

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 JANUARY 2017



ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Company information

Directors: L H L Batchelor
 P Diethelm (resigned 31 January 2017)
 A C Donald
 J S Hill
 A J P Strong (resigned 31 January 2017)
 R Bowden-Doyle (appointed 31 January 2017)
 J Linfoot (appointed 31 January 2017)

Secretary: V Haynes

Registered Office: Enbrook Park, Folkestone, Kent CT20 3SE

Company Registration no: 2174052

Auditor: Ernst & Young LLP, 25 Churchill Place, Canary Wharf, London E14 5EY

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Strategic report

The Directors submit the Annual Report and the audited Financial Statements for ST&H Limited (the "Company") together with the consolidated accounts for the ST&H Limited group of companies (the "Group") for the year ended 31 January 2017.

Review of Business Developments and Principal Activity

The Group's principal activity is to provide inclusive holidays, cruises and travel services mainly to people aged 50 and over, in the United Kingdom.

During the year the Group owned and operated two cruise ships, Saga Pearl II and Saga Sapphire.

The Group's key financial and other performance indicators during the year were as follows:

	2017	2016	change
	£000	£000	%
Turnover	432,005	423,141	2.1
Gross profit	87,959	85,844	2.5
Gross margin	20.4%	20.3%	0.1pts
Profit before tax and gains and losses on derivatives	<u>8,905</u>	<u>21,664</u>	(58.9)

Turnover for the year to 31 January 2017 was £432,005,000, 2.1% up on the previous year, and all arose from the Company's principal activity.

For decision making and internal performance management, management's key performance metric is Profit before tax and gains and losses on derivatives. Profit before tax and gains and losses on derivatives for the year was £8,905,000 down 58.9% on the previous year, caused by non-trading costs of £5,367,000 in the current year, compared to a non-trading credit last year of £9,494,000. Excluding these adjustments, profit before tax, gains and losses on derivatives and non-trading items grew 17.3% on the previous year.

The profit for the year before taxation amounts to £18,812,000 (2016 – £20,524,000). After taxation, a profit of £14,210,000 (2016 – £18,011,000) has been taken to reserves. No dividends have been paid in the year (2016 - £nil).

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Strategic report (continued)

Principal Risks and Uncertainties

The Group follows a structured risk identification and assessment process that involves all of its Directors and which is updated on an ongoing basis.

The principal risks facing the Group have been grouped under the following four headings:

1. Legislative Risks

The Group has to comply with the EEC (European Economic Community) Package Travel Regulations, and comply with the regulations of both the CAA (Civil Aviation Authority) and ABTA (Association of British Travel Agents) in order to trade as a tour operator.

The Group's two cruise ships have to comply with maritime regulations and ensure that regulatory changes are responded to.

A failure to comply with these regulations could cause the Group to incur fines or be prevented from trading.

2. Operational Risks

The Group provides package holidays where the components of the holiday are exposed to the potential of financial failure, strike actions, extreme weather conditions or other factors causing the hotel, airline, boat or coach operator to be unable to provide their service.

The Group's cruise ships operate internationally throughout the year and are at risk of damage through collision, fire, grounding or extreme weather conditions. Customers' safety and health are of primary importance in the event of these risks occurring. Additionally the risk of the ships causing environmental damage by pollution is also a key concern. If these risks were to crystallise, the cost of repairs and repatriation would adversely affect future profits, and if not managed appropriately, damage the Group brand.

3. Brand Risk

The Group recognises that Saga as a quality brand is a source of competitive advantage, and has in place policies and procedures to protect it at all times. The Group has zero appetite and a very low tolerance for brand and reputation risks and will look wherever possible to eliminate them. The Group also has zero appetite and very low tolerance for systemic unfair customer outcomes as a result of failures in the product, marketing, sales or service delivery systems and processes, or cultural shortcomings.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Strategic report (continued)

Principal Risks and Uncertainties (continued)

4. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to currency risk and commodity price risk. Financial instruments, including forward currency contracts and fuel swaps, are used to mitigate these risks.

In order to manage these risks, the Group has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects. These controls are monitored by the Group Internal Audit function to ensure they are working effectively, and are also reviewed by the external regulators.

Change of name

On the 29 June 2016, the Company changed its name from Acromas Holidays Limited to ST&H Limited.

Future Developments

As the Group faces a challenging competitive environment, the Directors continue to look to offer differentiated value for money holiday products. In 2019, the Group will operate a new cruise ship and the Directors expect cruises on the new ship to be on sale during 2017.

Policy on use of financial instruments

The Group enters into derivative transactions (commodity swaps and forward foreign currency contracts). The purpose of these transactions is to manage the commodity and currency risks arising from the Group's operations. The board sets the policies for managing these risks and these policies are summarised below.

The Group has transactional currency exposures that arise from purchases in currencies other than the Group's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on all material transactions. The forward contracts to purchase foreign currency are transacted to coincide with identified requirements so that at all times the Group has no material exposures to foreign currency risk. Hedge accounting is used where prescribed criteria are met as explained in accounting policy 2.3i.

The Group is exposed to the market price of fuel relating to the consumption of fuel on the Group's cruise ships. The Group uses fuel swap agreements, and occasionally caps, to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Group and are transacted to coincide with committed itineraries.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Strategic report (continued)

Customer protection

The CAA and the ABTA regulate the business conducted by the Group in the UK. From 1st April 2008, the CAA replaced the system of lodged security bonds with the introduction of ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

By order of the Board



V Haynes
Secretary
22 May 2017

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Directors' report

The Directors submit the Directors' Report of the Group for the year ended 31 January 2017.

Employee involvement

During the year the Group has maintained the practice of keeping employees informed about current activities and progress by various methods, including a regular staff newsletter. Employee participation and involvement is encouraged.

Employment of disabled persons

It is the policy of the Group to develop a working environment and to offer terms and conditions of service to provide disabled persons with the appropriate skills, qualifications and equal opportunities to seek and maintain employment with the Group. It is the Group's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is the Group's policy to maintain indemnity insurance for Directors and officers.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Directors' report (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, its performance, position, risk management objectives, details of its financial instruments and derivative activities, and its exposure to legislative, operational, market and brand risk are described in the business review on page 3.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditors

Each current Director has made enquiries of their fellow directors and the Group'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.

Auditors

At the Saga plc Annual General Meeting ("AGM") last year Ernst & Young LLP were reappointed as the Group's statutory auditors. During the year, in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016 which require FTSE 350 companies to tender the audit at least every 10 years, a formal tender process took place, led by the Saga plc Audit Committee.

As a result, the Audit Committee recommended, and the Saga plc board approved, the proposed appointment of KPMG LLP as the Group's auditor for the year for the financial year ending 31 January 2018. This appointment is subject to approval by shareholders of Saga plc at the AGM to be held on 22 June 2017. The Company Board of Directors has ratified the decision of the Saga plc Board.

By order of the Board



V Haynes
Secretary
22 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST&H LIMITED

We have audited the Group and Company financial statements of ST&H Limited for the year ended 31 January 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST&H LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion (based on the work undertaken in the course of the audit):

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.



