

SAGA CRUISES V LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2020



SAGA CRUISES V LIMITED
Company information

Directors: P R Shaw (resigned 25 June 2020)
S A Jenkins
A Harwood (appointed 25 June 2020)

Secretary: V Haynes

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

Company Registration no: 09839927

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

SAGA CRUISES V LIMITED

Strategic Report

The Directors submit the Annual Report and the audited Financial Statements of Saga Cruises V Limited ("the Company") for the period ended 31 January 2020.

Review of Business Developments and Principal Activity

The Company commenced trading on 10 July 2019. Prior to this date, the Company capitalised costs relating to the construction of a new cruise ship.

The principal activity of the Company during the year is the chartering out of its cruise ship, the Spirit of Discovery, to its parent company Saga Cruises Limited. The Directors consider the results for the year to be satisfactory.

No dividends have been paid in the year (2019: £nil).

Since the Company charters its cruise ship, the Spirit of Discovery, to its parent company, Saga Cruises Limited, Key Performance Indicators relating to trading which are appropriate for an understanding of the development, performance or position of the business can be found in the parent company's financial statements.

Principal Risks and Uncertainties

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 13 and 14 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.

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 page 2.

SAGA CRUISES V LIMITED
Strategic Report (continued)

Going Concern (continued)

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.

Future Developments


Due to COVID-19 the Directors anticipate a difficult year amid uncertainty as to when cruising operations will recommence.

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
21 August 2020

SAGA CRUISES V 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.

Political donations

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

SAGA CRUISES V 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 page 2.

Notwithstanding net current liabilities of £81,812,000 as at 31 January 2020, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

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.

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.

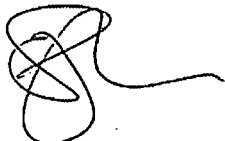
Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each Director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

SAGA CRUISES V 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 large, stylized 'S' followed by a horizontal line extending to the right.

S A Jenkins
Director
21 August 2020

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

Opinion

We have audited the financial statements of Saga Cruises V 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 loss 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)") and 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.

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, 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 V 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

21 August 2020

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

	Notes	2020 £'000	2019 £'000
Turnover	3	17,500	-
Cost of sales	4	(4,516)	-
Gross profit		<u>12,984</u>	<u>-</u>
Interest payable and similar charges	7	(6,400)	-
Profit on ordinary activities before taxation		<u>6,584</u>	<u>-</u>
Taxation	8	1,343	-
Retained profit for the financial year		<u><u>7,927</u></u>	<u><u>-</u></u>

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

Notes 1 to 18 form an integral part of these financial statements.

SAGA CRUISES V LIMITED
Balance sheet as at 31 January 2020

	Notes	2020 £'000	2019 £'000
Fixed Assets			
Tangible assets	9	293,883	63,145
		<u>293,883</u>	<u>63,145</u>
Current Assets			
Debtors	10	46	5,903
		<u>46</u>	<u>5,903</u>
Creditors - amounts falling due within one year	11	(81,858)	(69,048)
Net current liabilities		<u>(81,812)</u>	<u>(63,145)</u>
Total assets less current liabilities		212,071	-
Creditors - amounts falling due in more than one year	12	(204,144)	-
Net assets		<u>7,927</u>	<u>-</u>
Capital and reserves			
Called-up share capital	14	-	-
Retained earnings		7,927	-
Shareholders' funds		<u>7,927</u>	<u>-</u>

Signed for and on behalf of the Board by



S A Jenkins
 Director
 21 August 2020

Notes 1 to 18 form an integral part of these financial statements.

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

	Called-up Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 31 January 2018	-	-	-
Profit for the financial year	-	-	-
At 31 January 2019	-	-	-
Profit for the financial year	-	7,927	7,927
At 31 January 2020	-	7,927	7,927

Notes 1 to 18 form an integral part of these financial statements.

SAGA CRUISES V LIMITED
Notes to the financial statements

1 General information

Saga Cruises V Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 09839927) 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 Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 11.

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

- a) the requirements of IFRS 7 "Financial Instruments: Disclosures".
- b) the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement".
- c) 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".
- d) 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; and
 - ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment".

SAGA CRUISES V LIMITED
Notes to the financial statements

2 Significant Accounting policies (continued)

a) Basis of preparation (continued)

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

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.

SAGA CRUISES V LIMITED
Notes to the financial statements

2 Significant Accounting policies (continued)

b) Going concern (continued)

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.

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.

SAGA CRUISES V LIMITED
Notes to the financial statements

2 Significant Accounting policies (continued)

c) Judgements and key sources of estimation uncertainty

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

There are no estimates, assumptions and judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

d) Turnover and cost of sales

Turnover from charter income is recognised on a daily basis over the charter period. Revenue from other activities is recognised as it is earned.

Cost of sales represents the depreciation of the Company's cruise ship.

e) Tangible fixed assets

Tangible fixed assets comprise the Company's cruise ship which is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs comprise 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:

Cruise ship	30 years
Dry dock refit capitalisation	2 – 5 years

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

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 the derecognition of the asset is included in the income statement in the period of derecognition.

