

SAGA CRUISES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2019



SAGA CRUISES LIMITED
Company information

Directors: L H L Batchelor
J Quin (appointed 22 January 2019)
J S Hill (resigned 28 September 2018)
T Allan
A C Donald (resigned 17 August 2018)
P R Shaw
S A Jenkins (appointed 19 September 2018)

Secretary: V Haynes

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

Company Registration no: 03267858

Auditor: KPMG LLP, 15 Canada Square, London E14 5GL

SAGA CRUISES LIMITED

Strategic report

The Directors submit the Annual Report and the audited Financial Statements of Saga Cruises Limited ("the Company") for the year ended 31 January 2019.

Review of Business Developments and Principal Activity

The Company's principal activity is the chartering and operation of cruise ships. During the previous year the Company operated two cruise ships – the Saga Pearl II and the Saga Sapphire, which were chartered from its subsidiary undertakings Enbrook Cruises Limited and Saga Cruises IV Limited respectively.

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

| | 2019 | 2018 (restated) | Change |
|------------------------|--------------|--------------------|----------|
| | £'000 | £'000 | % |
| Turnover | 96,630 | 88,249 | 9.5 |
| Gross profit | 21,511 | 20,186 | 6.6 |
| Gross margin | 22.3% | 22.9% | (0.6)ppt |
| Profit before taxation | <u>5,256</u> | <u>5,050</u> | 4.1 |

Turnover for the year to 31 January 2019 was £96,630,000 (2018 - £88,249,000), an increase of 9.5% on the previous year. All turnover arose from the Company's principal activity.

For decision making and internal performance management, management's key performance metric is Underlying Profit Before Tax. Underlying Profit Before Tax represents profit before tax from continuing operations excluding unrealised fair value gains or losses on derivatives.

The profit before taxation for the year amounts to £5,256,000 (2018 – £5,050,000). After taxation, a profit of £4,295,000 (2018 – £4,107,000) has been transferred to reserves. No dividends have been paid in the year (2018 – £nil).

Principal Risks and Uncertainties

The Company 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 Company have been grouped under the following three headings:

1. *Legislative Risks*

The two cruise ships operated by the Company have to comply with maritime regulations and ensure that regulatory changes are responded to.

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

2. *Operational Risks*

The cruise ships operated by the Company 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 Company brand.

3. *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 Company is exposed to commodity price risk. Financial instruments affected by market risk include fuel oil swaps.

4. *Brand Risk*

The Company recognises 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 Company has zero appetite and a very low tolerance for brand and reputation risks and will look wherever possible to eliminate them. The Company 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.

In order to manage these risks, the Company 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.

SAGA CRUISES LIMITED
Strategic report (continued)

The impact of uncertainties due to the UK exiting the European Union

There is considerable uncertainty as to how – and even whether – the UK will exit from the EU, or at least as to when Brexit will take effect and on what terms. The potential impact on the Company of Brexit, have been considered. The range of scenarios considered includes the additional administration processes and costs associated with running a travel cruising business and prolonged disruption at the Port of Dover and Eurotunnel. The Company will continue to closely monitor the political developments, and adapt mitigation plans accordingly.

Future Developments

The Directors intend to continue to expand and refresh the range of cruise itineraries offered to the Company's customers. The Company will operate two new cruise ships. The first from July 2019 and the second from August 2020, of which both already have cruises on sale. The two new cruise ships will replace the existing fleet.

Policy on use of financial instruments

The Company enters into derivative transactions (commodity swaps). The purpose is to manage the commodity price risks arising from the Company's operations. The board sets policies for managing these risks and these policies are summarised at accounting policy 2(r).

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

By order of the Board

A handwritten signature in black ink, appearing to read 'P R Shaw', with a stylized flourish at the end.

P R Shaw
Director
24 July 2019

SAGA CRUISES LIMITED

Directors' report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2019.

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.

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

SAGA CRUISES LIMITED
Directors' report (continued)

Going concern

The Directors believe that the Company, with the support of the Saga group, is well placed to successfully manage its business risks and the Directors have a reasonable expectation that the Company 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.

Political donations

The Company has not made any political donations during the year.

Disclosure of information to the auditor

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

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

Auditor

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

By order of the Board

A handwritten signature in black ink, appearing to read 'P R Shaw', with a stylized flourish at the end.

