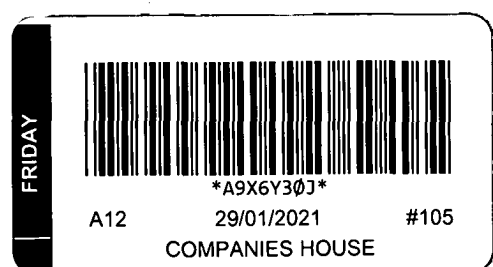


SAGA CRUISES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2020



SAGA CRUISES LIMITED
Company information

Directors:	E A Sutherland	(appointed 23 March 2020)
	L H L Batchelor	(resigned 28 February 2020)
	J Quin	
	T Allan	
	P R Shaw	(resigned 25 June 2020)
	S A Jenkins	

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 2020.

Review of Business Developments and Principal Activity

The Company's principal activity is the chartering and operation of cruise ships. During the year ended 31 January 2020, the Company operated three cruise ships – the Saga Pearl II, Saga Sapphire and Spirit of Discovery, which were chartered from its subsidiary undertakings Enbrook Cruises Limited, Saga Cruises IV Limited and Saga Cruises V Limited respectively. The Saga Pearl II was chartered and operated up to March 2019. The Spirit of Discovery was chartered and operated from July 2019 onwards.

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

	2020	2019	Change
	£'000	£'000	%
Turnover	117,998	96,630	22
Gross profit	30,541	22,768	34
Gross margin	25.9%	23.6%	2.6 ppt
(Loss)/Profit before taxation	<u>(6,966)</u>	<u>5,545</u>	(226)

Turnover for the year to 31 January 2020 was £117,998,000 (2019: £96,630,000), an increase of 22% 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 loss before taxation for the year amounts to £6,966,000 (2019: profit of £5,545,000). After taxation, a loss of £8,540,000 (2019: profit of £4,584,000) has been transferred to reserves. No dividends have been paid in the year (2019: £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 five headings:

1. *Legislative Risks*

The 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)

Principal Risks and Uncertainties (continued)

5. COVID-19 Risk

The COVID-19 outbreak has created a major challenge and a high level of uncertainty for the Company. COVID-19 has had a severe impact on the Company, with all cruises cancelled from March 2020. Current plans are being made to recommence ocean cruises from November 2020, with appropriate measures taken to protect the safety of customers. The Company is taking mitigating actions by managing its cash flow and has enabled all of its head office employees to work from home. The Company has also secured support from its parent company, Saga Group Limited, in the form of additional intercompany borrowing to see it through the expected period of disruption. The implications of this risk are considered further in the basis of preparation note 2b on pages 17-19 of this report.

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

There is considerable uncertainty as to how the UK will exit from the EU and on what terms. The potential impacts 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 continue operating the Spirit of Discovery and commence operating the Spirit of Adventure upon delivery, 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.

SAGA CRUISES LIMITED
Strategic report (continued)

Going Concern

The Company's business activities, together with the factors likely to affect its future development and performance and its exposure to risk and its management of these risks, including the COVID-19 pandemic are described on pages 2-4.

While the Company and the wider group within which it operates (the "Saga Group") remain in a secure financial position, and the Saga Group expects to remain in compliance with covenants included in banking facilities through at least the next six months in all modelled scenarios, there remains considerable uncertainty as to the impact of COVID-19 beyond this date. While the situation cannot be accurately predicted, looking beyond six months it is possible that the Group may breach some covenants included in banking facilities, and such an outcome would have an impact on the Company and its subsidiaries.

In this outcome the Saga Group would look to agree short term amendments with banking lenders, and given the cash generative nature of the Saga Group's Insurance business, would expect to be able to trade through ongoing COVID-19 disruption to travel. In addition, as signalled at the time of the Saga Group's AGM in June, the Group is considering additional actions to provide greater financial security. These plans are now well advanced, however there are no guarantees that these actions will be concluded and the directors have therefore concluded that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, to continue realising its assets and discharging its liabilities in the normal course of business.

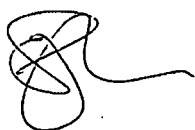
Notwithstanding this point, the directors expect the Company to trade through the current COVID-19 disruption and have continued to prepare the financial statements to 31 January 2020 on a going concern basis. Full details regarding considerations made in reaching this conclusion are included in note 2b to these financial statements on pages 17-19 of this report.