John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 May 2017

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Consolidated income statement
for the year ended 31 January 2017

	Note	2017 £'000	2016 £'000
Revenue	3	432,005	423,141
Cost of sales	3	<u>(344,046)</u>	<u>(337,257)</u>
Gross profit		87,959	85,884
Administrative & selling expenses	4	(79,024)	(63,610)
Other operating income		230	391
Finance costs	5	(1,057)	(2,854)
Finance income	6	<u>10,704</u>	<u>713</u>
Profit before tax		18,812	20,524
Tax expense	9	<u>(4,602)</u>	<u>(2,513)</u>
Profit for the year		<u>14,210</u>	<u>18,011</u>
Attributable to:			
Equity holders of the parent		14,210	18,011
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>14,210</u>	<u>18,011</u>

The notes on pages 17 to 68 form an integral part of these financial statements.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Consolidated statement of comprehensive income
for the year ended 31 January 2017

	Note	2017 £'000	2016 £'000
Profit for the year		14,210	18,011
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit and loss account in subsequent years</i>			
Exchange differences on translation of foreign operations		493	(385)
Net gain on cash flow hedges		32,045	16,485
Tax effect		(5,311)	(3,006)
Total other comprehensive income		27,227	13,094
Total comprehensive income for the year		41,437	31,105
 Attributable to:			
Equity holders of the parent		41,437	31,105
Non-controlling interests		-	-
		41,437	31,105

The notes on pages 17 to 68 form an integral part of these financial statements.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Consolidated statement of financial position
as at 31 January 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	10	30,939	30,939
Intangible fixed assets	11	17,780	20,260
Property, plant and equipment	13	73,342	78,419
Deferred tax assets	9	3,160	4,359
Financial assets	14	31,938	11,280
Current assets			
Current tax assets		-	334
Financial assets	14	21,580	8,790
Inventories	16	5,281	4,530
Trade and other receivables	17	23,895	20,926
Cash and short-term deposits	18	87,882	81,458
Total assets		295,797	261,295
Non-current liabilities			
Financial liabilities	14	1,090	3,415
Deferred tax liabilities	9	11,653	7,847
Current liabilities			
Provisions		222	219
Financial liabilities	14	7,872	15,424
Other liabilities	20	134,759	126,361
Trade and other payables	19	41,352	50,878
Total liabilities		196,948	204,144
Equity			
Issued capital	21	54,088	54,088
Retained earnings		6,213	(7,997)
Capital contribution reserve		645	384
Foreign currency translation reserve		-	(493)
Hedging reserve		37,903	11,169
Total equity		98,849	57,151
Total liabilities and equity		295,797	261,295

The notes on pages 17 to 68 form an integral part of these financial statements.

Signed for and on behalf of the Board by



A C Donald

Director

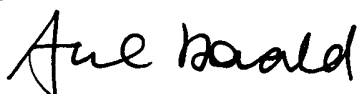
22 May 2017

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Company statement of financial position
as at 31 January 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	10	18,155	18,155
Intangible fixed assets	11	4,714	4,454
Property, plant and equipment	13	5,074	5,700
Investment in subsidiaries	25	75,382	75,382
Deferred tax assets		7,456	3,920
Financial assets	14	31,008	11,228
Other non-current assets		1	1
Current assets			
Financial assets	14	20,008	8,386
Inventories	16	10	10
Trade and other receivables	17	122,096	82,096
Cash and short-term deposits	18	78,907	71,984
Total assets		362,811	281,316
Non-current liabilities			
Financial liabilities	14	226	13,238
Deferred tax liabilities		7,504	2,792
Current liabilities			
Provisions		221	219
Financial liabilities	14	129,761	60,540
Other liabilities	20	89,635	85,612
Trade and other payables	19	29,582	25,811
Total liabilities		256,929	188,212
Equity			
Issued capital	21	54,088	54,088
Retained earnings		45,987	36,273
Capital contribution reserve		445	307
Hedging reserve		5,362	2,436
Total equity		105,882	93,104
Total liabilities and equity		362,811	281,316

The notes on pages 17 to 68 form an integral part of these financial statements.

Signed for and on behalf of the Board by



A C Donald
Director
22 May 2017

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Consolidated statement of changes in equity
for the year ended 31 January 2017

	Issued capital £'000	Retained earnings £'000	Capital contribution reserve £'000	Foreign currency translation reserve £'000	Hedging reserve £'000	Total equity £'000
At 1 February 2016	54,088	(7,997)	384	(493)	11,169	57,151
Profit for the period	-	14,210	-	-	-	14,210
Other comprehensive income	-	-	-	493	26,734	27,227
Capital contribution from ultimate parent	-	-	261	-	-	261
At 31 January 2017	54,088	6,213	645	-	37,903	98,849
At 1 February 2015	54,088	(26,008)	101	(127)	(2,291)	25,763
Profit for the period	-	18,011	-	-	-	18,011
Other comprehensive income	-	-	-	(366)	13,460	13,094
Capital contribution from ultimate parent	-	-	283	-	-	283
At 31 January 2016	54,088	(7,997)	384	(493)	11,169	57,151

The notes on pages 17 to 68 form an integral part of these financial statements.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Consolidated statement of cash flows
for the year ended 31 January 2017

	Note	2017 £'000	2016 £'000
Operating activities			
Profit before tax		18,812	20,524
Depreciation and impairment of property, plant and equipment	13	13,041	10,056
Amortisation and impairment of intangible assets	11	5,737	6,688
Profit on disposal of property, plant and equipment		(94)	(42)
Share-based payment expense		261	283
Finance costs	5	1,057	2,854
Finance income	6	(10,704)	(713)
Other operating income		(230)	(391)
Release of contingent consideration		-	(7,104)
Movements in other assets and liabilities		7,287	(8,722)
		<u>35,167</u>	<u>23,433</u>
Interest received		230	391
Interest on finance lease agreements		(32)	-
Income tax paid		(4,574)	(2,892)
Net cash flows from operating activities		30,791	20,932
Investing activities			
Proceeds from sale of property, plant and equipment		163	57
Purchase of property, plant and equipment		(23,954)	(13,567)
Acquisition of subsidiaries		-	(842)
Net cash flows used in investing activities		(23,791)	(14,352)
Financing activities			
Net movement on balances with related undertakings		(452)	(590)
Payment of finance lease liabilities		(242)	(13)
Dividends paid		(227)	-
Net cash flows from financing activities		(921)	(603)
Net increase in cash and cash equivalents		6,079	5,977
Foreign exchange differences		493	(366)
Cash and cash equivalents at 1 February		<u>81,293</u>	<u>75,682</u>
Cash and cash equivalents at 31 January	18	87,865	81,293

The notes on pages 17 to 68 form an integral part of these financial statements.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements

1 Corporate information

ST&H Limited is a company incorporated and domiciled in the UK.

2.1 Basis of preparation

The consolidated financial statements of the Group and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated.

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

IFRS requires the directors to adopt accounting policies that are the most appropriate to the Group's circumstances. In determining and applying accounting policies, directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A discussion on the Group's significant accounting judgements and key sources of estimation uncertainty is detailed in note 2.5. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

No profit and loss for the company is presented as permitted by the Companies Act 2006 s.408.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are identified and measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements

2.2 Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary which constituted a major line of business is disposed of or otherwise meets the requirements of IFRS 5 to be held for sale, it is disclosed as a discontinued operation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a Revenue recognition

Revenue from tour operations and cruise holidays where the group does not operate the cruise ship is recognised in full on the passenger's date of departure which represents the date upon which the revenue becomes fully non-refundable. Revenue in respect of cruise holidays where the Group operates the cruise ship is recognised on a per diem basis over the duration of the cruise. This reflects the often longer durations of cruise holidays and facilitates more accurate matching of revenue with costs as they arise.

