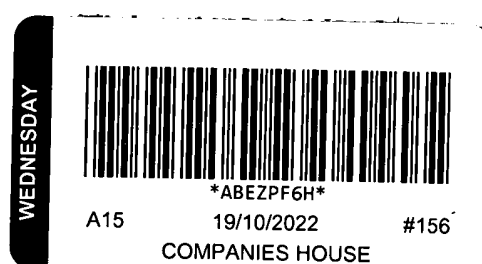


Registration number: 03290594

Silversea Cruises (Europe) Limited
Annual report and financial statements
for the year ended 31 December 2021



Silversea Cruises (Europe) Limited

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Silversea Cruises (Europe) Limited

Company information

Directors

Peter D K Shanks
Roberto Martinoli
Ruth G Marshall
Jason Liberty

Registered office

First Floor
7 The Heights, North Wing
Brooklands
Weybridge
Surrey
KT13 0XW
United Kingdom

Independent auditors

PricewaterhouseCoopers LLP
Statutory Auditor
7 More London
Riverside
London
SE1 2RT
United Kingdom

Silversea Cruises (Europe) Limited

Strategic report

For the year ended 31 December 2021

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activity and business review

The principal activity of Silversea Cruises (Europe) Limited (the "Company") during the year was the sale of flights to its subsidiary Silversea Cruises (UK) Limited and its parent company, Silversea Cruises Limited, a Bahamian Corporation ("Silversea Cruises").

In August 2018, Silversea Cruises Group Limited sold 66.67% of its share capital to Royal Caribbean Cruises Ltd (RCL). The remaining 33.33% was acquired by RCL in August 2020. Following the acquisition of the Silversea group by RCL in 2018, the Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiary undertaking are fully consolidated into the financial statements of their ultimate parent company, RCL, a company incorporated in Liberia.

The year 2021 was challenging due to the impact of the COVID-19 outbreak on the Silversea Cruises' operations. This directly impacts the Company's operations to sell flights to fellow group companies. Global efforts to move aggressively to contain the spread of the disease have adversely affected its business. Silversea Cruises suspended its global sailings in March, 2020. As a result, the Company ceased all sales of flights to the Silversea group from this date through to June 2021, when Silversea Cruises restarted its operations in a phased manner. The COVID-19 outbreak has had and will continue to have a material impact on the Silversea Cruises' bookings, operations and overall financial performance and liquidity, which in turn has had and will continue to have a material impact on the Company's financial performance.

As Silversea Cruises' operations resume, remaining concerns may result in travel restrictions, a continued impact in demand, guest cancellations, an unavailability of ports and/or destinations and ship redeployments, which will impact the Company's sales of flights to the Silversea group. Given the fluidity and uncertainty of this situation, the Company is unable to predict the full financial impact that this incident will ultimately have on the Company's operations and financial condition.

The Company's operations are conducted in Sterling. Sales are all to Silversea group companies, resulting in very little credit risk.

Results and dividends

The COVID-19 outbreak and the resultant suspension of Silversea Cruises' sailings has had a material impact on the Company's results, with a 72% reduction in gross profit but just a 6% saving in operating expenses compared to 2019. The Company has ongoing financial support from RCL to ensure it meets any liabilities as they fall due and continue its business.

The profit and loss account is set out on page 11 and shows the loss for the year. The directors do not recommend payment of a dividend (2020: £nil), and the loss for the year transferred to reserves is £211,723 (2020: loss: £313,381). The Company had retained earnings of £3,028,980 (2020: £3,240,703) at the end of the year.

Key performance indicators

The key performance indicators for the Company are turnover and operating profit.

	2021	2020
	£	£
Turnover	4,519,093	1,360,132
Operating loss	(260,291)	(385,459)

Silversea Cruises (Europe) Limited

Strategic report

For the year ended 31 December 2021

Principal risks and uncertainties

The Company sells flights to Silversea group companies to provide to guests on their cruises. The Company may also rely on the financial support of Silversea Cruises and its parent, RCL. Therefore the principal risks to the Silversea group companies that impact their liquidity and their ability to provide flights to their cruise guests and are also risks to the Company's liquidity and flight sales operations.