Section 172 (1) statement

Duty to promote the success of the company

The directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duty under section 172. The directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business.

By order of the Board



S A Jenkins
Director
20 August 2020

SAGA CRUISES LIMITED

Directors' report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2020.

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 Company's business activities, together with the factors likely to affect its future development and performance and its exposure to risk and its management of these risks, including the COVID-19 pandemic are described on pages 2-4.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from intermediate parent company, Saga Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Saga Group Limited providing additional financial support during that period. 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. Given the current unprecedented levels of uncertainty and disruption to the Group, there is some uncertainty as to the financial support that Saga Group Limited is able to give.

Whilst the Directors have a reasonable expectation that the Company has access to adequate resources, and have every intention for the Company to continue in operational existence for the foreseeable future, given the current unprecedented levels of uncertainty and disruption to the travel industry, the Directors believe this gives rise to material uncertainties that may cast doubt upon the Company's ability to continue to adopt the going concern basis of accounting in the future, particularly in the event that further unforeseeable disruption is caused by the COVID-19 pandemic.

The Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. Full details regarding considerations made in reaching this conclusion are included in note 2b to these 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.

SAGA CRUISES LIMITED
Directors' report (continued)

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, consisting of a stylized 'S' followed by a horizontal line and a small loop.

S A Jenkins
Director
20 August 2020

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 2020 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 2020 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.

Material uncertainty related to going concern

We draw attention to the basis of preparation in note 2b to the financial statements which indicates that the company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Saga plc. As set out in note 2b, while Saga plc expects to remain in compliance with banking covenants through January 2021, given the potential ongoing impact from COVID-19 into next year, the ability of the group to continue as a going concern beyond this date is dependent on further mitigating actions. These actions include potentially raising additional equity capital and renegotiation of certain terms attaching to the group's bank facilities. As these events are outside the control of the Group, they constitute a material uncertainty related to the Company's ability to continue as a going concern. These events and conditions, along with the other matters explained in note 2b, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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.

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

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

20 August 2020

SAGA CRUISES LIMITED**Income statement for the year ended 31 January 2020**

	Note	2020 £'000	2019 (restated) £'000
Turnover	3	117,998	96,630
Cost of sales		(87,457)	(73,862)
Gross profit		<u>30,541</u>	<u>22,768</u>
Administrative and marketing expenses		(21,459)	(16,910)
Impairment loss on amount owed by Group undertaking	4	(9,792)	-
(Loss)/Profit on ordinary activities before interest & taxation		<u>(710)</u>	<u>5,858</u>
Interest receivable and similar income	5	73	389
Interest payable and similar charges	6	(6,329)	(702)
(Loss)/Profit on ordinary activities before taxation	4	<u>(6,966)</u>	<u>5,545</u>
Taxation	10	(1,574)	(1,010)
Retained (loss)/profit for the financial year		<u><u>(8,540)</u></u>	<u><u>4,535</u></u>

Notes 1 to 27 form an integral part of these financial statements.

SAGA CRUISES LIMITED
Statement of comprehensive income
for the year ended 31 January 2020

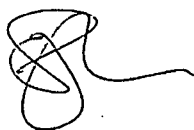
	2020 £'000	2019 (restated) £'000
(Loss)/Profit for the year	(8,540)	4,584
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit and loss account in subsequent years</i>		
Net loss on cash flow hedges during the year	(43,140)	(7,401)
Tax effect	3,637	1,258
Total other comprehensive loss	(39,503)	(6,143)
Total comprehensive loss for the year	(48,043)	(1,559)
Attributable to:		
Equity holders of the parent	(48,403)	(1,559)
	(48,403)	(1,559)

Notes 1 to 27 form an integral part of these financial statements.