Revenue from sales in resort, or on board a cruise ship operated by the Group, for example optional excursions, is recognised as and when earned.

Revenue from tour operations received in advance of the date of departure, and the unearned element of cruise revenues not yet recognised on a per diem basis, are included as other liabilities in the statement of financial position.

b Cost recognition

i. Direct costs

Costs directly associated with the revenues generated by the Group's principal activities are recognised in the income statement on a basis consistent with the revenue recognition policy.

ii. Finance costs

Finance costs comprise interest paid and payable which is calculated using the effective interest rate method and recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest bearing financial liability in the statement of financial position.

iii. Other expenses

Other expenses are taken to the income statement as incurred.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

c Taxes

i. Current income tax

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

ii. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

d Foreign currencies

i. Transactions and balances

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

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

ii. Group companies

The assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recycled to the income statement.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

e Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationship	Over the life of the customer relationship
Software	3 - 6 years

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

f Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' is measured at fair value with the changes in fair value recognised in the income statement.

Any excess of the cost of acquisition over the fair values of the identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is treated as negative goodwill and is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units at the point of acquisition and is reviewed annually for impairment.

g Impairment of non-financial assets

The Group undertakes a full impairment review of the carrying value of goodwill at each reporting date. The Group also assesses at each reporting date whether there is any indication that any other non-financial assets may be impaired. If such an indication exists, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculations on detailed budgets, plans and long-term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

h Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately. Likewise, when a major inspection or dry-docking is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred.

Assets in the course of construction at the balance sheet date are classified separately. These assets are transferred to other asset categories when they become available for their intended use.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over its estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:

Buildings	50 years
Related fittings	3 - 10 years
Cruise ships	2 - 9 years
Computers	3 years
Plant, vehicles and other equipment	3 - 10 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Estimated residual values and useful lives are reviewed annually.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

i Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition and are accounted on a trade date basis. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Group has fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are assets:

- which upon initial recognition are designated at fair value through the income statement to eliminate or significantly reduce a measurement recognition inconsistency; or
- which are acquired principally for the purpose of selling in the near term or forming part of the portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

Derivative financial instruments not designated as hedging instruments and hedge funds are classified as FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement. The fair values are quoted market prices (where there is an active market) or are based on valuation techniques (where there is no active market or the securities are unlisted). Valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis and other commonly used valuation techniques.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include debt securities and money market funds. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the EIR and is recognised in the income statement.

Derecognition

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

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

i Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors are experiencing significant financial difficulty, or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or other factors that correlate with defaults.

Loans and receivables

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant, or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Available-for-sale financial investments

When a decline in the fair value of a financial asset classified as available-for-sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available-for-sale equity instruments are not reversed through the income statement, but those on available-for-sale debt instruments are reversed if there is an increase in fair value that is objectively related to a subsequent event. Subsequent increases in the fair value of available-for-sale debt instruments are all recognised in equity.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

i Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (FVTPL):

Derivative financial instruments not designated as hedging instruments are classified as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings and other payables:

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

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

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

Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value are recognised in the income statement. Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

i Financial instruments (continued)

iii) Fair values

The Group measures financial instruments, such as, derivatives, and financial instruments classified as available-for-sale and at FVTPL at fair value at each reporting date.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's length market transactions, discounted cash flow analysis and other commonly used valuation techniques. An analysis of the fair values of financial instruments and further details as to how they are measured are provided below.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

i Financial instruments (continued)

iv) Hedge accounting

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

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

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

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

For fuel-oil hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, using regression analysis. This method involves calculating the strength of the correlation between the price of the derivative and the price of the fuel oil being purchased. Retrospective hedge testing is also performed at each reporting date using the same technique.

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

j Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Group are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of the minimum lease payments within property, plant and equipment on the statement of financial position and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

k Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less from their inception date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short-term deposits as defined above and short-term highly liquid investments (including money market funds) with original maturities of three months or less which are subject to insignificant risk of change in value, net of outstanding bank overdrafts.

m Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

n Share-based payments

Saga plc, the parent company of the Saga group and an ultimate parent of the Company, provides benefits to employees of the Group and Company (including Directors) in the form of long term incentives whereby employees render services in consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured at fair value and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to any award.

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 of Saga plc), 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 an 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.

The Group and Company records the cost of share options granted to employees during the year as a capital contribution from Saga plc within Shareholders' funds. Upon exercise, the cost of the share options is transferred from the capital contribution reserve to retained earnings.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.3 Summary of significant accounting policies (continued)

o Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

p Pension benefits

The Group makes contributions to the Saga Pension Scheme, a defined benefit pension scheme (the 'Scheme') on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement.

The Group is one of a number of Saga entities participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Group accounts for its pension expense on a defined contribution basis. The costs of providing these benefits are charged to the income statement on a regular basis. Amounts charged to operating profit represent the contributions payable to the Scheme in the year.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.4 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2017. Comment on these new standards or amendments are as follows:

i. IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments' that will essentially replace IAS 39. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument. The Group is about to commence a project on IFRS 9 to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard will not have a material impact on the Group's financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 November 2016.

ii. IFRS 15 'Revenue from Contracts with Customers'

The objective of IFRS 15 is to establish the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Group is about to commence a project on IFRS 15 to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard will not have a material impact on the Group's financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 September 2016.

iii. IFRS 16 'Leases'

IFRS 16 specifies how to recognise, measure, present and disclose leases, and will essentially replace IAS 17. The impact of this standard on the Group's financial statements is still being assessed. The standard was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019, although this is yet to be endorsed by the EU.

iv. Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

The amendments to IAS 12 clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

v. Amendments to IAS 7 'Disclosure Initiative'

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

vi. Clarifications to IFRS 15 'Revenue from Contracts with Customers'

The amendments provide some illustrative factors that an entity might consider in making the assessment as to whether promised goods or services are distinct. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

2.4 Standards issued but not yet effective (continued)

- vii. Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'**
The amendments to IFRS 2 clarify the accounting for the effects of vesting and non-vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with net settlement features for withholding tax obligations and the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.
- viii. Amendments to IAS 40 'Transfers of Investment Property'**
The amendments to IFRS 40 clarify that an entity can only reclassify a property to/from investment property when, and only when, there is evidence that a change in the use of the property has occurred. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

2.5 Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Goodwill impairment testing

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units at a suitable discount rate in order to calculate present value.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

3 Segmental information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments.

The segments primarily comprise of the operation and delivery of package tours and cruise holiday products. The Group owns and 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.

Segment performance is primarily evaluated using the Group's key performance measure of Profit before tax excluding gains and losses on derivatives. 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.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to segments as they are also managed on a group basis.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

3 Segmental information (continued)

	Tour Operating	Cruising	Sub-Total	Adjust's	Total
2017	£'000	£'000	£'000	£'000	£'000
Revenue	350,113	81,892	432,005	-	432,005
Cost of sales	(278,606)	(65,440)	(344,046)	-	(344,046)
Gross profit	71,507	16,452	87,959	-	87,959
Administrative and selling expenses	(60,326)	(13,070)	(73,396)	(5,628)	(79,024)
Investment income	230	-	230	-	230
Finance costs	-	-	-	(260)	(260)
Profit before tax and derivative gains and losses	11,411	3,382	14,793	(5,888)	8,905
Net fair value loss on derivative financial instruments	4,877	5,030	9,907	-	9,907
Profit before tax from continuing operations	16,288	8,412	24,700	(5,888)	18,812

The total revenue of £432,005,000 is generated solely in the UK.