The COVID-19 pandemic has had, and continues to have, a material adverse impact on Silversea Cruises' business, results of operations and liquidity, which may be prolonged beyond containment of the disease and its variants. This includes impacts that resulted or may result from actions taken in response to the outbreak and the occurrence and spread of related variants. Examples of these include, but are not limited to, cruising advisories and required or voluntary travel restrictions, that resulted in the temporary suspension of Silversea Cruises' operations, from which they have resumed limited operations; restrictions on the movement and gathering of people; social distancing measures; shelter-in-place/stay-at-home orders; and disruptions to businesses in Silversea Cruises' supply chain. In addition to the restrictions affecting Silversea Cruises' business, the extent, duration, and magnitude of the COVID-19 pandemic's effect on the economy and consumer demand for cruising and travel is evolving and difficult to predict. As such, these impacts may persist for an extended period of time or even become more pronounced, even as Silversea Cruises resumes operations.

The COVID-19 pandemic also has elevated risks affecting significant parts of the Silversea Cruises business:

- **Operations:** While Silversea Cruises has restarted its cruise operations in a phased manner, following the March 2020 suspension of its cruise operations, there is no assurance that its plan to resume operations will be successful. It is possible that future COVID-19 cases could occur onboard and, even if controlled and contained, it is uncertain whether Silversea Cruises will need to suspend additional sailings and to what extent in such event. Silversea Cruises may face challenges in executing its return to service plans as a result of new and evolving operating protocols, including due to state laws regarding proof of vaccination requirements and related litigation, and possible changes in regulations in the countries in which Silversea Cruises operates and plans to operate.

Uncertainties remain as to the specifics, timing and costs of administering and implementing Silversea Cruises' health and safety measures, some of which may be significant. These measures also may negatively impact guest satisfaction. Based on Silversea Cruises' assessment of these requirements and recommendations, the status of COVID-19 infection and/or vaccination rates in the U.S. or globally or for other reasons, Silversea Cruises may determine it necessary to cancel or modify certain of its cruise sailings. In addition, there is no guarantee that the vaccines will be effective.

- **Results of Operations:** Silversea Cruises' suspensions of sailings has materially impacted the results of its operations. Silversea Cruises has incurred and will continue to incur significant costs as they accommodate passengers due to cancelled sailings. In addition, Silversea Cruises has incurred and will likely continue to incur significant overhead costs associated with the return to service of its fleet and enhanced COVID-19 related cleaning, testing, vaccination and other mitigation procedures. Silversea Cruises may experience volatility in demand for cruising for an indeterminable length of time due to the uncertain nature of the COVID-19 pandemic and ongoing concerns about health and safety, and cannot predict when operations will return to pre-pandemic demand or fare pricing or if these will return to such levels in the foreseeable future.

- **Liquidity:** The suspension of RCL's global cruise sailings and the reduction in demand for future cruising adversely impacted its liquidity, and they have continued to experience higher than historical levels of refunds of customer deposits, while cash inflows from new or existing bookings on future sailings are below pre-pandemic levels. As a result, RCL have taken actions to increase our liquidity through a combination of operating and capital expense reductions and increased financing activities.

Additionally, there is uncertainty surrounding consumer behavior and demand for cruising. The continuing effects of COVID-19 to guest cruise operations and the increased uncertainty given the current war in Ukraine, including its effect on the price of fuel and food, are collectively having a material negative impact on Silversea Cruises' business, including its liquidity, financial position and results of operations.

Silversea Cruises (Europe) Limited

Strategic report

For the year ended 31 December 2021

RCL's ability to generate cash depends on factors beyond its control and they may be unable to repay or repurchase debt at maturity. If adequate funds are not available on acceptable terms, or at all, RCL may be unable to fund its operations, or respond to competitive pressures, any of which could negatively affect its business. There is no guarantee that financing will be available in the future or that such financing will be available with similar terms or terms that are commercially acceptable to RCL.

Other Operational risks

Our revenues are generated by air travel arrangements linked to cruise vacations operated by Silversea Cruises, so the ability of the cruise industry to attract passengers is critical to our year end results of operations and financial conditions. In addition, customer demand is impacted by the state of the global economy.

The cruise line operates in international waters, calling in ports throughout the world.

Severe weather conditions, both at sea and at ports of embarkation, or outbreaks of disease on a cruise or any global effect of terrorism could affect the cruise industry.

Silversea Cruises also rely to a significant extent on airlines to transport passengers to ports of embarkation. Any strikes or other disruptions of airline service could adversely affect the ability of cruise passengers to reach their ports of embarkation.

Changing booking curves such as shorter lead times, exchange rate fluctuations and geopolitical influences all impact the cruise industry.