SAGA CRUISES V LIMITED
Notes to the financial statements

2 Significant Accounting policies (continued)

f) Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement and where the time value of money is material, they are measured at amortised cost, using the EIR method, less allowance for impairment.

g) 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).

h) 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.

SAGA CRUISES V LIMITED
Notes to the financial statements

2 Significant Accounting policies (continued)

h) Income taxes (continued)

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.

i) Adoption of new accounting standards

The Company has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. There was no impact on the financial statements as a result of adopting IFRS 16 and therefore prior periods have not been restated.

3 Turnover

Turnover from charter income derived from the parent company, Saga Cruises Limited, is recognised on a daily basis over the charter period.

4 Profit before tax

	2020	2019
	£'000	£'000
Profit before tax is stated after charging:		
Depreciation - cruise ship (note 9)	4,516	-
Auditor's remuneration - audit of financial statements	<u>13</u>	<u>5</u>

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

The fees for the audit of the Company have been borne by its immediate parent company, Saga Cruises Limited.

SAGA CRUISES V LIMITED
Notes to the financial statements

5 Staff costs

The Company does not employ any staff.

6 Directors' remuneration

The remuneration of the Directors of the Company during the year was £nil (2019: £nil).

7 Interest payable and similar charges

	2020	2019
	£'000	£'000
Interest payable	5,128	-
Amortisation of debt issue costs	1,272	-
	<u>6,400</u>	<u>-</u>

8 Taxation

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax at 19.00% (2019 – 19.00%)	(1,343)	-
Total current tax credit	<u>(1,343)</u>	<u>-</u>
 Total tax credit in the income statement	 <u>(1,343)</u>	 <u>-</u>

	2020	2019
	£'000	£'000
Reconciliation of total tax credit:-		
Pre-tax profit at 19.00% (2019 – 19.00%)	1,251	-
Permanent differences	(2,594)	-
Total tax credit in the income statement	<u>(1,343)</u>	<u>-</u>

The corporation tax credit for the current year consists of payments from other group companies for group relief.

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

SAGA CRUISES V LIMITED
Notes to the financial statements

9 Tangible fixed assets

	Cruise Ship	Assets in the course of construction	Total
Cost	£'000	£'000	£'000
At 1 February 2019	-	63,145	63,145
Additions	235,254	-	235,254
Transfer of asset class	63,145	(63,145)	-
At 31 January 2020	<u>298,399</u>	<u>-</u>	<u>298,399</u>
Depreciation			
At 1 February 2019	-	-	-
Charge for the year	4,516	-	4,516
At 31 January 2020	<u>4,516</u>	<u>-</u>	<u>4,516</u>
Net book amount			
At 31 January 2020	<u>293,883</u>	<u>-</u>	<u>293,883</u>
At 31 January 2019	<u>-</u>	<u>63,145</u>	<u>63,145</u>

Assets in the course of construction were reclassified to Cruise Ship when the Company commenced trading on 10 July 2019. Prior to this date, the Company capitalised costs relating to the construction of a new cruise ship.

10 Debtors

	2020	2019
	£'000	£'000
Prepayments	46	5,903
	<u>46</u>	<u>5,903</u>

11 Creditors – amounts falling due within one year

	2020	2019
	£'000	£'000
Amounts owed to Group undertakings	62,440	69,048
Bank loans	19,418	-
	<u>81,858</u>	<u>69,048</u>

SAGA CRUISES V LIMITED
Notes to the financial statements

12	Creditors – amounts falling due in more than one year	2020	2019
		£'000	£'000
	Bank loans	204,144	-
		<u>204,144</u>	<u>-</u>
13	Loans and borrowings	2020	2019
		£'000	£'000
	Bank loans	234,757	-
	Accrued interest payable	783	-
		<u>235,540</u>	<u>-</u>
	Less: deferred issue costs	(11,978)	-
		<u>223,562</u>	<u>-</u>

In June 2019, the Group drew down its financing for its new cruise ship, the Spirit of Discovery, of £245.0m. The financing for the new cruise ship, the Spirit of Discovery, represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The initial loan value of £245.0m is repayable in 24 broadly equal instalments, with the first payment of £10.2m due six months after the ship's June 2019 delivery date.

Interest on the ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees).

14	Called up share capital	2020	2019
		£	£
	Allotted, called up and fully paid		
	1 ordinary share of £1 each	<u>1</u>	<u>1</u>

15 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.

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16 Ultimate parent undertaking

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

The financial statements of the Company have been consolidated in the group financial statements of ST&H Limited (an intermediate 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.

ST&H Limited ceased to be an intermediate parent undertaking on 31 January 2020 when the Company's immediate parent undertaking, Saga Cruises Limited, was disposed of to ST&H Group Limited, a fellow group undertaking and the immediate parent of ST&H Limited.

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.

17 Ultimate controlling party

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

18 Post balance sheet events

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 13 and 14.

Part of the measures taken to mitigate the COVID-19 risk include negotiating with its lenders a payment holiday for the two capital repayments due in June and December 2020 to be repaid in 8 equal six-monthly instalments beginning June 2021.