SAGA CRUISES LIMITED**Balance sheet as at 31 January 2020**

	Note	2020 £'000	2019 (restated) £'000
Fixed assets			
Tangible fixed assets	11	231,639	17,304
Investment in subsidiary undertakings	12	20	20
		<u>231,659</u>	<u>17,324</u>
Current Assets			
Stocks	13	5,018	5,086
Debtors	14	168,490	90,572
Cash at bank and in hand		<u>3,000</u>	<u>1,545</u>
		176,508	97,203
Creditors - amounts falling due within one year	15	<u>(202,269)</u>	<u>(59,227)</u>
Net current (liabilities)/assets		<u>(25,761)</u>	<u>37,976</u>
Total assets less current liabilities		205,898	55,300
Creditors - amounts falling due after more than one year	16	(208,677)	(6,504)
Provisions for liabilities	17	-	(3,605)
Net assets		<u>(2,779)</u>	<u>45,191</u>
Capital and reserves			
Called-up share capital	19	7,000	7,000
Capital contribution reserve	20	394	321
Hedging reserve		(21,747)	17,756
Retained earnings		<u>11,574</u>	<u>20,114</u>
Shareholders' funds		<u>(2,779)</u>	<u>45,191</u>

Signed for and on behalf of the Board by



S A Jenkins
Director
20 August 2020

Notes 1 to 27 form an integral part of these financial statements.

SAGA CRUISES LIMITED
Statement of changes in equity for the year ended 31 January 2020

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2018 (as reported)	7,000	260	23,899	17,256	48,415
IFRS 16 adjustment	-	-	-	(1,677)	(1,677)
At 1 February 2018 (restated)	7,000	260	23,899	15,579	46,738
Profit for the financial year (restated)	-	-	-	4,535	4,535
Other comprehensive loss	-	-	(6,143)	-	(6,143)
Share based payment charge	-	61	-	-	61
At 31 January 2019 (restated)	7,000	321	17,756	20,114	45,191
Loss for the financial year	-	-	-	(8,540)	(8,540)
Other comprehensive loss	-	-	(39,503)	-	(39,503)
Share based payment charge	-	73	-	-	73
At 31 January 2020	7,000	394	(21,747)	11,574	(2,779)

Notes 1 to 27 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 and on a going concern basis. 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 2b. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

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

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".

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

a) Basis of preparation (continued)

- 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".
- 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, 39(c), 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 have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 January 2020, and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of COVID-19 and other key risks and uncertainties. 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. As a consequence, the Directors believe that the Company is well-placed to successfully manage its business risks.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

b) Going concern (continued)

The COVID-19 outbreak has created a major challenge and a high level of uncertainty for the Company and its subsidiaries. COVID-19 has had a severe impact on the Group, with all cruises having to be cancelled since March 2020. Current plans are being made to recommence ocean cruises from November 2020, with appropriate measures taken to protect the safety of customers. The Company is taking mitigating actions by managing its cash flow and has enabled all of its head office employees to work from home. The Company has also secured support from its parent company, Saga Group Limited, in the form of additional intercompany borrowing to see it through the expected period of disruption. The ongoing viability of the Company is therefore linked to the viability of the wider group within which it operates (the "Saga Group").

The Saga Group currently has an ample level of liquidity, with in excess of £30m of available cash as at 31 July 2020, £50m undrawn and available on a revolving credit facility (RCF) and a £10m overdraft that is unutilised. Despite the impact of COVID-19 on its travel business, the Saga Group's insurance business is trading well, remains highly cash generative and is largely unaffected by COVID-19.

The Company and the Saga Group has updated its long-term financial forecasts to January 2025, and with a particular focus on the eighteen-month period to January 2022 and the impact of different scenarios on the Saga Group's leverage and interest cover covenants associated with its banking facilities. Three scenarios have been modelled, as follows:

- a central scenario based on current plans, with no trading expected in the Saga Holidays and Titan businesses until April 2021. This is coupled with the latest view of recommencing ocean cruises again from November 2020, with the long-term outlook for cruising returning to pre COVID-19 levels
- a downside scenario that factors in the impact of a second wave of lockdown restrictions in the first half of 2021 such that cruises have to cease again from January 2021 until May 2021, with a further long-term impact on demand for cruises. Also incorporated into this scenario are further potential downside risks on other parts of the Saga Group, namely in insurance
- a further, more severe downside scenario that factors in additional long-term suppression in demand for package holidays and tours, and further downward pressure on earnings in the insurance business.

