METROMAIL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2022

METROMAIL LIMITED
Company information

Directors	C Pygall	(resigned 30 September 2021)
	J Quin	(resigned 26 April 2022)
	M Watkins	
	T Smith	(appointed 26 April 2022)
	P Kerrigan	(appointed 26 April 2022)
Secretary:	O Balmont	(appointed 2 August 2022)
	V Haynes	(resigned 2 August 2022)
Registered Office:	Enbrook Park, Folkestone, Kent, CT20 3SE	
Company Registration no:	02289304	

METROMAIL LIMITED

The Directors submit the annual report and the financial statements for MetroMail Limited ("the Company") for the year ended 31 January 2022.

Strategic Report

Review of Business Developments and Principal Activity

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

The principal activities of the Company consist of bulk mailing, laser printing and fulfilment services. Mailings from the Saga group of companies represented 42% of the turnover of the Company in the year ended 31 January 2022.

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

	2022 £'000	2021 £'000	Change
Turnover	9,871	9,257	6.6%
Gross profit	3,086	2,310	33.6%
Gross margin	31.3%	25.0%	6.3ppt
Profit/(loss) before taxation	25	(902)	

Turnover up 6.6% on the previous year. Gross profit increased by 33.6% to £3,086,000 (2021: £2,310,000), and Gross margin has increased by 6.3 ppt to 31.3% (2021: 25.0%). The movement in Gross margin reflects a change in the sales mix of the services offered.

The profit before taxation for the year amounted to £25,000 (2021: loss of £902,000). After taxation, a profit of £151,000 (2021: loss of £598,000) has been transferred to reserves. No dividends have been paid in the year (2021: £nil).

The Company operates in a highly competitive market where margins and volumes have been declining for many years. The Directors have implemented a strategy to restructure the business to address the decline.

Principal Risks and Uncertainties

The Group has established systems and processes to govern its approach to risk management. These systems encompass: ensuring that an effective risk assessment and management system is in place; agreeing the principal risks and uncertainties the business should accept in pursuit of its strategic objectives and regularly reviewing the status of these; ensuring that a suitable risk culture is embedded throughout Saga.

Risk information is formally reviewed on a quarterly basis and is a standard agenda item at each of the core business forums.

The principal risks have been grouped into the following categories:

Financial Risk
The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk are liquidity, cash flow and counterparty credit risk.

Principal Risks and Uncertainties (continued)

Liquidity Risk
The Company may be unable to meet its obligations as they fall due as a consequence of having a timing mismatch. Management considers that the liquidity risk relates to the risk associated with the processes of managing timing relationships between assets and liability cash flow patterns.

Intra-Group Risk
The Company is part of the Saga plc Group of companies, and therefore has some exposure to risks that may materialise in other companies within the Group. Management work closely with colleagues across the Group, providing input into and oversight of the reporting, management and mitigation of material risks, including the Group's ongoing response to the COVID-19 pandemic.

The Company is one of the guarantors, which along with Saga plc, have provided a super security to the Trustees of the Saga Pension Scheme, which ranks before any liabilities under the Group's bank facilities. The value of the security is capped at £47,500,000. However, the Company's share of the super security is capped at a value not exceeding the net assets of the Company.

Regulatory risks
The Group trades within regulated sectors of the economy such as financial services, package holidays and cruising. It is therefore required to comply with all relevant regulations.

Operational Risk
The Group faces a number of operational risks which are fundamental to it carrying on business including the risk of suppliers not being able to provide contracted services through force majeure, the risk associated with operating holidays and cruise ships, and business disruption in the event of infrastructure failures. The Group has put in place contingency plans to mitigate the impact of these risks, which are tested on an ongoing basis, and implemented processes and procedures to reduce the likelihood of occurrence, including operational resilience of systems.

Market risk
The Group continues to operate in highly competitive markets with constant pressure on margins and market share. These risks are managed through promotion of the Group brands, continuing efforts to improve efficiency and reduce costs, and focus on customer service, quality and value for money. Appropriate information is utilised to monitor the external market.

Brand risk
The Group recognises that Saga is a quality brand and a source of competitive advantage, and it has in place policies and procedures to protect the brand at all times. Legal protections for brands, trademarks and other points of differentiation are put in place wherever possible.