	Tour Operating	Cruising	Sub-Total	Adjust's	Total
2016	£'000	£'000	£'000	£'000	£'000
Revenue	336,926	86,215	423,141	-	423,141
Cost of sales	(268,457)	(68,800)	(337,257)	-	(337,257)
Gross profit	68,469	17,415	85,884	-	85,884
Administrative and selling expenses	(62,036)	(10,784)	(72,820)	9,210	(63,610)
Investment income	391	-	391	-	391
Finance costs	-	-	-	(1,001)	(1,001)
Profit before tax and derivative gains and losses	6,824	6,631	13,455	8,209	21,664
Net fair value loss on derivative financial instruments	(1,606)	466	(1,140)	-	(1,140)
Profit before tax from continuing operations	5,218	7,097	12,315	8,209	20,524

The total revenue of £423,141,000 is generated solely in the UK.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

4 Administrative and selling expenses

	2017	2016
	£'000	£'000
Staff costs (note 7)	26,174	26,630
Marketing and fulfilment costs	26,641	26,287
Lease rentals	182	721
Auditors remuneration*	244	250
Other administrative costs	14,404	11,917
Depreciation	707	676
Loss on disposal of property, plant and equipment	(94)	(43)
Amortisation of intangible assets (note 11)	5,399	6,666
Exceptional expenses	<u>5,367</u>	<u>(9,494)</u>
	<u>79,024</u>	<u>63,610</u>

Any fees paid to the Group's auditor, Ernst & Young LLP, for services other than the statutory audit of the Group are not disclosed in these financial statements since the consolidated financial statements of an ultimate parent undertaking, Saga plc, are required to disclose non-audit fees on a consolidated basis.

* 2017 - £70,000 (2016 - £74,000) of this relates to the Company.

Non-trading expenses:

	2017	2016
	£'000	£'000
Acquisition/disposal of subsidiaries	5,188	(7,105)
Insurance claims	-	(3,087)
Legal dispute	(669)	-
Other exceptional expenses	<u>848</u>	<u>698</u>
	<u>5,367</u>	<u>(9,494)</u>

During the year, the Company received amounts following the successful outcome of a legal dispute.

During the prior year, the Group received two amounts under insurance policies towards the cost of cancelled or curtailed cruises; the costs of these operational issues were treated as exceptional in prior periods.

5 Finance costs

	2017	2016
	£'000	£'000
Net fair value loss on derivative financial instruments	797	1,853
Finance charges payable under finance leases and hire purchase contracts	32	13
Unwinding of discount and effect of changes in discount rate on provisions	-	988
Dividends paid to by subsidiaries to non-controlling interests	<u>228</u>	<u>-</u>
	<u>1,057</u>	<u>2,854</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

6 Finance income

	2017	2016
	£'000	£'000
Net fair value gain on derivative financial instruments	10,704	713
	<u>10,704</u>	<u>713</u>

7 Directors and employees

Amounts charged to the income statement for the year are as follows:	2017	2016
	£'000	£'000
Wages and salaries	28,967	30,035
Social security costs	2,754	2,581
Pension costs	1,725	1,503
Total staff costs	<u>33,446</u>	<u>34,119</u>

Staff costs have been allocated £7,272,000 (2016: £7,489,000) to Cost of Sales and £26,174,000 (2016: £26,630,000) to administration expenses.

<i>No of employees</i>	2017	2016
Sales & marketing	342	379
Operations	728	769
Administration and management	168	159
Total staff numbers	<u>1,238</u>	<u>1,307</u>

<i>Compensation of key management personnel of the Group</i>	2017	2016
Aggregate remuneration in respect of qualifying services	<u>1,044</u>	<u>920</u>

Members of defined benefit pension scheme	<u>5</u>	<u>5</u>
---	----------	----------

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

7 Directors and employees (continued)

The Directors remuneration shown above relates to P Diethelm, A J P Strong, R Bowden-Doyle and A C Donald, from their service to the company during the year. On 31 January 2017, P Diethelm and A J P Strong both resigned from the board. Whilst A J P Strong and A C Donald hold directorships in other group companies, the full amount of their remuneration was included above as it would not be practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of other group companies. J Linfoot will be remunerated by ST&H Limited.

L H L Batchelor and J S Hill are Directors of Saga plc and various fellow subsidiaries, and received total remuneration for the year of £4,339,000 (2016 - £4,714,000) which was paid by Saga plc. None of these Directors received any remuneration during the current or comparative years in respect of their services as Directors of the Company, and it would not be practicable to apportion their remuneration between their services as Directors of the Company, their services as Directors of Saga plc and their services as Directors of any other group companies.

Among the Directors remunerated by the Company, the amounts paid in respect of the highest paid Director were as follows:-

	2017	2016
Aggregate remuneration in respect of qualifying services	<u>750</u>	<u>644</u>
Defined benefit pension scheme:		
Accrued pension at end of year	<u>39</u>	<u>38</u>

8 Pension benefits

The Company is a member of the Saga Pension Scheme which is a defined benefit scheme.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis. The IAS 19 deficit (gross of deferred taxation) of the Scheme at 31 January 2017 was £13.7 million (2016 - £18.8 million).

Further details of the Scheme can be found in the financial statements of the ultimate parent company, Saga plc.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

9 Tax

The major components of the income tax expense are:

	2017	2016
	£'000	£'000
Consolidated income statement		
Current income tax		
Current income tax charge	4,866	3,422
Adjustments in respect of previous years	42	(106)
	<u>4,908</u>	<u>3,316</u>
Deferred tax		
Relating to origination and reversal of temporary differences	(759)	(272)
Effect of tax rate change on opening balances	(88)	(139)
Adjustments in respect of previous years	541	(392)
Tax expense in the income statement	<u>4,602</u>	<u>2,513</u>

Reconciliation of tax expense to profit before tax multiplied by the UK corporation tax rate:

	2017	2016
	£'000	£'000
Profit before tax	<u>18,812</u>	<u>20,524</u>
Tax at rate of 20.00% (2016: 20.17%)	3,762	4,140
Adjustments in respect of previous years	583	(498)
Effect of tax rate change on opening balances	(88)	(139)
Rate change adjustment on temporary differences	131	41
Other non-deductible expenses / non-taxed income	222	(1,019)
Other items	(8)	(12)
Tax expense in the income statement	<u>4,602</u>	<u>2,513</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

9 Tax (continued)

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Excess of depreciation over capital allowances	366	617	(245)	(506)
Intangibles	(1,951)	(2,598)	508	1,096
Effect of tax rate change	-	-	88	139
Short-term temporary differences	(6,932)	(1,533)	(45)	138
Losses available for offsetting against future taxable income	24	26	-	(64)
Deferred tax credit/(debit)			306	803
Net deferred tax liabilities	(8,493)	(3,488)		

Reflected in the statement of financial position as follows:

	2017	2016
	£'000	£'000
Deferred tax assets	3,160	4,359
Deferred tax liabilities	(11,653)	(7,847)
Net deferred tax liabilities	(8,493)	(3,488)

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

9 Tax (continued)

Reconciliation of net deferred tax assets / (liabilities)

	2017	2016
	£'000	£'000
At 1 February	(3,488)	(1,043)
Tax credit recognised in the income statement	306	803
Tax (debit) recognised in OCI	(5,311)	(3,006)
Other items	-	(242)
At 31 January	<u>(8,493)</u>	<u>(3,488)</u>

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

A reduction in the UK Corporation Tax rate from 21% to 20% took effect on 1 April 2015, and further reductions were enacted in the Finance Act 2015 to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020.