P R Shaw
Director
24 July 2019

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

Opinion

We have audited the financial statements of Saga Cruises Limited ("the Company") for the year ended 31 January 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

(continued)

Going concern (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

(continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Heidi Broom-Hirst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

29 July 2019

SAGA CRUISES LIMITED**Income statement for the year ended 31 January 2019**

| | Notes | 2019 £'000 | 2018 (restated) £'000 |
|--|-------|---------------|-----------------------------|
| Turnover | 3 | 96,630 | 88,249 |
| Cost of sales | | (75,119) | (68,063) |
| Gross profit | | <u>21,511</u> | <u>20,186</u> |
| Administrative and marketing expenses | | (16,644) | (16,508) |
| Profit on ordinary activities before interest & | 4 | <u>4,867</u> | <u>3,678</u> |
| Finance income | 5 | 389 | 1,372 |
| Profit on ordinary activities before taxation | | <u>5,256</u> | <u>5,050</u> |
| Taxation | 9 | (961) | (943) |
| Retained profit for the financial year | | <u>4,295</u> | <u>4,107</u> |

Notes 1 to 26 form an integral part of these financial statements.

SAGA CRUISES LIMITED
Statement of comprehensive income
for the year ended 31 January 2019

| | Note | 2019 £'000 | 2018 (restated) £'000 |
|---|------|----------------|-----------------------------|
| Profit for the year | | 4,295 | 4,107 |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit and loss account in subsequent years</i> | | | |
| Net gain/(loss) on cash flow hedges during the year | | (7,401) | (10,315) |
| Tax effect | | 1,258 | 1,754 |
| Total other comprehensive loss | | (6,143) | (8,561) |
| Total comprehensive income/(loss) for the year | | (1,848) | (4,454) |
| Attributable to: | | | |
| Equity holders of the parent | | (1,848) | (4,454) |
| | | (1,848) | (4,454) |

SAGA CRUISES LIMITED
Balance sheet as at 31 January 2019

| | Notes | 2019 £'000 | 2018 (restated) £'000 |
|---|-------|---------------|-----------------------------|
| Fixed assets | | | |
| Intangible fixed assets | 10 | - | 65 |
| Tangible fixed assets | 11 | 454 | 222 |
| Investment in subsidiary undertakings | 12 | 20 | 20 |
| | | <u>474</u> | <u>307</u> |
| Current Assets | | | |
| Stocks | 13 | 5,086 | 5,326 |
| Debtors | 14 | 90,278 | 95,276 |
| Cash at bank and in hand | | 1,545 | 1,068 |
| | | <u>96,909</u> | <u>101,670</u> |
| Creditors - amounts falling due within one year | 15 | (45,997) | (48,540) |
| Net current assets | | <u>50,912</u> | <u>53,130</u> |
| Total assets less current liabilities | | 51,386 | 53,437 |
| Creditors - amounts falling due after more than one year | 16 | (1,153) | (298) |
| Provisions for liabilities | 17 | (3,605) | (4,724) |
| Net assets | | <u>46,628</u> | <u>48,415</u> |
| Capital and reserves | | | |
| Called-up share capital | 19 | 7,000 | 7,000 |
| Capital contribution reserve | 20 | 321 | 260 |
| Hedging reserve | | 17,756 | 23,899 |
| Retained earnings | | 21,551 | 17,256 |
| Shareholders' funds | | <u>46,628</u> | <u>48,415</u> |

Signed for and on behalf of the Board by



P R Shaw
 Director

24 July 2019

Notes 1 to 26 form an integral part of these financial statements.

SAGA CRUISES LIMITED
Statement of changes in equity for the year ended 31 January 2019

| | Called-up Share Capital £'000 | Capital Contribution Reserve £'000 | Hedging Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|--|---|-----------------------------|-------------------------------|--------------------------|
| At 1 February 2017 (reported) | 7,000 | 197 | 32,460 | 12,871 | 52,528 |
| IFRS 15 adjustment | - | - | - | 278 | 278 |
| At 1 February 2017 (restated) | 7,000 | 197 | 32,460 | 13,149 | 52,806 |
| Profit for the financial year (restated) | - | - | - | 4,107 | 4,107 |
| Other comprehensive income | - | - | (8,561) | - | (8,561) |
| Share based payment charge | - | 63 | - | - | 63 |
| At 31 January 2018 (restated) | 7,000 | 260 | 23,899 | 17,256 | 48,415 |
| Profit for the financial year | - | - | - | 4,295 | 4,295 |
| Other comprehensive income | - | - | (6,143) | - | (6,143) |
| Share based payment charge | - | 61 | - | - | 61 |
| At 31 January 2019 | 7,000 | 321 | 17,756 | 21,551 | 46,628 |

Notes 1 to 26 form an integral part of these financial statements.