In all scenarios, the short-term outlook remains stable and the Saga Group continues to operate within its debt covenants for the rest of the financial year up to 31 January 2021. Further out, there is more uncertainty and the modelled scenarios indicate a potential breach in the Saga Group banking covenants in July 2021, albeit in most scenarios these breaches would not be material. The Saga Group is currently taking mitigating actions to overcome these issues, including the potential raise of additional equity capital to repay bank debt and renegotiation of certain terms attaching to those bank facilities to provide greater financial flexibility.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

b) Going concern (continued)

Whilst the Company and the Saga Group firmly expects to trade through the current period of uncertainty and has the support of its banks, there is no guarantee that the mitigations will conclude successfully, which are still subject to shareholder approval and further renegotiations. The directors have therefore concluded that there exists a material uncertainty in relation to going concern, which in some scenarios of extended disruption from COVID 19 may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. Notwithstanding this point, the directors have continued to prepare the financial statements to 31 January 2020 on a going concern basis.

c) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as the balance sheet date 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.

d) Revenue recognition

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)

e) 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:

Leasehold land and buildings	Over the period of the lease
Plant and equipment	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 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 derecognition of the asset is included in the income statement in the period of derecognition.

f) 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.

g) 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

h) 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.

i) 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.

j) 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.

k) 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 2020 was £5.5 million (2019: £2.8 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)

2. Significant Accounting policies (continued)

l) 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)

m) Leases

The Company has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. The Company applied IFRS 16 retrospectively and the details of the new accounting policies for leases are disclosed below. See note 36 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 16.

The Company leases various ocean cruise ships, office premises and equipment. The contract length of the lease varies considerably and may include extension or termination options.

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 with an individual item value of US\$ 5,000 or less.

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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

n) 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

o) 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.

p) 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).

q) Marketing expenditure

Expenditure on holiday brochures and advertising is expensed.

r) 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) 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 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) Financial instruments (continued)

i) Financial assets (continued)

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.

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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) Financial instruments (continued)

i) Financial assets (continued)

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.

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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) Financial instruments (continued)

ii) Impairment of financial assets (continued)

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.

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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) Financial instruments (continued)

iii) Financial liabilities (continued)

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)

s) 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.

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) 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.

t) Investment in subsidiaries

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

u) 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 taxation

	2020	2019 (restated)
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation – owned tangible fixed assets (note 11)	71	26
Depreciation – right of use tangible fixed assets (note 11)	23,447	15,071
Impairment loss on amount owed by Group undertaking	9,792	-
Auditor's remuneration - audit of financial statements	50	48

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.

During the year, the Company has impaired intra-Group loans of £190,000, £5,989,000 and £3,613,000 with Saga Cruises III Limited, Saga Cruises IV Limited and Enbrook Cruises Limited respectively.

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. Interest receivable and similar income

	2020	2019
	£'000	£'000
Bank interest receivable	73	73
Net fair value gain on fuel oil derivative financial instruments	-	316
	<u>73</u>	<u>389</u>

SAGA CRUISES LIMITED**Notes to the financial statements (continued)****6. Interest payable and similar charges**

	2020	2019 (restated)
	£'000	£'000
Revaluation losses on derivative financial instruments	260	-
Net interest and finance charges payable on lease liabilities	6,069	702
	<u>6,329</u>	<u>702</u>

7. Directors' remuneration

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

	2020 £'000	2019 £'000
Aggregate remuneration in respect of qualifying services	<u>453</u>	<u>491</u>
Number of directors who received shares under long term incentive schemes	<u>-</u>	<u>4</u>
Members of defined benefit pension scheme	<u>-</u>	<u>-</u>

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

	2020 £'000	2019 £'000
Aggregate remuneration in respect of qualifying services	<u>425</u>	<u>464</u>
Defined benefit pension scheme:		
Accrued pension at end of year	<u>-</u>	<u>-</u>

SAGA CRUISES LIMITED
Notes to the financial statements (continued)

8. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	2,435	2,632
Social security costs	240	270
Pension costs	214	241
Other costs	-	20
	<u>2,889</u>	<u>3,163</u>

Included in wages and salaries is a total expense of share-based payments of £73,000 (2019: £61,000).