On 16 March 2016 the Chancellor presented the 2016 budget in which he announced a further reduction in the future corporation tax rate. Instead of the UK corporation tax rate reducing from 19% to 18%, on 1 April 2020, the rate will now fall to 17%. As the new rate of 17% has been enacted at the balance sheet, the closing deferred tax balances have been reflected at 17%

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

10 Goodwill

Cost	Group £'000	Company £'000
At 1 February 2015	30,939	18,155
Additions through business combinations	-	-
At 31 January 2016	30,939	18,155
Fair value adjustment	-	-
At 31 January 2017	30,939	18,155
 Impairment		
At 1 February 2015	-	-
Impairment	-	-
At 31 January 2016	-	-
Impairment	-	-
At 31 January 2017	-	-
 Net book value		
At 31 January 2017	30,939	18,155
 At 31 January 2016	30,939	18,155

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

11 Intangible fixed assets

Group	Brands	Customer Relationships	Software	Total
Cost	£'000	£'000	£'000	£'000
At 1 February 2015	12,748	7,379	22,536	42,663
Additions	-	-	3,151	3,151
At 31 January 2016	12,748	7,379	25,687	45,814
Additions	-	-	3,257	3,257
At 31 January 2017	12,748	7,379	28,944	49,071
Amortisation and impairment				
At 1 February 2015	637	1,364	16,870	18,871
Amortisation	1,275	2,387	3,021	6,683
At 31 January 2016	1,912	3,751	19,891	25,554
Amortisation	1,275	1,714	2,748	5,737
At 31 January 2017	3,187	5,465	22,639	31,291
Net book value				
At 31 January 2017	9,561	1,914	6,305	17,780
At 31 January 2016	10,836	3,628	5,796	20,260
Company				
Cost			Software	Total
			£'000	£'000
At 1 February 2015			21,375	21,375
Additions			2,561	2,561
At 31 January 2016			23,936	23,936
Additions			2,693	2,693
At 31 January 2017			26,629	26,629
Amortisation and impairment				
At 1 February 2015			16,707	16,707
Amortisation			2,775	2,775
At 31 January 2016			19,482	19,482
Amortisation			2,433	2,433
At 31 January 2017			21,915	21,915
Net book value				
At 31 January 2017			4,714	4,714
At 31 January 2016			4,454	4,454

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

12 Impairment of intangible assets

a Goodwill

Goodwill acquired through business combinations has been allocated to cash-generating units ("CGUs") on initial recognition and subsequently for impairment testing. The carrying value of goodwill by CGU is as follows:

	2017	2016
	£'000	£'000
Titan Travel	18,492	18,492
Destinology	12,447	12,447
	<u>30,939</u>	<u>30,939</u>

The Group has tested the goodwill for impairment at 31 January 2017. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five year plan to 2021/22. Terminal values have been included using 3% as the expected long term average growth rate of the UK economy, and calculated using the Gordon growth model.

The cash flows of each CGU have been discounted considering the weighted average cost of capital of a market participant capable of acquiring a similar business. For the Titan Travel and Destinology CGUs, it has been assessed to be 10.0%.

The value-in-use calculation is most sensitive to the assumptions used for growth and for the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to determine whether any reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount.

To undertake the stress testing, terminal values were separately recalculated using 1.5% growth and nil growth, and the relevant discount rate was separately increased by 3%. No evidence of any impairment was seen under any of these stress test scenarios. Consequently, no impairment of the goodwill has been recognised.

b Other intangible assets

Separately-identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment.

The Group has performed a review for indicators of impairment at 31 January 2017 and concluded that no indicators exist.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

13 Property, plant and equipment

Group

	Freehold Land & Buildings £'000	Cruise Ships £'000	Assets in the course of construction £'000	Plant & equipment £'000	Total £'000
Cost or valuation					
At 1 February 2015	4,881	103,375	-	11,442	119,698
Additions	-	5,934	13,609	1,173	20,716
Disposals	-	-	-	(842)	(842)
At 31 January 2016	4,881	109,309	13,609	11,773	139,572
Additions	-	4,801	1,501	1,622	7,924
Disposals	-	-	-	(2,135)	(2,135)
At 31 January 2017	4,881	114,110	15,110	11,260	145,361
Depreciation and impairment					
At 1 February 2015	561	43,548	-	7,924	52,033
Provided during the year	98	8,434	-	1,415	9,947
Disposals	-	-	-	(827)	(827)
At 31 January 2016	659	51,982	-	8,512	61,153
Provided during the year	98	11,601	-	1,233	12,932
Disposals	-	-	-	(2,066)	(2,066)
At 31 January 2017	757	63,583	-	7,679	72,019
Net book value					
At 31 January 2017	4,124	50,527	15,110	3,581	73,342
At 31 January 2016	4,222	57,327	13,609	3,261	78,419

The net book value of Plant and equipment includes £1,181,000 (2016: £nil) in respect of plant & equipment held under finance lease agreements. The accumulated depreciation on these assets is £270,000 (2016: £nil).

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

Company

	Freehold Land & Buildings £'000	Plant & equipment £'000	Total £'000
Cost or valuation			
At 1 February 2015	4,881	5,698	10,579
Additions	-	555	555
At 31 January 2016	4,881	6,253	11,134
Additions	-	70	70
At 31 January 2017	4,881	6,323	11,204
Depreciation and impairment			
At 1 February 2015	561	4,293	4,854
Provided during the year	98	482	580
At 31 January 2016	659	4,775	5,434
Provided during the year	98	598	696
At 31 January 2017	757	5,373	6,130
Net book value			
At 31 January 2017	4,124	950	5,074
At 31 January 2016	4,222	1,478	5,700

The net book value of Plant and equipment includes £nil (2016: £nil) in respect of plant & equipment held under finance lease agreements. The accumulated depreciation on these assets is £nil (2016: £nil).