SAGA CRUISES LIMITED
Notes to the financial statements

1. General information

Saga Cruises Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 03267858) 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. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

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 Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Saga plc. These financial statements present information about the Company as an individual undertaking and not about its group.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 24.

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 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".

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

a) Basis of preparation (continued)

- f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 39(c), 40A-D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements".
- g) the requirements of IAS 7 "Statement of Cash Flows".
- h) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors".
- i) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures".
- j) 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) 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 previous 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.

c) Revenue recognition

The Company has adopted IFRS 15 Revenue from Contracts with Customers for the first time in the year ended 31 January 2019. The Company applied IFRS 15 retrospectively and the details of the new accounting policies for revenue recognition are disclosed below. See note 26 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 15.

Revenue from cruising is recognised in line with the performance obligations being the cruise itself, flights (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to each of flights (where applicable), travel insurance and transfers is recognised as and when each performance obligation is satisfied.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

d) Stocks

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.

e) Advance receipts

All booking fees and balance payments for cruises with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

f) 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 carried at amortised cost. 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.

g) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

h) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and where the time value of money is material, subsequently measured at amortised cost using the effective interest method.

i) 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 2019 was £2.8 million (2018 - £7.0 million).

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

2. Significant Accounting policies (continued)

j) 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 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

k) Leases

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

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

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

l) 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.

2. Significant Accounting policies (continued)

m) 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.

n) Foreign currencies

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

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

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).

o) Marketing expenditure

Expenditure on holiday brochures and advertising is expensed.

p) 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.

2. Significant Accounting policies (continued)

q) Financial instruments

The Company has adopted IFRS 9 Financial Instruments for the first time for the year ended 31 January 2019. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. As such, the Company has changed its accounting policy and applied it retrospectively, for financial instruments as detailed below.

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 under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

*Financial Assets at Amortised Cost
Initial Recognition*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not elected to be designated as a FVTPL:

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

Subsequent Measurement

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

*Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
Initial Recognition*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not elected to be designated as FVTPL:

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

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

q) Financial instruments (continued)

i) Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Subsequent Measurement

Debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss.

Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Assets at Fair Value through Profit and Loss (FVTPL)

Initial Recognition

All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This election is made on an investment by investment basis.

A financial asset is initially measured at fair value less, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship.

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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

q) Financial instruments (continued)

ii) Impairment of financial assets

The IFRS 9 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 the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has increased significantly since initial recognition.
- Trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Company considers this to be BBB or higher as per Standard & Poor's rating scale.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are recognised as a provision in the statement of financial position with a corresponding charge to the income statement. For debt instruments measured at FVOCI the loss allowance is recognised in the statement of comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. In such an event, the lifetime ECL will be recognised in lieu of the 12-month ECL.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

q) Financial instruments (continued)

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition except for derivatives, which are classified at FVTPL, the gains or losses for which are recognised through other comprehensive income if the instrument is designated as a hedging instrument in an effective hedge.

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 derivative financial instruments.

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.

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 Interest payable and similar 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

q) Financial instruments (continued)

iv) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as hedges are initially recognised in other comprehensive income until maturity when any gain or loss is 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.

v) Fair values

The Company measures financial instruments such as derivatives, 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 Company for the asset or liability or in the absence of a principal market, in the most advantageous market accessible by the Company 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 within the financial statements of Saga plc.

2. Significant Accounting policies (continued)

q) Financial instruments (continued)

vi) Hedge accounting

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

The Company has elected to adopt the general hedge accounting model in IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Company uses forward foreign exchange contracts and commodity swap contracts to hedge the variability in cash flows arising from changes in foreign currency rates and oil prices. For foreign exchange contracts, the Company designates the fair value change of the full forward price as the hedging instrument in cash flow hedging relationships. For commodity hedging, the Company designates the fair value change of the benchmark price. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

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

r) Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

s) Impairment of investment in subsidiaries

The Company undertakes a full impairment review of the carrying value of investment in subsidiaries at each reporting date. 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.

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****3. Turnover**

Turnover comprises sales to third parties for cruising. Turnover is stated net of VAT. All business is carried out in the UK.