The monthly average number of employees during the year was as follows:-	2020	2019
	No.	No.
Operations	56	56
Administration and management	5	5
	<u>61</u>	<u>61</u>

9. 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 2020 was £5.5 million (2019: £2.8 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)
10. Taxation

	2020	2019 (restated)
	£'000	£'000
Tax charged in the income statement		
Current tax		
UK corporation tax at 19.00% (2019: 19.00%)	366	897
Adjustment in respect of prior periods	134	234
Total current income tax	<u>500</u>	<u>1,131</u>
Deferred tax		
Origination and reversal of timing differences	1,141	141
Adjustments in respect of prior periods	(67)	(262)
Total deferred tax	<u>1,074</u>	<u>(121)</u>
Tax expense on profit on ordinary activities	<u>1,574</u>	<u>1,010</u>

	2020	2019
	£'000	£'000
Tax relating to items charged to other comprehensive income		
Deferred tax		
On foreign currency forward cash flow hedges	(3,605)	(1,076)
On fuel-oil cash flow hedges	(32)	(182)
Tax credit in the statement of other comprehensive income	<u>(3,637)</u>	<u>(1,258)</u>

Reconciliation of Total Tax Charge:	2020	2019 (restated)
	£'000	£'000
Pre-tax (loss)/profit at 19.00% (2019: 19.00%)	(1,324)	1,054
Expenses not deductible for tax purposes	2,965	1
Adjustments in respect of prior periods	67	(28)
Rate change adjustment on temporary differences	(134)	(17)
Total tax expense in the income statement	<u>1,574</u>	<u>1,010</u>

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

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

SAGA CRUISES LIMITED
Notes to the financial statements (continued)

11. Tangible fixed assets

	2020	2019 (restated)
	£'000	£'000
Owned assets (a)	584	454
Right of use assets (b)	231,055	16,850
	<u>231,639</u>	<u>17,304</u>

(a) Owned assets

	Leasehold Land and Buildings £'000	Plant & equipment £'000	Total £'000
Cost			
At 1 February 2019	184	296	480
Additions	103	98	201
Disposals	-	-	-
At 31 January 2020	<u>287</u>	<u>394</u>	<u>681</u>
Depreciation			
At 1 February 2019	26	-	26
Charge for year	29	42	71
Disposals	(-)	(-)	(-)
At 31 January 2020	<u>55</u>	<u>42</u>	<u>97</u>
Net book value			
At 31 January 2020	<u>232</u>	<u>352</u>	<u>584</u>
At 31 January 2019	<u>158</u>	<u>296</u>	<u>454</u>

During the year, the Company disposed of assets with a net book value of £nil (2019: £nil). Profit arising on disposal was £nil (2019: £nil).

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
11. Tangible fixed assets (continued)
(b) Right of use assets

	Leasehold Land and Buildings £'000	Cruise ships £'000	Plant & equipment £'000	Total £'000
Cost				
At 1 February 2019	668	57,911	907	59,486
Additions	-	236,584	1,539	238,123
Disposals	(-)	(15,687)	(387)	(16,074)
At 31 January 2020	668	278,808	2,059	281,535
Amortisation				
At 1 February 2019	84	41,825	727	42,636
Charge for year	66	23,447	405	23,918
Disposals	(-)	(15,687)	(387)	(16,074)
At 31 January 2020	150	49,585	745	50,480
Net book value				
At 31 January 2020	518	229,223	1,314	231,055
At 31 January 2019	584	16,086	180	16,850

During the year, the Company disposed of assets with a net book value of £nil (2019: £nil). Profit arising on disposal was £nil (2019: £nil).

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

	2020	2019
Cost	£'000	£'000
At 31 January	<u>20</u>	<u>20</u>

The entities listed below are wholly owned subsidiaries of the Company. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The registered office address of Saffron Maritime Limited is Aspire Corporate Services Limited, PO Box 191, Elizabeth House, Ruettes Brayes, St Peter Port, Guernsey, GY1 4HW.

Company	Country of registration	Nature of business
Saga Cruises I Limited	England	Cruising
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saga Crewing Services Limited	England	Cruising
Enbrook Cruises Limited	England	Dormant company
Saffron Maritime Limited	Guernsey	Cruising

The principal activity of Saga Cruises IV Limited and Saga Cruises V is the chartering of cruise ships to the Company.

13. Stocks

	2020	2019
	£'000	£'000
Fuel and oil	900	691
Technical stocks	2,432	3,256
Passenger and crew food stocks	889	553
Bar and other sundry stocks	<u>797</u>	<u>586</u>
	<u>5,018</u>	<u>5,086</u>

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

14. Debtors	2020	2019 (restated)
	£'000	£'000
Amount owed by group undertaking	165,595	63,281
Other debtors	1,353	474
Prepayments and accrued income	601	2,819
Fuel oil swap derivative financial instruments	82	1,750
Foreign currency forward derivative financial instruments	859	21,206
Deferred taxation	-	1,042
	<u>168,490</u>	<u>90,572</u>

Deferred taxation comprises an excess of depreciation over capital allowances of £NIL (2019: £268,000) and of short-term timing differences of £NIL (2019: £480,000).