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities

a Financial assets

Group	2017	2016
	£'000	£'000
Fair value through profit or loss		
Foreign exchange forward contracts	3,686	3,313
Fuel oil swaps	1,251	30
	<u>4,937</u>	<u>3,343</u>
Fair value through other comprehensive income		
Foreign exchange forward contracts	47,337	16,706
Fuel oil swaps	1,244	21
	<u>48,581</u>	<u>16,727</u>
Total financial assets	<u>53,518</u>	<u>20,070</u>
Current	21,580	8,790
Non-current	31,938	11,280
	<u>53,518</u>	<u>20,070</u>
Company	2017	2016
	£'000	£'000
Fair value through profit or loss		
Foreign exchange forward contracts	3,775	2,909
Fair value through other comprehensive income		
Foreign exchange forward contracts	47,240	16,705
Total financial assets	<u>51,015</u>	<u>19,614</u>
Current	20,008	8,386
Non-current	31,008	11,228
	<u>51,016</u>	<u>19,614</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

b Financial liabilities

Group	2017	2016
	£'000	£'000
Fair value through profit or loss		
<i>Derivative liabilities not designated as hedges</i>		
Foreign exchange forward contracts	1,019	5,528
Fuel oil swaps	309	4,113
	1,328	9,641
Fair value through other comprehensive income		
<i>Derivative liabilities designated as hedges</i>		
Foreign exchange forward contracts	1,023	1,196
Fuel oil swaps	31	1,909
	1,054	3,105
Loans and borrowings		
Obligations under finance leases & hire purchase	1,189	-
Bank overdrafts	17	165
Amounts owed to related undertaking	5,374	5,928
	6,580	6,093
Total financial liabilities	8,962	18,839
Current	7,872	15,424
Non-current	1,090	3,415
	8,962	18,839

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

b Financial liabilities (continued)

Company	2017	2016
	£'000	£'000
Fair value through profit or loss		
<i>Derivative liabilities not designated as hedges</i>		
Foreign exchange forward contracts	717	5,526
	717	5,526
Fair value through other comprehensive income		
<i>Derivative liabilities designated as hedges</i>		
Foreign exchange forward contracts	1,022	1,196
Intercompany derivatives	37,682	12,539
	38,704	13,735
Loans and borrowings		
Bank overdraft	17	165
Amounts owed to related undertakings	90,549	54,352
	90,566	54,517
Total financial liabilities	129,987	73,778
Current	129,761	60,540
Non-current	226	13,238
	129,987	73,778

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

c Fair Values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include foreign currency exchange rates and future oil prices.

The objective of using valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date which would have been determined by market participants acting at arm's length.

Observable prices are those that have been seen either from counterparties or from market pricing sources including Bloomberg. The use of these depends upon the liquidity of the relevant market.

The fair value and carrying value of financial assets and financial liabilities are materially same. Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i. Level 1

These are valuation techniques that are based entirely on quoted market prices in an actively traded market and are the most reliable. All money market funds and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted market price.

ii. Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including the credit quality of 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 January 2017, 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.

iii. 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 January 2017 or 31 January 2016.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

c Fair Values (continued)

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

At 31 January 2017:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial assets measured at fair value				
Foreign exchange forward contract	-	51,023	-	51,023
Fuel oil swaps	-	2,495	-	2,495
Financial liabilities measured at fair value				
<i>Derivative financial liabilities</i>				
Foreign exchange forward contracts	-	2,041	-	2,041
Fuel oil swaps	-	340	-	340
Liabilities for which fair values are disclosed				
Finance leases and hire purchase obligations	-	1,189	-	1,189
Bank overdrafts	-	17	-	17
Amounts owed to related undertakings	-	5,374	-	5,374

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

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

c Fair Values (continued)

At 31 January 2016:

There were no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year ended 31 January 2016.

	Fair value measurement using			
	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial assets measured at fair value				
Foreign exchange forward contract	-	20,019	-	20,019
Fuel oil swaps	-	51	-	51
Financial liabilities measured at fair value				
<i>Derivative financial liabilities</i>				
Foreign exchange forward contracts	-	6,724	-	6,724
Fuel oil swaps	-	6,022	-	6,022
Liabilities for which fair values are disclosed				
Bank overdrafts	-	165	-	165
Amounts owed to related undertakings	-	5,928	-	5,928

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

d Cash flow hedges

Forward currency risk

During the year ended 31 January 2017, the Group designated 322 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

The table below summarises the foreign currency cash flow hedging instruments in place as at 31 January 2017:

	Designated in year ended 31 Jan 2017		At 31 Jan 2017		At 31 Jan 2016	
	Volume	Fair Value £'m	Volume	Fair Value £'m	Volume	Fair Value £'m
Foreign Currency Cash Flow Hedging Instruments						
Euro (EUR)	100	2.3	119	38.8	90	11.9
US Dollar (USD)	78	3.1	96	5.2	93	4.4
Other currencies	144	1.1	189	2.3	173	(0.8)
Total	322	6.5	404	46.3	356	15.5

Hedging instruments for other currencies are in respect of Australian dollars, Canadian dollars, Swiss francs, Japanese yen, New Zealand dollars, Norwegian krone, Swedish krona, Thai baht and South African rand.

Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) in the management of its fuel price exposures. All fuel hedges are designated as cash flow hedges. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The table below summarises the commodity cash flow hedging instruments in place as at 31 January 2017:

	Designated in year ended 31 Jan 2017		At 31 Jan 2017		At 31 Jan 2016	
	Volume	Fair Value £'m	Volume	Fair Value £'m	Volume	Fair Value £'m
Commodity Cash Flow Hedging Instruments						
	77	0.5	103	1.2	44	(1.9)

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

14 Financial assets and financial liabilities (continued)

d Cash flow hedges (continued)

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2017. 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	USD	Other	Currency	Fuel	Total
	£'m	£'m	currencies	hedges	hedges	
			£'m	£'m	£'m	£'m
1 Feb 17 – 31 Jul 17	54.5	27.8	9.0	91.3	2.0	93.3
1 Aug 17 – 31 Jan 18	49.7	22.2	9.1	81.0	2.0	83.0
1 Feb 18 – 31 Jul 18	30.9	11.4	6.2	48.5	1.5	50.0
1 Aug 18 – 31 Jan 19	9.2	1.9	2.2	13.3	1.6	14.9
1 Feb 19 – 31 Jul 19	244.0	-	-	244.0	0.8	244.8
1 Aug 19 – 31 Jan 20	-	-	-	-	1.0	1.0
Total	388.3	63.3	26.5	478.1	8.9	487.0

The foreign currency hedge which will be determined in July 2019 of £244.0m relates to the delivery of the ship.

During the year, the Group recognised net gains of £11.1m (2016: £6.3m) on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net gains of £34.2m (2016: £10.3m) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of a new ship. The overall net gains of £45.3m are offset by a net £1.9m loss on forecast transactions recognised in the financial statements. The Group recognised a £0.8m loss (2016: £0.3m) through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the year ended 31 January 2017 as a result of cash flow forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. During the year, the Group recognised a £11.4m gain through the income statement in respect of matured hedges, which has been recycled from other comprehensive income. No amounts have been removed from the hedging reserve to be included in the carrying value of non-financial assets and liabilities.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

15 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group also enters into derivative transactions such as foreign exchange forward contracts, fuel and gas oil swaps and interest rate swaps to manage its exposures to various risks.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function and treasury committees within the key areas of the Group that advise on financial risks and the appropriate financial risk governance framework for the Group. The treasury committees ensure that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group's Treasury function. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group manages concentration risk through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit to third party institutions based on the credit ratings of the individual counterparties, combined with the views of the Board. On a monthly basis, exposure to each counterparty is calculated and reported, and compliance with the policy is monitored.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to the following market risk factors:

- foreign currency risk;
- commodity price risk; and

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits the Group is willing to accept considering strategy, risk appetite and capital resources.

The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

15 Financial risk management objectives and policies (continued)

a Market risk (continued)

i. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts are not formally designated as hedging instruments and are entered into for periods consistent with the foreign currency exposure of the underlying transactions, generally from one to 24 months. The foreign exchange forward contracts vary with the level of expected foreign currency sales and purchases.

