taxable under general UK tax principles.

2 Significant Accounting policies (continued)

k) Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either Amortised Cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and loss (FVTPL). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Company measures all financial assets at fair value at each reporting date, other than those instruments measured at amortised cost.

The Company's financial assets at amortised cost include amounts due from group undertakings. The Company does not hold any financial assets classified as fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial Assets at Amortised Cost

Initial Recognition

A financial asset is measured at amortised cost (plus any directly attributable transaction costs) if it meets both of the following conditions and is not elected to be designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent Measurement

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Company has transferred substantially all the risks and rewards relating to the asset to a third party.

2. Significant Accounting policies (continued)

k) Financial instruments (continued)

ii) Impairment of financial assets

The expected credit loss ('ECL') impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Company measures loss allowances at an amount equal to 12-month ECLs, except for trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement.

2. Significant Accounting policies (continued)

k) Financial instruments (continued)

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include loans and borrowings.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

3 Turnover

Turnover relates to charter income derived from the parent company, Saga Cruises Limited, and is recognised on a daily basis over the charter period.

Under the terms of the charter agreement, the Company is entitled to charter income irrespective of the extent of Saga Cruises Limited's usage of the ship during the charter period. Therefore, turnover recognised by the Company during the year relates entirely to income generated under this charter agreement and has not been impacted by COVID-19 travel restrictions.

4 Profit before taxation

Profit before taxation is stated after charging:	2022 £'000	2021 £'000
Depreciation - cruise ship (note 9)	10,519	8,071

The fees for the audit of the Company are £18,000 (2021: £14,000), which have been borne by Saga Group Limited, a fellow group undertaking. There were no other fees charged by the auditors of the company (2021: none).

5 Staff costs

The Company did not employ any staff in the current or prior year.

6 Directors' remuneration

The remuneration of the Directors of the Company during the year was £nil (2021: £nil).

The Directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The Directors do not provide qualifying services to the Company. The Directors' remuneration is disclosed in the financial statements of the immediate parent, Saga Cruises Limited.

7 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest payable	7,506	8,028
Amortisation of debt issue costs	1,789	1,977
	9,295	10,005

8 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax at 19.00% (2021 – 19.00%)	6	10
Adjustments in respect of prior periods	(4)	71
Total current income tax expense/(credit)	2	81
Total tax expense in the income statement	2	81

Reconciliation of total tax expense/(credit):	2022 £'000	2021 £'000
Pre-tax profit at 19.00% (2021 – 19.00%)	1,492	1,948
Tonnage tax adjustment	(1,486)	(1,938)
Adjustments in respect of prior periods	(4)	71
Permanent differences	-	-
Total tax expense in the income statement	2	81

The corporation tax charge for the current and prior year is entirely made up of payments to other group companies for group relief.

On 1 February 2020, the Company entered into the United Kingdom Tonnage tax regime.

9 Tangible fixed assets

	Cruise Ship
	£'000
Cost	
At 1 February 2021	298,436
Additions	137
Disposals	(87)
At 31 January 2022	298,486
Depreciation	
At 1 February 2021	12,587
Charge for the year	10,519
At 31 January 2022	23,106
Net book amount	
At 31 January 2022	275,380
At 31 January 2021	285,849

The cruise ship asset class reported above includes IT and soft furnishings as these assets are components of the cruise ship.

(a) Impairment review of tangible fixed assets

Due to the continued impact of the COVID-19 pandemic on the Group's operations, with the suspension of the Cruise businesses between March 2020 and June 2021 and an ongoing impact on the level of customer demand, management concluded that there continued to exist indicators of impairment for its ocean cruise ship, Spirit of Discovery. Management therefore conducted an impairment review at 31 January 2022, following previous reviews conducted at 31 July 2021 and 31 January 2021.

The recoverable amount of the cruise ship was determined based on a value-in-use calculation using cash flow projections from the Group's five-year financial forecasts to 2026/27 and applying a constant annual growth rate of 2% thereafter for subsequent periods until the end of the ship's useful economic life of 30 years, at which point a residual value of 15% of original cost has been assumed. This has then been discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows were updated for the latest impact of the COVID-19 pandemic. In addition, a stress test of the potential adverse medium-term impact that the pandemic may have on demand for cruises was also considered, by assuming the need for a further two-month layup of the ship, and with load factors capped at 75% for the remainder of 2022/23 and at 80% for the duration of 2023/24. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

9 Tangible fixed assets (continued)

(a) Impairment review of tangible fixed assets (continued)

Potential environmental regulatory changes have also been considered as part of this assessment. The shipping industry has made a commitment to reduce CO2 emissions by 40% by 2030 (from a 2008 baseline), and the UK Government has made commitments to reach net zero emissions by 2050. The EEXI/CII regulations are being introduced internationally to enable the industry to meet the 2030 target, and both of Saga's cruise ships will exceed the requirements of these regulations on implementation in 2023. The end of its useful economic life of 30 years will have been reached by 2049 in the case of Spirit of Discovery.