4. Profit on ordinary activities before interest & taxation

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Operating profit is stated after charging: | | |
| Cost of sales – non-trading items: | | |
| Redundancies | - | 214 |
| Legal dispute | - | (53) |
| Operating lease rentals – plant and machinery | 15,718 | 15,103 |
| Auditor's remuneration – audit of financial statements | 48 | 47 |
| | <u>15,766</u> | <u>15,311</u> |

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

The Company has borne the fees for the audit of its following subsidiaries: Saga Cruises IV Limited, Saga Cruises V Limited, Saga Cruises VI Limited and Enbrook Cruises Limited.

5. Finance income

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Bank interest receivable | 73 | 73 |
| Net fair value gain on fuel oil derivative financial instruments | 316 | 1,299 |
| | <u>389</u> | <u>1,372</u> |

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****6. Directors' remuneration**

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

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Aggregate remuneration in respect of qualifying services | <u>491</u> | <u>458</u> |
| Number of directors who received shares under long term incentive schemes | <u>4</u> | <u>3</u> |
| Members of defined benefit pension scheme | <u>-</u> | <u>4</u> |

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Aggregate remuneration in respect of qualifying services | <u>464</u> | <u>385</u> |
| Defined benefit pension scheme: | | |
| Accrued pension at end of year | <u>-</u> | <u>15</u> |

7. Staff costs

| | 2019 £'000 | 2018 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 2,632 | 2,702 |
| Social security costs | 270 | 262 |
| Pension costs | 241 | 280 |
| Other costs | 20 | - |
| | <u>3,163</u> | <u>3,244</u> |

Included in wages and salaries is a total expense of share-based payments of £61,000 (2018: £63,000).

| | 2019 No. | 2018 No. |
|--|-------------|-------------|
| The monthly average number of employees during the year was as follows:- | | |
| Operations | 56 | 51 |
| Administration and management | <u>5</u> | <u>5</u> |
| | <u>61</u> | <u>56</u> |

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

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 2019 was £2.8 million (2018 - £7.0 million).

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

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
9. Taxation

| | 2019 | 2018 |
|--|----------------|---------------------|
| | £'000 | (restated) £'000 |
| Tax charged in the income statement | | |
| Current tax | | |
| UK corporation tax at 19.00% (2018 – 19.17%) | 897 | 957 |
| Adjustment in respect of prior periods | 234 | (80) |
| Total current income tax | <u>1,131</u> | <u>877</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 92 | 80 |
| Adjustments in respect of prior periods | (262) | (1) |
| IFRS 15 transition adjustment | - | (13) |
| Total deferred tax | <u>(170)</u> | <u>66</u> |
| Tax expense on profit on ordinary activities | <u>961</u> | <u>943</u> |
| | 2019 | 2018 |
| | £'000 | £'000 |
| Tax relating to items charged to other comprehensive income | | |
| Deferred tax | | |
| On foreign currency forward cash flow hedges | (1,076) | (1,725) |
| On fuel-oil cash flow hedges | (182) | (29) |
| Tax charge in the statement of other comprehensive income | <u>(1,258)</u> | <u>(1,754)</u> |
| Reconciliation of Total Tax Charge: | 2019 | 2018 |
| | £'000 | (restated) £'000 |
| Pre-tax profit at 19.00% (2018 – 19.17%) | 999 | 970 |
| Expenses not deductible for tax purposes | 1 | 68 |
| Adjustments in respect of prior periods | (28) | (81) |
| Rate change adjustment on temporary differences | (11) | (14) |
| Total tax expense in the income statement | <u>961</u> | <u>943</u> |

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

SAGA CRUISES LIMITED
Notes to the financial statements (continued)

10. Intangible fixed assets

| | Software |
|---------------------------|-----------|
| Cost | £'000 |
| At 1 February 2018 | 65 |
| Additions | - |
| Disposals | (65) |
| At 31 January 2019 | <u>-</u> |
| Amortisation | |
| At 1 February 2018 | - |
| Charge for year | - |
| Disposals | - |
| At 31 January 2019 | <u>-</u> |
| Net book value | |
| At 31 January 2019 | <u>-</u> |
| At 31 January 2018 | <u>65</u> |

11. Tangible fixed assets

| | Land and Buildings |
|---------------------------|--------------------|
| Cost | £'000 |
| At 1 February 2018 | 222 |
| Additions | 258 |
| At 31 January 2019 | <u>480</u> |
| Depreciation | |
| At 1 February 2018 | - |
| Charge for year | 26 |
| Reclassification | - |
| At 31 January 2019 | <u>26</u> |
| Net book value | |
| At 31 January 2019 | <u>454</u> |
| At 31 January 2018 | <u>222</u> |