The following table demonstrates the sensitivity of the fair value of forward exchange contracts to a 5% change in US Dollar and Euro exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The impact is shown net of tax at the current rate.

	Sensitivity of + / - 5% rate change in	Effect on profit after tax and equity
2017	EUR	+ / - £19.3m
	USD	+ / - £3.2m
2016	EUR	+ / - £17.6m
	USD	+ / - £3.6m

ii. Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase of fuel and gas oil to sail its cruise ships and therefore requires a continuous supply of fuel and gas oil. The volatility in the price of fuel and gas oil has led to the decision to enter into commodity fuel and gas oil swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and gas oil. Managing the price volatility of forecast oil purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The Group manages the purchase price using forward commodity purchase contracts based on a maximum 24-month forecast of the required fuel oil supply.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the US Dollar exchange rate with all other variables held constant. The impact is shown net of tax at the current rate.

£/000	Sensitivity of + / - 5% rate change in	Effect on profit after tax and equity
2017	USD	+ / - £0.8m
2016	USD	+ / - £0.8m

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

15 Financial risk management objectives and policies (continued)

b Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel oil and foreign currency contracts, and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty in accordance with approved treasury policies.

The credit risk in respect of trade and other receivables is limited as payment from customers is generally required before services are provided.

Credit risk in relation to deposits and derivative counterparties is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on a regular basis, and updated throughout the year subject to approval of the Group Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through any potential counter-party failure.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2017 and 31 January 2016 is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

Ratings analysis

31 January 2017 £'000	AAA	AA	A	Unrated	Total
Derivative assets	-	49,959	3,559	-	53,518
Total	-	49,959	3,559	-	53,518
31 January 2016 £'000	AAA	AA	A	Unrated	Total
Derivative assets	-	10,100	9,919	-	20,019
Total	-	10,100	9,919	-	20,019

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

15 Financial risk management objectives and policies (continued)

c Liquidity risk

Liquidity risk is the risk that the group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its revolving credit facility.

The table below analyses the maturity of the group's financial liabilities on contractual undiscounted payments. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date. The analysis of claims outstanding is based on the expected dates on which the claims will be settled.

31 January 2017 £'000	On demand	Less than 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Loans and borrowings	17	5,712	532	319	-	6,580
Other financial liabilities	19,617	115,142	-	-	-	134,759
Trade and other payables	-	41,352	-	-	-	41,352
Derivative liabilities	-	2,143	239	-	-	2,382
	<u>19,634</u>	<u>164,349</u>	<u>771</u>	<u>319</u>	<u>-</u>	<u>185,073</u>
31 January 2016 £'000	On demand	Less than 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Loans and borrowings	165	5,928	-	-	-	6,093
Other liabilities	19,617	106,744	-	-	-	126,361
Trade and other payables	-	50,878	-	-	-	50,878
Derivative liabilities	-	9,331	3,415	-	-	12,746
	<u>19,782</u>	<u>172,881</u>	<u>3,415</u>	<u>-</u>	<u>-</u>	<u>196,078</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

15 Financial risk management objectives and policies (continued)

d Operational risk

Effective operational risk management requires the Group to identify, assess, manage, monitor, report and mitigate all areas of exposure.

All of the Group's operations are dependent on the proper functioning of its IT and communication systems; on its properties and other infrastructure assets; on the need to adequately maintain and protect customer and employee data and other information; and on the ability of the Group to attract and retain staff.

The Group operates two cruise ships which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the Group are also affected by global weather and socio-economic events which impact either the Group directly or its suppliers.

16 Inventories

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Fuel and oil	810	584	-	-
Technical stocks	2,566	2,277	-	-
Passenger and crew food stocks	1,066	764	-	-
Bar and other sundry stocks	839	905	10	10
	<u>5,281</u>	<u>4,530</u>	<u>10</u>	<u>10</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

17 Trade and other receivables

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	4,651	5,559	3,381	2,954
Other receivables	2,800	4,089	1,490	1,926
Amounts owed by fellow group undertakings	-	-	112,430	73,006
Prepayments	16,444	11,278	4,795	4,210
	<u>23,895</u>	<u>20,926</u>	<u>122,096</u>	<u>82,096</u>

The ageing of trade receivables is as follows:

		Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	30 - 60 days	61-90 days	91-120 days	> 120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2017	4,651	2,583	537	337	155	246	793
2016	5,559	3,707	419	115	415	168	735

As at 31 January 2017, impairment provisions totalling £65,000 (2016: £82,000) were made against trade receivables with an initial value of £4,716,000 (2016: £5,641,000). The movements in the provision for impairment of receivables are as follows:

	Individually impaired	Collectively impaired	Total
	£'000	£'000	£'000
At 1 February 2015	161	22	183
Charge for the year	28	-	28
Utilised in the year	(129)	-	(129)
Unused amounts reversed	-	-	-
At 31 January 2016	<u>60</u>	<u>22</u>	<u>82</u>
Charge for the year	(18)	-	(18)
Utilised in the year	(49)	-	(49)
Unused amounts reversed	50	-	50
At 31 January 2017	<u>43</u>	<u>22</u>	<u>65</u>

See note 16 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

18 Cash and cash equivalents

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash at bank and in hand	41,682	18,868	32,707	9,473
Short term deposits	46,200	62,590	46,200	62,511
Cash and short term deposits	87,882	81,458	78,907	71,984
Bank overdraft	(17)	(165)		
Cash and cash equivalents in the cash flow statement	87,865	81,293		

There are no deposits that have maturity dates in excess of one year. The Group's, and Company's, Cash at bank and in hand is subject to contractual or regulatory restrictions. The Group, and Company, considers that these monies are not readily available to be used for other purposes within the Group.

19 Trade and other payables

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	28,583	24,252	20,112	15,678
Other taxes and social security costs	696	2	-	-
Other payables	613	14,739	-	511
Accruals	11,460	11,885	9,470	9,622
	41,352	50,878	29,582	25,811

All trade and other payables are current in nature.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

20 Other liabilities

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Advance receipts	108,280	99,458	70,018	65,995
Deferred revenue	6,862	7,286	-	-
Other liabilities	19,617	19,617	19,617	19,617
	<u>134,759</u>	<u>126,361</u>	<u>89,635</u>	<u>85,612</u>
Current	134,759	126,361	89,635	85,612
Non-current	-	-	-	-
	<u>134,759</u>	<u>126,361</u>	<u>89,635</u>	<u>85,612</u>

Advance receipts comprise amounts received for holidays and cruises with departure dates after the reporting date.

21 Called up share capital

	2017	2016
	£'000	£'000
Allotted, called up and fully paid		
At 1 February and at 31 January (Ordinary share of £1 each)	<u>54,088</u>	<u>54,088</u>

All shares are unrestricted and carry equal voting rights.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

22 Commitments and contingencies

a Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain land and buildings and plant and machinery. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 January are as follows:

	Land and Buildings		Plant and Machinery	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within one year	121	693	-	190
Between one and five years	56	2,347	806	598
After five years	-	4,581	-	-
	<u>177</u>	<u>7,621</u>	<u>806</u>	<u>788</u>

b Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal and no purchase options. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present values of the net minimum lease payments are as follows:

	2017	2016
	£'000	£'000
Within one year	338	-
Between one and five years	<u>851</u>	<u>-</u>
Total minimum lease payments	1,189	-
Less amounts representing finance charge	<u>(56)</u>	<u>-</u>
Present value of minimum lease payments	<u>1,133</u>	<u>-</u>

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

22 Commitments and contingencies (continued)

c Commitments

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase a new cruise ship for delivery in July 2019, with an option to purchase a second similar cruise ship for delivery in 2021. The new ship will replace one of the Group's existing two ships.