Financial risk management and objectives:

We are subject to certain regulations under the laws of the United Kingdom, which are designed to protect consumers or the environment which could affect or increase the cost of advertising, manufacturing and packaging our products.

The Company sells flights to fellow group companies in the same month as it purchases them from the airlines. These sales are settled immediately through intercompany arrangements. If flights are cancelled, either due to airline cancellation, a sailing is cancelled by Silversea or as a choice of Silversea's guests; the Company will only refund the other group companies to the extent that it has received a refund from the airline. This mitigates any credit risk for the Company.

We are satisfied that the risks are mitigated given that Silversea Cruises operate globally, in different market conditions. It is considered a low risk that weather conditions, airline disruptions or local disruptions would adversely affect the full operation of Silversea Cruises.

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company (having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year.

Silversea Cruises (Europe) Limited

**Strategic report
For the year ended 31 December 2021**

There have been no significant events since the balance sheet date.

Approved by the Board on 29 July 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Peter Shanks', with a vertical line to its left.

Peter D K Shanks
Director

Silversea Cruises (Europe) Limited

Directors' report

For the year ended 31 December 2021

The directors present their report on the affairs of the Company for the year ended 31 December 2021.

Directors of the group

The directors who held office during the year and up to the date of signing these financial statements (unless otherwise stated) were:

Peter D K Shanks
Roberto Martinoli
Ruth G Marshall
Jason Liberty

The Company had directors' indemnity insurance in place during the year and up to the date of signing these financial statements.

Future developments

The Company's future developments are discussed within the strategic report on page 2.

Dividends and financial risk management

Dividends and financial risk management are discussed within the strategic report on page 2 and 3.

As a result of the COVID-19 outbreak, Silversea Cruises Limited announced the global suspension of sailings of its fleet in March 2020, extended to Q2 2021, after which Silversea Cruises commenced a gradual return to operations. Silversea Cruises full fleet was operational by June 2022.

The concerns and restrictions over the outbreak are impacting Silversea's bookings and have had, and are likely to continue to have, a material impact on the Company's overall financial performance.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Silversea Cruises (Europe) Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Director confirmations

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 29 July 2022 and signed on its behalf by:



Peter D K Shanks
Director

Independent auditors' report to the members of Silversea Cruises (Europe) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Silversea Cruises (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2021; Profit and loss account, Statement of comprehensive loss and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The COVID-19 outbreak is having, and will continue to have, a material impact on the Company's and the Royal Caribbean Cruises Limited Group's (the "Group") bookings, operations, overall financial performance and liquidity with a previous suspension of most sailings until 30 June 2021 and a gradual resumption of operations since. The company is therefore dependent on its parent company, Royal Caribbean Cruises Limited ("RCL"), to provide financial support. Based on the Group's assumptions and estimates and the Group's overall financial condition, the parent company believes that the liquidity levels in place will be sufficient to fund the Group's debts and operational requirements for at least the next twelve months and it would be in a position to provide financial support as necessary to the company. However, there is significant uncertainty about the future operations and financial condition of the Group, given the remaining uncertainties associated with the COVID-19 pandemic. Should the timing and extent of the ongoing resumption of operations be delayed beyond management's current estimate or further restrictions on cruising be imposed, this could curtail the Group's ability to provide the financial support that the company may require. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about

the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with tax regulations and travel industry regulatory body requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries in the underlying books and records and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Challenging assumptions and judgements made by management in accounting estimates
- Identifying and testing journal entries, in particular those having unusual account combinations or posted by senior management;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws, regulations and fraud and review of correspondence with regulatory bodies.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2022

Silversea Cruises (Europe) Limited

Profit and loss account for the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	4,519,093	1,360,132
Cost of sales		<u>(4,062,946)</u>	<u>(1,092,784)</u>
Gross profit		456,147	267,348
Other operating expenses	4	<u>(716,438)</u>	<u>(652,807)</u>
Operating loss		(260,291)	(385,459)
Net finance expense	5	<u>(1,096)</u>	<u>(840)</u>
Loss before taxation		(261,387)	(386,299)
Tax credit on loss	6	<u>49,664</u>	<u>72,918</u>
Loss for the financial year		<u>(211,723)</u>	<u>(313,381)</u>

The above results were derived from continuing operations.