Principal Risks and Uncertainties (continued)

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

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

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

Future Developments

Despite volumes of mail increasing year on year, the mailing industry and Royal Mail volumes continue to be under pressure from the "Digital Substitute". The Company is continuing to implement its strategy of broadening its mailing services to allow it to offer more to customers and the wider market.

By order of the Board

M Watkins
Director
2 August 2022

Registered office:
Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

METROMAIL LIMITED
Directors' report

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

Statement of Directors' responsibilities

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

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

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

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

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

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

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

Directors

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

C Pygall	(resigned 30 September 2021)
J Quin	
M Watkins	
T Smith	(appointed 26 April 2022)
P Kerrigan	(appointed 26 April 2022)

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance and its exposure to risk and its management of these risks, are described on pages 2-4.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Please see note 2(b) for further details. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor exemption statement

For the financial year ending 31 January 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

By order of the Board

M Watkins
Director
2 August 2022

Registered office:
Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

METROMAIL LIMITED
Income statement for the year ended 31 January 2022

	Note	2022 £'000	2021 £'000
Turnover	3	9,871	9,257
Cost of sales		(6,785)	(6,947)
Gross profit		3,086	2,310
Administrative and marketing expenses		(3,007)	(3,183)
Profit/(loss) on ordinary activities before interest and taxation		79	(873)
Interest payable and similar charges	5	(54)	(29)
Profit/(loss) on ordinary activities before taxation	4	25	(902)
Taxation	9	126	304
Profit/(loss) for the financial year		151	(598)

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

Notes 1 to 22 form an integral part of these financial statements.

METROMAIL LIMITED
Balance sheet as at 31 January 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	2,729	2,763
		2,729	2,763
Current assets			
Stocks	12	294	229
Debtors	13	3,244	3,146
Cash at bank and in hand		193	41
		3,731	3,416
Creditors - amounts falling due within one year	14	(1,215)	(1,519)
Net current assets		2,516	1,897
Total assets less current liabilities		5,245	4,660
Creditors - amounts falling due after more than one year	15	(439)	(5)
Net assets		4,806	4,655
Capital and reserves	17		
Called-up share capital		98	98
Capital contribution reserve		63	63
Retained earnings		4,645	4,494
Shareholder's funds		4,806	4,655

For the financial year ending 31 January 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Signed for and on behalf of the Board by

M Watkins
Director
2 August 2022

Company Registration no: 02289304

Notes 1 to 22 form an integral part of these financial statements.

METROMAIL LIMITED
Statement of changes in equity for the ended 31 January 2022

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Total Shareholders Funds £'000
At 1 February 2020	98	63	5,092	5,253
Loss for the financial year	-	-	(598)	(598)
At 31 January 2021	98	63	4,494	4,655
Profit for the financial year	-	-	151	151
At 31 January 2022	98	63	4,645	4,806

Notes 1 to 22 form an integral part of these financial statements.

1. General information

MetroMail Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 02289304) with a Registered Office; Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.

2. Significant Accounting policies

a) Basis of preparation

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

The Directors have reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included in note 2(b). Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

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

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

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 21.

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

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share Based Payment" because the share based payment arrangement concerns the instruments of another group entity.

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

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

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

e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 "Leases".

2. Significant Accounting policies (continued)

a) Basis of preparation (continued)

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

i) paragraph 79(a)(iv) of IAS 1;
ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment"; and
iii) paragraph 118(e) of IAS 38 "Intangible assets".

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

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

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

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

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

b) Going concern

The Directors continue to have a reasonable expectation that the Company has access to adequate resources to continue in operation for the next twelve months and that the going concern basis of accounting remains appropriate.

The Company's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, are described on pages 2-4. The Company is also dependent on the provision of back-office functions such as Finance, IT and HR that are operated centrally as shared services on behalf of the Group as a whole.

The Directors believe that the Company is well-placed to successfully manage its business risks, and whilst and have a reasonable expectation that the Company will 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.