The first stage payment for the new ship was made in February 2016. Three similar stage payments will be made during the construction period (24 months, 18 months, and 12 months prior to delivery) funded via cash resources of the Group. The remaining element of the contract price is due on delivery of the ship, and the Group entered into appropriate financing for this on 21 December 2015.

As at 31 January 2017, the capital amount contracted but not provided for in the financial statements in respect of the ship amounted to £280.1m (2016: £280.1m).

The financing represents a 12 year fixed rate Sterling loan, backed by an export credit guarantee. The loan value of approximately £245m will be repaid in 24 broadly equal instalments, with the first payment 6 months after delivery. The effective interest rate on the loan (including arrangement and commitment fees) is 4.29%.

On the date the finance was entered into, the Group purchased Euro currency forwards totalling £273.2m to lock the cost of the ship. These have been designated as cash flow hedges and remain outstanding as at 31 January 2017 (note 14d).

The Group has an option to purchase a second ship for the same price within the contract; the option must be exercised by 21 December 2017. The Group may be released from this option at any time although should the option to purchase not be exercised, a fee would become payable. The likelihood of incurring such a fee is considered extremely remote.

d Contingent liabilities

On 17 February 2017, certain entities in the Group were served with legal proceedings by the broker who acted on behalf of the ship yard for the committed purchase of the new cruise ship (see note 22c). The claimant has brought a claim alleging that these Saga companies are liable to pay commission on the first ship, plus interest and legal costs and separately, commission on the second ship should the option to purchase be exercised. The amount of the claim is up to €7 million, depending on whether the option for the purchase of a second ship is exercised.

It is too early in the litigation process to evaluate Saga's position on liability and quantum. As such, no amounts have been provided for this in the financial statements. Furthermore, in the event the claim is successful, the cost will be capitalised as part of assets in the course of construction within property, plant and equipment.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

23 Share-based payments

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Group's and Company's Directors and employees. IFRS requires that equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan (LTIP).

The LTIP is a discretionary executive share plan. Under the LTIP, the Saga plc Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. These options have a non-market vesting condition (50%) and a market vesting condition (50%). The fair value of the options has been calculated using a Black-Scholes valuation.

The table below summarises the movements in the number of share options outstanding for the employees of the Group and Company and their weighted average exercise price:

	LTIP
Outstanding at 1 February 2016	748,963
Granted during the year	563,111
Forfeited during the year	(251,431)
Outstanding at 31 January 2017	<u>1,060,643</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2017	<u>-</u>
Average remaining contractual life	<u>1.5 years</u>
Average fair value at grant	<u>£1.86</u>

Details of the information relevant in determining the fair value of options granted is available in the financial statements of Saga plc.

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

24 Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		£'000	£'000	£'000	£'000
Entities controlled within Group undertaking:					
Saga Group Limited	2017	-	7,510	-	4,777
	2016	-	6,183	-	5,331
ST&H Group Limited	2017	-	-	-	597
	2016	-	-	-	597
Saga Publishing Limited	2017	43	517	-	-
	2016	71	437	-	-
Saga Services Limited	2017	124	-	-	-
	2016	85	-	-	-
MetroMail Limited	2017	1	1,968	-	-
	2016	2	2,029	-	-
CHMC Limited	2017	29	-	-	-
	2016	12	-	-	-
Acromas Financial Services Ltd	2017	12	-	-	-
	2016	46	-	-	-
Acromas Insurance Company Ltd	2017	64	-	-	-
	2016	-	573	-	-
	2017	273	9,995	-	5,374
	2016	216	9,222	-	5,928

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

25 Investment in subsidiary undertakings

Company	2017 £'000	2016 £'000
Cost		
As at 1 February 2016 & 31 January 2017	<u>75,957</u>	<u>75,957</u>
Provisions		
As at 1 February 2016 & 31 January 2017	<u>575</u>	<u>575</u>
Net book amount		
At 31 January	<u><u>75,382</u></u>	<u><u>75,382</u></u>

The entities listed below are subsidiary undertakings of the Company. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The registered office address of Saga Establecimientos Hoteleros, S.L is Auxadi Contables & Consultores S.A., Calle Nanclares de Oca 1B, 28022 Madrid, Spain.

Company	Country of registration	Nature of business
ST&H Transport Limited (Formerly Acromas Transport Limited)	England	Tour operating
Titan Transport Limited	England	Tour operating
Destinology Limited	England	Tour operating
Saga Cruises Limited (Formerly Acromas Shipping Limited)	England	Cruising
Saga Cruises I Limited (Formerly Saga Cruises Limited)	England	Cruising
Saga Cruises IV Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Driveline Group Limited (Formerly Automobile Association Travel Limited)	England	Holding Company
Acromas Holidays (USA) Inc.	United States	Holding Company
Saga Cruises II Limited	England	Dormant Company
Saga Cruises III Limited	England	Dormant Company
Saga Cruises V Limited	England	Dormant Company
Saga Cruises VI Limited	England	Dormant Company
Driveline Europe Limited	England	Provision of services
Driveline Travel Limited	England	Dormant Company
Saga Establecimientos Hoteleros, S.L.	Spain	Holding Company
Saga Holidays Limited	England	Dormant Company
Saga Shipping Company Limited	England	Dormant Company
Saga Tours Limited	England	Dormant Company
Spirit Of Adventure Limited	England	Dormant Company
Titan Travel Holdings Limited	England	Dormant Company
Titan Aviation Limited	England	Dormant Company
Titan Travel Limited	England	Dormant Company

ST&H LIMITED
(FORMERLY ACROMAS HOLIDAYS LIMITED)
Notes to the financial statements (continued)

26 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital includes issued capital, share premium and all other capital reserves attributable to the equity holders of the parent. It also includes capital, share premium and all other capital reserves of any subsidiaries within the Group which are required to comply with any specific requirements in respect of its capital or other resources.

The Group operates under the regulation of the Civil Aviation Authority ('CAA') in the UK. It is the Group's policy to comply with the requirements of these regulators at all times.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 January 2017 or 31 January 2016, other than those driven from changes to the requirements of the various regulators.

The Group is required to comply with two main tests which have historically covered liquidity and net assets, although the latter has been replaced going forward with a leverage test. The Group monitors its compliance with these tests on a monthly basis including forward-looking compliance using budgets and forecasts, and is required to comply with agreed covenants on the last day of each quarter in respect of these tests.

The Group treats all cash and other financial assets held within its regulated businesses as restricted and not therefore available to be used by the Group for any purposes outside of those of the relevant restricted business. The Group enters into regular open communication with its regulators and any distribution of capital from those businesses to the Group is agreed in advance.

27 Ultimate parent undertaking

The immediate parent undertaking is ST&H Group Limited, a company which is registered in England and Wales. The Company is wholly owned by ST&H Group Limited.

In respect of the year ending 31 January 2017, Saga plc 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 2017 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.