Silversea Cruises (Europe) Limited

Statement of comprehensive loss for the year ended 31 December 2021

	2021	2020
	£	£
Loss and total comprehensive loss for the year	<u>(211,723)</u>	<u>(313,381)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>(211,723)</u>	<u>(313,381)</u>

Silversea Cruises (Europe) Limited
Balance sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	7	30,000	30,000
Current assets			
Debtors: amounts falling due within one year	8	7,798,647	6,054,143
Cash at bank and in hand		276,823	181,667
		<u>8,075,470</u>	<u>6,235,810</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(5,036,490)	(2,985,107)
		<u>(5,036,490)</u>	<u>(2,985,107)</u>
Net current assets		<u>3,038,980</u>	<u>3,250,703</u>
Net assets		<u>3,068,980</u>	<u>3,280,703</u>
Capital and reserves			
Called up share capital	10	40,000	40,000
Profit and loss account		3,028,980	3,240,703
Total shareholder's funds		<u>3,068,980</u>	<u>3,280,703</u>

The financial statements of Silversea Cruises (Europe) Limited (registration number: 03290594) on pages 11 to 22 were approved by the Board and authorised for issue on 29 July 2022 and signed on its behalf by:



Peter D K Shanks
Director

Silversea Cruises (Europe) Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £	Profit and loss account £	Total Shareholder's funds £
At 1 January 2020	40,000	3,554,084	3,594,084
Loss for the year and total comprehensive loss	-	(313,381)	(313,381)
At 31 December 2020	40,000	3,240,703	3,280,703

	Called up share capital £	Profit and loss account £	Total Shareholder's funds £
At 1 January 2021	40,000	3,240,703	3,280,703
Loss for the year and total comprehensive loss	-	(211,723)	(211,723)
At 31 December 2021	40,000	3,028,980	3,068,980

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated in the United Kingdom and registered in England and Wales.

The address of its registered office is:

First Floor
7 The Heights, North Wing
Brooklands
Weybridge
Surrey
KT13 0XW

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Consolidated financial statements

Following the acquisition of the Silversea group by Royal Caribbean Cruises Ltd ("RCL") in 2020, the Company is now exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiary undertaking are fully consolidated into the financial statements of its ultimate parent company, RCL, a company incorporated in Liberia.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemption. As the Company is included in the publicly available consolidated financial statements of the RCL Group, it has taken advantage of the following exemptions for qualifying entities:

- (i) Requirement to prepare a statement of cash flows
- (ii) Disclosure of key management personnel compensation in total.

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

2 Accounting policies (continued)

Going concern

The Company meets its day-to-day working capital requirements through its cash flows from operations or from continuing support from the parent company, Silversea Cruises and, in turn, its ultimate parent company, RCL. In light of the Company's business disruptions as a result of the COVID-19 outbreak and the efforts to contain the disease, management has performed its assessment of the going concern assumption. The Company has identified the current impacts and other possible risks in the evolution of the cruise market which have affected and will continue to affect the Company cash flows and may affect the ability of the Company to repay its financial debts. The Company has received formal confirmation from the ultimate parent company that it will provide financial support as necessary to the Company for a period of at least 12 months from the date of signing these financial statements, to ensure the Company is able to meet its obligations as they fall due.

The COVID-19 outbreak is having and will continue to have a material impact on the Company's and the parent group's bookings, operations and overall financial performance and liquidity. As part of the global containment effort for the COVID-19 pandemic, the ultimate parent company implemented a voluntary suspension of all the Global Brands' cruise operations effective 13 March 2020 which was extended until Q2 2021, after which Silversea Cruises commenced a gradual return to operations. Silversea Cruises full fleet was operational by June 2022.

Significant events affecting travel, including COVID-19, typically have an impact on the booking pattern for cruise vacations, with the full extent of the impact generally determined by the length of time the event influences travel decisions. Based on RCL's assumptions and estimates and its financial condition, the parent group believes the available liquidity will be sufficient to fund liquidity requirements for at least the next twelve months. However, there can be no assurance that the assumptions and estimates are accurate due to uncertainties, including, but not limited to, the expected continued resumption of cruise operations and timing of cash collections for bookings, the expected increase in revenue per available passenger cruise day and changes in occupancy, and the costs associated with our continued resumption of cruise operations, some of which may be significant. The suspension of the parent groups operations and the impact to global bookings resulting from the COVID-19 pandemic will continue to have a material negative impact on the results of operations and liquidity, which may be prolonged beyond containment of the disease.