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

2. Significant Accounting policies (continued)

b) Going concern (continued)

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

The latest scenario modelling has considered a range of downside sensitivities, including further COVID-19 related disruption to the Group's travel businesses, higher inflation driven in part by the Russia-Ukraine conflict, and an initial estimate of the impact of the FCA market study on general insurance pricing within the Insurance business which is expected to have an adverse impact on profit before tax in 2022/23 and 2023/24. Further details on the actions taken and downside stress-testing for the Group are disclosed in the Group's latest annual report and accounts published on the Saga plc corporate website www.corporate.saga.co.uk. The Directors have a reasonable expectation that these stresses and potential demands will not undermine the going concern basis of accounting for the Company.

Management have also reviewed a range of other risks and inputs for the Group, with management satisfied that the going concern basis is appropriate. This review has included:

1. Warning and quantification of the PRUs facing the business. This has been supported by the Risk, Internal Audit and Finance functions and includes a range of activities, such as risk identification, assessment, mitigation design and effectiveness testing, incident reporting, audit and stress testing.
2. Long-and-short term planning information: incorporating annual five-year plans, budgets and intra-year forecasts of profitability and cash flow. Alongside these, the Company monitors and quantifies financial risks and opportunities as they arise, with planning information including specific consideration of the impact of the market study into general insurance pricing.
3. Compliance reporting across various regulatory bodies, and particularly the FCA.
4. Any cross-company trading relationships, guarantees and potential impact on these from PRUs facing the wider Saga plc Group.
5. Management information detailing recent actual trading performance against previous periods and budgeted performance levels.

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

2. Significant Accounting policies (continued)

c) Judgements and key sources of estimation uncertainty

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

There are no estimates, assumptions and judgements 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.

d) Turnover

Printing and mailing revenue is recognised when the service is provided.

Revenue is recognised in line with the performance obligations within customer contracts, namely printing and mailing services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

e) Intangible fixed assets

Computer software costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Intangible computer software fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of computer software intangible fixed assets less their expected residual value is amortised by equal instalments over their useful economic lives.

Intangible assets capitalised as a result of development activities are amortised from the point in time when the asset is available for commercial use.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2. Significant Accounting policies (continued)

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

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

Land	Nil
Buildings	20 years
Fixtures, fittings and equipment	1 - 10 years
Plant and other equipment	1 - 12 years
Computers	3 - 5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful economic lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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

g) Provisions for liabilities

Provisions are recognised when the Company 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 Company 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.

2. Significant Accounting policies (continued)

h) Leases

The Company leases various plant & equipment and property. The contract length of the lease varies considerably and may include extension or termination options as described below.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option will be included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method and the lease liability is measured at amortised cost using the effective interest rate method.

Right-of-use assets are measured at cost comprising the present value of future lease payments plus any initial direct costs and restoration costs. Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and all leases of low-value assets are expensed in profit or loss as incurred in line with the exemption allowed under paragraph 6 of IFRS 16. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in property leases in the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Extension and termination options held are exercisable only by the Company and not by the respective lessor.

Income arising from leases where the Company acts as lessor is recognised on a straight-line basis over the lease term and is included in operating income.

2. Significant Accounting policies (continued)

i) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are discounted to present value and carried at amortised cost, using the effective interest rate method. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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

j) Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprise cash and deposits with a maturity of three months or less from their inception date.

k) Trade and other creditors

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

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

l) Pension benefits

The Company 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 Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The Company then recognises a cost equal to its contribution payable for the period.

The Scheme was closed to future accrual on 31 October 2021, with all members moving from active to deferred status. In its place, the Group launched a new defined contribution pension scheme arrangement, operated as a Master Trust.

2. Significant Accounting policies (continued)

m) Income taxes

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.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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.

n) Stock

Stocks 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.

2. Significant Accounting policies (continued)

o) Financial instruments

i) Financial assets

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

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

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

Financial Assets at Amortised Cost

Initial Recognition

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

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

Subsequent Measurement

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

Derecognition

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

2. Significant Accounting policies (continued)

o) Financial instruments (continued)

ii) Impairment of financial assets

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

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

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Company's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are recognised as a provision in the balance sheet with a corresponding charge to the income statement.

2 Significant Accounting policies (continued)

o) Financial instruments (continued)

iii) Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings, and lease liabilities.