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

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

The cash flows were discounted to present value using a pre-tax discount rate of 9.9% (January 2021: 11.8%) for the vessel. As at 31 January 2022, the headroom for Spirit of Discovery against its carrying value was as follows:

	Headroom £m	
	Central Scenario	**RWC stress test scenario**
Spirit of Discovery	119.2	83.3

9 Tangible fixed assets (continued)

(a) Impairment review of tangible fixed assets (continued)

The headroom calculated is most sensitive to the discount rate and the load factor assumed within the forecast cash flows. Given the ship is relatively new, and so has a relatively long remaining useful life, the headroom is not sensitive to either changes in the useful economic life or the residual value of the vessel due to the degree of discounting that is applied in the impairment calculation. A quantitative sensitivity analysis has been set out below to illustrate the impact that changes in key assumptions within the value-in-use calculation would bring about on the calculated headroom as at 31 January 2022:

	Pre-tax discount rate		**Terminal growth rate**		**Load Factor**		**Useful economic life**	
	+1%	-1%	+5%	-5%	+1%	-1%	+5yrs	-5yrs
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Spirit of Discovery	(34.8)	40.4	0.2	(0.2)	11.1	(13.3)	16.6	(23.9)

Based on this impairment test, and looking at the likelihood of a range of outcomes, the Group is satisfied that there was headroom over and above the carrying value of Spirit of Discovery. Given the headroom in the test and the degree of caution already adopted in the RWC stress scenario, the Directors concluded that no impairment of the vessel was necessary, and that there would need to a reasonably significant change in the key assumptions for this to be the case.

10 Debtors

	2022	2021
	£'000	£'000
Prepayments	-	-
	-	-

11 Creditors – amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loans	29,672	696
Amounts due to group undertakings	22,218	42,297
	51,890	42,993

12 Creditors – amounts falling due in more than one year

	2022	2021
	£'000	£'000
Bank loans	197,538	224,756
	197,538	224,756

13 Loans and borrowings

	2022	2021
	£'000	£'000
Bank loans	234,757	234,757
Accrued interest payable	665	695
	235,422	235,452
Less: deferred issue costs	(8,212)	(10,000)
	227,210	225,452

In June 2019, the Company drew down its financing for its cruise ship, the Spirit of Discovery, of £245.0 million. The financing for the Spirit of Discovery, represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The initial loan value of £245.0 million was repayable in 24 broadly equal instalments, with the first payment of £10.2 million paid in December 2019. This financing is secured against Spirit of Discovery cruise ship asset.

In light of the significant impact of the COVID-19 pandemic on the business, the Company entered into discussions with its lending banks in early March 2020 to amend its bank debt. The Board of Saga plc initially announced on 22 June 2020 that it had secured a debt holiday and covenant waiver for the Group's Ship Facilities. The Company's lenders agreed to a deferral of £20.4 million in principal payments for the two capital repayments due in June and December 2020, with the deferred amounts to be paid between June 2021 and December 2024 in 8 equal six-monthly instalments, with interest remaining payable.

On 5 March 2021, as part of an industry-wide package of measures to support the cruise industry, a further one-year extension to the existing debt deferral was subsequently agreed, with all principal payments due up to 31 December 2021 (£25.5 million following the initial debt deferral) subject to further deferral and repayment over 5 years, between June 2022 and December 2026 in 10 equal six-monthly instalments, with interest remaining payable.

Interest on the ship loan is incurred at an effective annual interest rate of 4.56% (including arrangement and commitment fees).

14 Called-up share capital and reserves

	2022	2021
	£	£
Allotted, called-up and fully paid		
1 ordinary share of £1 each	1	1

Retained earnings represent cumulative profit or losses, net of dividends and other adjustments.

15 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries in the Saga group of companies.

16 Ultimate parent undertaking

The immediate parent undertaking is Saga Cruises Limited, a Company which is registered in England and Wales. The Company is wholly owned by Saga Cruises Limited.

The financial statements of the Company have been consolidated in the group financial statements of ST&H Group Limited (an intermediate parent undertaking) and Saga plc (the ultimate parent undertaking), both of which are registered in England and Wales.

In respect of the year ended 31 January 2022, ST&H Group Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

A copy of the financial statements of Saga plc for the year ended 31 January 2022 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

17 Ultimate controlling party

The Directors consider the ultimate controlling party to be Saga plc.

18 Post balance sheet events

After the year end, the Group concluded discussions with its Cruise lenders to amend the covenants on the two ship debt facilities as follows:

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