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****12. Investment in subsidiary undertakings**

| | 2019 | 2018 |
|---------------|---------------|---------------|
| Cost | £ | £ |
| At 31 January | <u>19,885</u> | <u>19,885</u> |

The subsidiary undertakings of the Company, all of which are wholly owned with a registered office address in England of Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE, are Saga Cruises I Limited, Saga Cruises II Limited, Saga Cruises III Limited, Saga Cruises IV Limited, Saga Cruises V Limited, Saga Cruises VI Limited and Enbrook Cruises Limited. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The principal activity of Saga Cruises IV Limited and Enbrook Cruises Limited is the chartering of cruise ships to the Company.

13. Stocks

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Fuel and oil | 691 | 732 |
| Technical stocks | 3,256 | 3,273 |
| Passenger and crew food stocks | 553 | 1,008 |
| Bar and other sundry stocks | 586 | 313 |
| | <u>5,086</u> | <u>5,326</u> |

14. Debtors

| | 2019 | 2018 |
|---|---------------|---------------------|
| | £'000 | (restated) £'000 |
| Amount owed by group undertaking | 63,281 | 62,631 |
| Other debtors | 474 | 524 |
| Prepayments and accrued income | 2,819 | 1,024 |
| Fuel oil swap derivative financial instruments | 1,750 | 3,125 |
| Foreign currency forward derivative financial instruments | 21,206 | 27,533 |
| Deferred taxation | 748 | 439 |
| | <u>90,278</u> | <u>95,276</u> |

Deferred taxation comprises an excess of depreciation over capital allowances of £268,000 (2018 - £73,000) and of short-term timing differences of £480,000 (2018 - £366,000).

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%.

Recognition of Company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
14. Debtors (continued)

All amounts above are due in less than one year, except for deferred tax, fuel oil swap derivative financial instruments and foreign currency forward derivative financial instruments of £146,000 (2018 - £1,277,000).

| 15. Creditors - amounts falling due within one year | 2019 | 2018 (restated) |
|--|---------------|--------------------|
| | £'000 | £'000 |
| Advance receipts | 37,066 | 37,024 |
| Trade creditors | 7,401 | 6,941 |
| Fuel oil swap derivative financial instruments | 292 | - |
| Accruals and deferred income | 1,238 | 4,575 |
| | <u>45,997</u> | <u>48,540</u> |

| 16. Creditors - amounts falling due after one year | 2019 | 2018 |
|---|--------------|------------|
| | £'000 | £'000 |
| Fuel oil swap derivative financial instruments | 1,153 | 298 |
| | <u>1,153</u> | <u>298</u> |

| 17. Provisions for liabilities | Deferred tax (restated) £'000 |
|--|--|
| At 1 February 2018 | 4,724 |
| Credit for the year through Income Statement | (43) |
| Credit for the year through OCI on derivatives | <u>(1,076)</u> |
| At 31 January 2019 | <u>3,605</u> |

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****18. Commitments and contingencies**

The total commitment under non-cancellable plant and machinery operating leases is as follows:

| | 2019 £'000 | 2018 £'000 |
|----------------------|---------------|---------------|
| Leases expiring: | | |
| Within one year | 12,701 | 15,975 |
| In two to five years | 4,260 | 193 |
| In over five years | 196 | - |
| | <u>17,157</u> | <u>16,168</u> |

19. Called up share capital

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Allotted, called up and fully paid | | |
| 7,000,000 ordinary shares of £1 each | <u>7,000</u> | <u>7,000</u> |

20. Capital contribution reserve

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. Further information can be found in the financial statements of Saga Plc.

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****21. 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).

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. 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 Company and their weighted average exercise price:

| | LTIP |
|------------------------------------|------------------|
| Outstanding at 1 February 2018 | 528,876 |
| Granted during the year | 200,721 |
| Forfeited during the year | (67,132) |
| Exercised during the year | (6,886) |
| Outstanding at 31 January 2019 | <u>655,579</u> |
| Exercise price | <u>£nil</u> |
| Exercisable at 31 January 2019 | <u>85,210</u> |
| Average remaining contractual life | <u>1.2 years</u> |
| Average fair value at grant | <u>£1.62</u> |

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

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

22. Cross company guarantees

The Company, along with certain of its fellow group entities, will act as guarantor on bank loans to Saga Cruises V Limited and Saga Cruises VI Limited. These bank loans will amount to the Sterling Equivalent of €622.0 million.