All amounts above are due in less than one year, except for fuel oil swap derivative financial instruments and foreign currency forward derivative financial instruments of £845,000 (2019: £146,000).

15. Creditors - amounts falling due within one year	2020	2019 (restated)
	£'000	£'000
Bank overdraft	328	-
Amounts owed to group undertakings	92,763	-
Trade creditors	7,413	7,401
Lease liabilities	24,324	13,230
Fuel oil swap derivative financial instruments	1,653	292
Foreign currency forward derivative financial instruments	20,124	-
Accruals and deferred income	55,664	38,304
	<u>202,269</u>	<u>59,227</u>

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

16. Creditors - amounts falling due after one year	2020	2019
		(restated)
	£'000	£'000
Lease liabilities	207,740	5,351
Fuel oil swap derivative financial instruments	823	1,153
Foreign currency forward derivative financial instruments	114	-
	<u>208,677</u>	<u>6,504</u>
 17. Provisions for liabilities		Deferred tax
		£'000
At 1 February 2019 (restated)		3,605
Charge for the year through income statement		32
Credit for the year through OCI on derivatives		<u>(3,637)</u>
At 31 January 2020		<u>-</u>

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

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

	2020 £'000	2019 £'000
Within one year	33,543	13,544
Between two and five years	105,988	5,136
After five years	148,601	320
Total minimum lease payments	288,132	19,000
Less amounts representing finance charges	(56,077)	(419)
Present value of minimum lease payments	232,055	18,581

(b) Commitments

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase a ship for delivery in July 2019, with an option to purchase a second similar cruise ship for delivery in 2021.

On 20 September 2017, the Saga plc Board approved the purchase of the second cruise ship, the Spirit of Adventure, with an earlier delivery date of August 2020, and the Group exercised the option in December 2017.

Four stage payments for the Spirit of Adventure were made between December 2017 and August 2019. The remaining element of the contract price is due on delivery of the ship, and the Company entered into appropriate financing for this on 20 September 2017.

As at 31 January 2020, the capital amount contracted but not provided for in the financial statements in respect of the ships amounted to £271.9m (2019: £543.5m).

The financing for the Spirit of Adventure represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The loan value of approximately £295m will be repaid in 24 broadly equal instalments, with the first payment due six months after delivery.

As at 31 January 2020 the Group entered into Euro currency forwards totalling £252.1m to lock in the cost of the ship. The hedge has been designated as a cash flow hedge and remains outstanding as at 31 January 2020.

19. Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
7,000,000 ordinary shares of £1 each	7,000	7,000

SAGA CRUISES LIMITED

Notes to the financial statements (continued)

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.

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. 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 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 2019	655,579
Granted during the year	696,016
Forfeited during the year	(241,226)
Outstanding at 31 January 2020	<u>1,110,369</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2020	<u>13,600</u>
Average remaining contractual life	<u>1.8 years</u>
Average fair value at grant	<u>£0.83</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, acts as guarantor on bank loans made to Saga Cruises V Limited, and will act as guarantor on bank loans to be made to Saga Cruises VI Limited. These bank loans 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

Up until 30 January 2020 the Company was wholly owned by ST&H Limited. ST&H Limited ceased to be the Company's immediate parent undertaking on 31 January 2020 when it was disposed of to ST&H Group Limited, a fellow group undertaking and the immediate parent of ST&H Limited.

The financial statements of the Company have been consolidated in the group financial statements of ST&H Limited (the former immediate parent undertaking) up to 30 January 2020, and Saga plc (the ultimate parent undertaking) for the full year to 31 January 2020, both of which are registered in England and Wales.

A copy of the financial statements of Saga plc for the year ended 31 January 2020 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.

As at 31 January 2020, 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.

25. Ultimate controlling party

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

26. Post balance sheet events

On 27 March 2020, the Company issued 9,075 £1 shares for consideration of £90,750,000 to ST&H Group Limited.