Subsequent measurement

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

Derecognition

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

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

2 Significant Accounting policies (continued)

p) Share-based payments

Saga plc, the ultimate parent company of the Saga group, provides benefits to employees of the 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 Company records the cost of share options granted to employees by Saga plc 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 and retained earnings.

q) Non-trading items

Items which derive from events or transactions that fall outside of the ordinary activities of the Company and which are material, or if of a similar type are material in aggregate, are treated as non-trading. Non-trading items are charged or credited to the income statement as appropriate.

3. Turnover

Turnover represents the invoiced amount of services supplied stated net of VAT. All business is carried out in the UK.

4. Profit/(loss) on ordinary activities before taxation

	2022 £'000	2021 £'000
This is stated after charging:		
Depreciation of owned tangible fixed assets (see note 11a)	310	338
Depreciation of right of use tangible fixed assets (see note 11b)	973	879
Profit on disposal of owned tangible fixed assets (see note 11a)	(11)	(322)
Short-term and low value asset lease rentals - land and buildings	45	45
Short-term and low value asset lease rentals – plant and machinery	25	28
Non-trading items		
Operational restructuring and other costs	-	555

5. Interest payable and similar charges

	2022 £'000	2021 £'000
Net interest and finance charges payable on lease liabilities	54	29
	54	29

6. Directors' remuneration

The remuneration of the Directors of the Company during the year was as follows:

	2022 £'000	2021 £'000
Aggregate remuneration in respect of qualifying services	118	177

	2022 No.	2021 No.
Members of defined benefit pension scheme	2	2

7. Staff costs

	2022	2021
	£'000	£'000
Wages and salaries	2,598	2,975
Social security costs	215	233
Pension costs	164	194
	2,977	3,402

Included in wages and salaries is a total expense of share-based payments of £nil (2021: £nil).

The monthly average number of employees during the year was as follows:	2022	2021
	No.	No.
Operations	68	83
Administration and marketing	26	41

8. Pension benefits

The Company's employees are members of a group wide defined benefit pension plan, the Saga Pension Scheme. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The Company then recognises a cost equal to its contribution payable for the period.

The Scheme was closed to future accrual on 31 October 2021, with all members moving from active to deferred status. In its place, the Group launched a new defined contribution pension scheme arrangement, operated as a Master Trust.

The IAS 19 surplus (gross of deferred taxation) of the Scheme at 31 January 2022 was £1.1 million (2021: £4.3 million deficit).

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

9. Taxation

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax at 19.00% (2021: 19.00%)	(90)	(353)
Adjustment in respect of prior periods	(20)	(7)
Total current income tax credit	(110)	(360)
Deferred tax		
Origination and reversal of timing differences	94	229
Adjustment in respect of prior periods	-	(102)
Effect of tax rate change on opening balance	(110)	(71)
Total deferred tax	(16)	56
Total tax credit in the income statement	(126)	(304)

Reconciliation of total tax credit:	2022	2021
	£'000	£'000
Pre-tax loss at 19.00% (2021: 19.00%)	4	(171)
Permanent differences	-	47
Adjustments in respect of prior periods	(20)	(109)
Effect of tax rate change on opening balance	(110)	(71)
Total tax credit in the income statement	(126)	(304)

The corporation tax credit for the current and prior year is entirely made up of receipts from other group companies for group relief

On 3 March 2021, it was announced that the corporation tax rate will increase from 19% to 25% from 1 April 2023. This increase was substantively enacted on 24 May 2021. As a result, the closing deferred tax balances at the statement of financial position date have been reflected at 25%.

10. Intangible assets

	Computer software
	£'000
Cost	
At 1 February 2021 and at 31 January 2022	486
Amortisation	
At 1 February 2021 and at 31 January 2022	486
Net book value	
At 31 January 2022	-
At 31 January 2021	-

11. Tangible assets

	2022	2021
	£'000	£'000
Owned assets (a)	1,778	2,100
Right of use assets (b)	951	663
	2,729	2,763

(a) Owned assets

	Plant & Other Equipment £'000
Cost	
At 1 February 2021	10,856
Additions	(12)
Disposals	(578)
At 31 January 2022	10,266
Depreciation	
At 1 February 2021	8,756
Charge for year	310
Disposals	(578)
At 31 January 2022	8,488
Net book value	
At 31 January 2022	1,778
At 31 January 2021	2,100

The depreciation charge for the year is recorded within cost of sales in the income statement.