The Company acts as guarantor on fees for services provided to Saga Cruises GmbH. These services amount to the Sterling equivalent of €5,000 per annum.

23. 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.

24. Ultimate parent undertaking

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

A copy of the financial statements of Saga plc for the year ended 31 January 2019 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.

ST&H Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

The Company is wholly owned by ST&H Limited.

25. Ultimate controlling party

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

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
26. Transition to IFRS 15 and IFRS 9

| | As reported 31 Jan 2018 £'000 | IFRS 9/15 adjustment £'000 | As restated 31 Jan 2018 £'000 |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| Revenue | 88,359 | (110) | 88,249 |
| Cost of sales | <u>(68,095)</u> | <u>32</u> | <u>(68,063)</u> |
| Gross profit | 20,264 | (78) | 20,186 |
| Administrative and marketing expenses | (16,508) | - | (16,508) |
| Profit on ordinary activities before interest and taxation | 3,756 | (78) | 3,678 |
| Finance income | <u>1,372</u> | <u>-</u> | <u>1,372</u> |
| Profit on ordinary activities before taxation | 5,128 | (78) | 5,050 |
| Taxation | <u>(956)</u> | <u>13</u> | <u>(943)</u> |
| Retained profit for the financial year | <u>4,172</u> | <u>(65)</u> | <u>4,107</u> |

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
26 Transition to IFRS 15 and IFRS 9 (continued)

| | As reported 31 Jan 17 £'000 | IFRS 9/15 adjustment £'000 | As restated 31 Jan 17 £'000 | As reported 31 Jan 18 £'000 | IFRS 9/15 adjustment £'000 | As restated 31 Jan 18 £'000 |
|---|-----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Fixed assets | | | | | | |
| Intangible fixed assets | 41 | - | 41 | 65 | - | 65 |
| Tangible fixed assets | - | - | - | 222 | - | 222 |
| Investment in subsidiary undertakings | - | - | - | 20 | - | 20 |
| | <u>41</u> | <u>-</u> | <u>41</u> | <u>307</u> | <u>-</u> | <u>307</u> |
| Current assets | | | | | | |
| Stocks | 5,132 | - | 5,132 | 5,326 | - | 5,326 |
| Debtors | 93,385 | - | 93,385 | 95,271 | 5 | 95,276 |
| Cash at bank and in hand | 765 | - | 765 | 1,068 | - | 1,068 |
| | <u>99,282</u> | <u>-</u> | <u>99,282</u> | <u>101,665</u> | <u>5</u> | <u>101,670</u> |
| Creditors – amounts falling due within one year | <u>(40,371)</u> | <u>335</u> | <u>(40,036)</u> | <u>(48,791)</u> | <u>251</u> | <u>(48,540)</u> |
| Net current assets | <u>58,911</u> | <u>335</u> | <u>59,246</u> | <u>52,874</u> | <u>256</u> | <u>53,130</u> |
| Total assets less current liabilities | <u>58,952</u> | <u>335</u> | <u>59,287</u> | <u>53,181</u> | <u>256</u> | <u>53,437</u> |
| Creditors – amounts falling due after more than one year | <u>(18)</u> | <u>-</u> | <u>(18)</u> | <u>(298)</u> | <u>-</u> | <u>(298)</u> |
| Provisions for liabilities | <u>(6,406)</u> | <u>(57)</u> | <u>(6,463)</u> | <u>(4,681)</u> | <u>(43)</u> | <u>(4,724)</u> |
| Net assets | <u>52,528</u> | <u>278</u> | <u>52,806</u> | <u>48,202</u> | <u>213</u> | <u>48,415</u> |
| Capital and reserves | | | | | | |
| Called-up share capital | 7,000 | - | 7,000 | 7,000 | - | 7,000 |
| Capital contribution reserve | 197 | - | 197 | 260 | - | 260 |
| Hedging reserve | 32,460 | - | 32,460 | 23,899 | - | 23,899 |
| Retained earnings | 12,871 | 278 | 13,149 | 17,043 | 213 | 17,256 |
| Shareholders' funds | <u>52,528</u> | <u>278</u> | <u>52,806</u> | <u>48,202</u> | <u>213</u> | <u>48,415</u> |