The COVID-19 pandemic has created an unprecedented challenge and a high level of uncertainty for all companies. The board of Directors are focused on protecting the viability of the Company over the coming months. Whilst the Directors consider the event to be non-adjusting in nature, they have duly considered the impact of the crisis on the financial performance and position of the Company. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2a and 2b on pages 15-17.

SAGA CRUISES LIMITED
Notes to the financial statements (continued)

27. Transition to IFRS 16

	As reported 31 Jan 2019 £'000	IFRS 16 adjustment £'000	As restated 31 Jan 2019 £'000
Turnover	96,630	-	96,630
Cost of sales	(75,119)	1,257	(73,862)
Gross profit	21,511	1,257	22,768
Administrative and marketing expenses	(16,644)	(266)	(16,910)
Profit on ordinary activities before interest and taxation	4,867	991	5,858
Interest receivable and similar income	389	-	389
Interest payable and similar charges	-	(702)	(702)
Profit on ordinary activities before taxation	5,256	289	5,545
Taxation	(961)	(49)	(1,010)
Retained profit for the financial year	4,295	240	4,535

	As reported 31 Jan 2019 £'000	IFRS 16 adjustment £'000	As restated 31 Jan 2019 £'000
Profit for the year	4,295	240	4,535

Other comprehensive income

Other comprehensive income to be reclassified to profit and loss account in subsequent years

Net loss on cash flow hedges during the year	(7,401)	-	(7,401)
Tax effect	1,258	-	1,258
Total other comprehensive loss	(6,143)	-	(6,143)
Total comprehensive loss for the year	(1,848)	240	(1,608)

SAGA CRUISES LIMITED
Notes to the financial statements (continued)
27. Transition to IFRS 16 (continued)

	As reported 31 Jan 18 £'000	IFRS 16 adjustment £'000	As restated 31 Jan 18 £'000	As reported 31 Jan 19 £'000	IFRS 16 adjustment £'000	As restated 31 Jan 19 £'000
Fixed assets						
Intangible fixed assets	65	-	65	-	-	-
Tangible fixed assets	222	31,922	32,144	454	16,850	17,304
Investment in subsidiary undertakings	20	-	20	20	-	20
	<u>307</u>	<u>31,922</u>	<u>32,229</u>	<u>474</u>	<u>16,850</u>	<u>17,324</u>
Current assets						
Stocks	5,326	-	5,326	5,086	-	5,086
Debtors	95,276	343	95,619	90,278	294	90,572
Cash at bank and in hand	1,068	-	1,068	1,545	-	1,545
	<u>101,670</u>	<u>343</u>	<u>102,013</u>	<u>96,909</u>	<u>294</u>	<u>97,203</u>
Creditors – amounts falling due within one year	<u>(48,540)</u>	<u>(15,362)</u>	<u>(63,902)</u>	<u>(45,997)</u>	<u>(13,230)</u>	<u>(59,227)</u>
Net current assets	<u>53,130</u>	<u>(15,019)</u>	<u>38,111</u>	<u>50,912</u>	<u>(12,936)</u>	<u>37,976</u>
Total assets less current liabilities	<u>53,437</u>	<u>16,903</u>	<u>70,340</u>	<u>51,386</u>	<u>3,914</u>	<u>55,300</u>
Creditors – amounts falling due after more than one year	<u>(298)</u>	<u>(18,580)</u>	<u>(18,878)</u>	<u>(1,153)</u>	<u>(5,351)</u>	<u>(6,504)</u>
Provisions for liabilities	<u>(4,724)</u>	<u>-</u>	<u>(4,724)</u>	<u>(3,605)</u>	<u>-</u>	<u>(3,605)</u>
Net assets	<u>48,415</u>	<u>(1,677)</u>	<u>46,738</u>	<u>46,628</u>	<u>(1,437)</u>	<u>45,191</u>
Capital and reserves						
Called-up share capital	7,000	-	7,000	7,000	-	7,000
Capital contribution reserve	260	-	260	321	-	321
Hedging reserve	23,899	-	23,899	17,756	-	17,756
Retained earnings	17,256	(1,677)	15,579	21,551	(1,437)	20,114
Shareholders' funds	<u>48,415</u>	<u>(1,677)</u>	<u>46,738</u>	<u>46,628</u>	<u>(1,437)</u>	<u>45,191</u>