During the quarter ended March 31, 2022, the ultimate parent company continued to take actions to further improve the group's liquidity position and manage cash flow. In particular, the ultimate parent company issued \$1.0 billion of senior notes due in 2027 for net proceeds of approximately \$990.0 million and entered into certain agreements with Morgan Stanley & Co., LLC ("MS") where MS agrees to provide backstop committed financing to refinance, repurchase and/or repay in whole or in part its existing and outstanding 10.875% Senior Secured Notes due 2023, 9.125% Senior Priority Guaranteed Notes due 2023, and 4.25% Convertible Notes due 2023. The ultimate parent company may, at its sole option, issue and sell to MS (subject to the satisfaction of certain conditions) five-year senior unsecured notes with gross proceeds of up to \$3.15 billion at any time between April 1, 2023 and June 29, 2023, to refinance the aforementioned notes. These actions give the Company more certainty over the group's ability to provide it with the funding it may require.

The directors of the Company have a reasonable expectation that the group has adequate resources to continue in operation and provide any financial support needed by the Company for the foreseeable future. The Company therefore continues to adopt the going concern basis in the preparation of these financial statements. However, given the fluidity and significant uncertainty of this situation, the unpredictability of the full financial impact that this matter will have on the group's and Company's operations and financial condition indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

2 Accounting policies (continued)

Turnover recognition

The Company acts as a flight wholesaler for its subsidiary, Silversea Cruises (UK) Limited, and its immediate parent company, Silversea Cruises Limited for the air transport arrangements that form part of their holidays. Accordingly the accounts are presented under the principal basis under FRS 102 and turnover comprises revenue from sales of flights.

Revenue with respect to these flights is recognised in the period sold, which may differ from the period when the flights take place.

Foreign currency transactions and balances

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported in sterling at the rates of exchange ruling at the year-end. Any gain or loss arising from changes in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

Exchange differences arising from the retranslation of the opening net assets of branches which have functional currencies other than sterling are taken to reserves together with the differences arising when the profit and loss accounts are retranslated at average rates and compared with the rate ruling at the year-end.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial assets and liabilities

The Company has applied FRS102 for its recognition and measurement of financial assets and liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when: a) the contractual rights to the cash flows from the financial asset expire or are settled; b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

2 Accounting policies (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Dividend and interest expense

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest expense is recognised in the profit and loss when incurred.

Investments

Investments are measured at cost less impairment. The carrying values of fixed asset investments are reviewed for impairment if events or circumstances indicate that the carrying values may be impaired.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have not made any estimates or assumptions in the preparation of these financial statements that could lead to material adjustments to the carrying value of any assets and liabilities in the next financial year. The critical judgement which has been made in arriving at the amounts recognised in the financial statements is set out below:

Turnover recognition

One of the key judgements in relation to turnover recognition is the judgement of whether the company is acting as a principal or agent in transactions with its customers. In making its judgement, management considered the detailed terms of sales to its customers and its licence arrangements through International Air Transport Association ("IATA") to contract with airlines for the purchase of flights in order to determine whether the company is performing as a principal.

Management continues to monitor the primary indicators used to assess the agent/principal presentation of our turnover against the general contractual terms and conditions including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice. Management has concluded that whilst this remains a finely balanced judgement, the revenue for flight sales should be presented gross where the underlying facts and circumstances support principal accounting treatment primarily on the basis that they are the entity who hold the license to buy and sell, which others within the group cannot do and therefore they are the party directly contracting with the third party airlines. If presented as an Agent the amounts which would in those circumstances be recognised as the revenue would be the net figure currently shown as gross profit.

3 Turnover

Turnover is wholly attributable to the principal activity of the Company and arises on sales made within the United Kingdom and Europe, as follows.

	2021	2020
	£	£
UK	2,992,986	1,050,200
Europe	1,526,107	309,932
Total	<u>4,519,093</u>	<u>1,360,132</u>

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

4 Other operating expenses

	2021 £	2020 £
Other sales and marketing costs	641,438	577,807
Administrative costs	75,000	75,000
	<u>716,438</u>	<u>652,807</u>

The Company does not have any employees and does not pay any remuneration to its directors. These are borne by other group companies. Audit fees are paid by the Company's subsidiary, Silversea Cruises (UK) Limited, and are not recharged to the Company.