The profit on disposal of owned plant & machinery equipment was £11,000 (2021: £322,000).

11. Tangible assets (continued)

(b) Right of use assets

	Leasehold Land & Buildings £'000	Plant & Other Equipment £'000	Total £'000
Cost			
At 1 February 2021	3,013	1,567	4,580
Additions	1,261	-	1,261
At 31 January 2022	4,274	1,567	5,841
Depreciation			
At 1 February 2021	3,013	904	3,917
Charge for year	420	553	973
At 31 January 2022	3,433	1,457	4,890
Net book value			
At 31 January 2022	841	110	951
At 31 January 2021	-	663	663

The depreciation charge for the year is analysed between cost of sales and administrative and selling expenses as follows:

	2022 £'000	2021 £'000
Cost of sales	553	553
Administrative and selling expenses	420	326
	973	879

12. Stocks

	2022 £'000	2021 £'000
Raw materials	258	192
Work in progress	36	37
	294	229

13. Debtors

	2022 £'000	2021 £'000
Due after more than one year		
Amounts due from fellow group undertakings	1,339	1,115
Deferred tax	460	444
	1,799	1,559
Due within one year		
Trade debtors	861	844
Other debtors	18	31
Prepayments and Accrued Income	566	712
	1,445	1,587
	3,244	3,146

Deferred tax comprises an excess of depreciation over capital allowances of £459,000 (2021: £444,000).

14. Creditors - amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	435	574
Lease liabilities	425	471
Accruals and deferred income	355	474
	1,215	1,519

15. Creditors - amounts falling due after more than one year

	2022 £'000	2021 £'000
Lease liabilities	439	5
	439	5

16. Lease commitments

Future minimum lease payments under lease contracts together with the present values of the net minimum lease payments are as follows:

	2022 £'000	2021 £'000
Within one year	455	477
Between two and five years	450	5
Total minimum lease payments	905	482
Less amounts representing finance charge	(41)	(6)
Present value of minimum lease payments	864	476

17. Called-up share capital and reserves

	2022 £'000	2021 £'000
Allotted, called-up and fully paid		
98,000 ordinary shares of £1 each	98	98

The capital contribution reserve is in respect of contributions from the ultimate parent company, Saga plc, in relation to share-based awards made by it to the Company's employees (see note 18). Further information can be found in the financial statements of Saga plc.

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

18. Share-based payments

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Company's Directors and employees. 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') and Restricted Share Plan ('RSP').

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. Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, TSR. From 1 February 2017 to 31 January 2018, these options are 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR. From 1 February 2018, these options are 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to ROCE) and 40% linked to a market vesting condition, TSR. From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.

The fair value of the options has been calculated using a Black-Scholes valuation.

The RSP is a discretionary executive share plan under which the Board may grant options over shares in Saga plc.

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

	RSP	LTIP
Outstanding at 1 February 2021	9,765	10,344
Granted during the year	6,955	-
Forfeited during the year	(16,720)	(10,344)
Outstanding at 31 January 2022	-	-
Exercise price	£nil	£nil
Exercisable at 31 January 2022	-	-
Average remaining contractual life	0.0 years	0.0 years
Average fair value at grant	£nil	£nil

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

The Group adopts a mechanism where the cost of share-based payment arrangements granted in respect of Saga plc equity-settled share plans is recharged in full to the subsidiaries to which they pertain. As such, the Company did not incur any capital contribution movements in equity in respect of the year-ended 31 January 2022. A share-based payment reserve exists within Saga plc, from which awards are fulfilled once they have fully vested and are exercised.

19. Related party transactions

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

20. Cross company guarantees

The Company is one of the guarantors, which along with Saga plc, have provided a super security to the Trustees of the Saga Pension Scheme, which ranks before any liabilities under the Group's bank facilities. The value of the security is capped at £47.5 million. However, the Company's share of the super security is capped at a value not exceeding the net assets of the Company.

21. Ultimate parent undertaking

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

In respect of the year ending 31 January 2022, 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 2022 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

22. Ultimate controlling party

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