5 Net finance expense

	2021 £	2020 £
Interest paid	145	-
Bank charges	887	840
Foreign exchange losses	64	-
	<u>1,096</u>	<u>840</u>

6 Tax credit on loss

The tax credit comprises:

	2021 £	2020 £
Current taxation		
UK corporation tax adjustment to prior years	-	479
Total current income tax	-	<u>479</u>
Deferred taxation		
Tax on losses in the current period	(49,664)	(73,397)
Total deferred tax	<u>(49,664)</u>	<u>(73,397)</u>
Total tax credit in the profit and loss	<u>(49,664)</u>	<u>(72,918)</u>

The tax credit on loss before tax for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2020: lower than the standard rate of corporation tax in the UK of 19.0%).

The differences are reconciled below:

	2021 £	2020 £
Loss before tax	<u>(261,387)</u>	<u>(386,299)</u>
Corporation tax at standard rate	(49,664)	(73,397)
Increase in UK current tax from adjustment for prior years	-	479
Total tax credit for the year	<u>(49,664)</u>	<u>(72,918)</u>

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

6 Tax credit on loss (continued)

In March 2021 the Chancellor announced an increase in the standard rate of corporation tax in the UK to 25% from 1 April 2023. This change is not expected to have a material impact on the Company.

Deferred tax asset

The amounts of deferred tax asset are as follows:

	2021 £	2020 £
Tax on losses	123,061	73,397
	<u>123,061</u>	<u>73,397</u>
	2021 £	2020 £
At 1 January	73,397	-
Credited to profit and loss account	49,664	73,397
At 31 December	<u>123,061</u>	<u>73,397</u>

The deferred tax asset is expected to be recovered against taxable profits in future periods.

7 Fixed asset investments

	2021 £	2020 £
Investments in subsidiaries	<u>30,000</u>	<u>30,000</u>

The investment comprises 100% of the ordinary share capital of Silversea Cruises (UK) Limited. The principal activity of Silversea Cruises (UK) Limited is the sale of cruises operated by the parent group. Silversea Cruises (UK) Limited is incorporated in the United Kingdom and registered in England and Wales with a registered office at First Floor, 7 The Heights, North Wing, Brooklands, Weybridge, England, KT13 0XW.

8 Debtors

	2021 £	2020 £
Amounts owed by parent company	7,288,815	5,839,055
Amounts owed by other group undertakings	115,299	109,214
Prepayments and accrued income	68,714	1,500
Other debtors	201,020	30,977
Corporation tax	1,738	-
Deferred tax asset	123,061	73,397
	<u>7,798,647</u>	<u>6,054,143</u>

All amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

9 Creditors

	2021 £	2020 £
Due within one year		
Amounts owed to subsidiary undertaking	5,011,915	2,962,327
Corporation tax payable	-	22,780
Accruals and deferred income	24,575	-
	<u>5,036,490</u>	<u>2,985,107</u>

All amounts owed to group undertakings are unsecured, interest free and have no fixed repayment date.

At 31 December 2021, there were no unsettled invoices due to IATA through its Billing and Settlement Plan (BSP) (2020: £nil).

10 Called up share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	40,000	40,000	40,000	40,000

The Company's other reserve is retained earnings.

The retained earnings account represents cumulative profits or losses net of dividends paid and other adjustments.

11 Parent and ultimate parent undertaking

The immediate parent undertaking is Silversea Cruises Limited, a company incorporated in the Bahamas.

At 31 December 2021 the Company's ultimate parent undertaking and ultimate controlling party was Royal Caribbean Cruises Ltd ("RCL"), incorporated in Liberia, which is the ultimate parent undertaking and the largest group of which the Company is a member. This is the smallest and largest company preparing consolidated financial statements. The registered address of RCL is 80 Broad Street, Monrovia, Liberia.

Copies of these financial statements are available upon request from rclinvestor.com.

12 Related party transactions

During the year the company sold £1.6m (2020: £0.3m) of flights to Silversea Cruises Limited, another group company. Silversea Cruises Limited is a fellow group undertaking which was 100% owned by Royal Caribbean Cruises Ltd ("RCL") at 31 December 2021. At the year-end £7.3m (2020: £5.8m) was outstanding and included within debtors.

Silversea Cruises (Europe) Limited

Notes to the financial statements For the year ended 31 December 2021

12 Related party transactions (continued)

During the year the company sold £3.1m (2020: £1.1m) of flights to and was charged management fees of £0.6m (2020: £0.6m) from Silversea Cruises (UK) Limited, a direct subsidiary. Silversea Cruises (UK) Limited is a fellow group undertaking which was 100% owned by RCL at 31 December 2021. At the year-end £4.9m (2020: £3.0m) was outstanding and included within creditors.