

ST&H LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2022

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ST&H LIMITED
Company information

Directors:	E A Sutherland	
	J Quin	
	N O Blanks	(appointed 31 January 2022)
	A J Harwood	(appointed 31 January 2022)
	M Watkins	(resigned 15 June 2022)
	N Stace	(resigned 31 January 2022)
	C D Simmonds	(resigned 29 October 2021)
	S A Jenkins	(resigned 11 March 2021)

Secretary: V Haynes

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

Company Registration no: 02174052

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

ST&H LIMITED

Strategic report

The Directors submit the Annual Report and the audited Financial Statements of ST&H Limited (the "Company") for the year ended 31 January 2022.

Review of Business Developments and Principal Activity

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

The Company's principal activity is to provide inclusive holidays, river cruises and travel services mainly to people aged 50 and over, in the United Kingdom.

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

	2022	2021	change
	£000	£000	%
Turnover	9,048	16,523	(45.2)
Gross profit	501	272	84.2
Gross margin	5.5%	1.6%	3.9ppt
Loss before tax	(38,090)	(61,033)	37.6
Underlying Loss Before Tax	<u>(18,380)</u>	<u>(22,848)</u>	19.6

Turnover for the year to 31 January 2022 was £9,048,000, 45.2% down on the previous year, and all arose from the Company's principal activity.

For decision making and internal performance management, management's key performance metric is Underlying Loss Before Tax, and represents loss before tax from continuing operations excluding unrealised fair value gains or losses on derivatives, the impairment of tangible and intangible fixed assets, write-off of inter-company balances, restructuring costs, foreign exchange gains or losses on river cruise leases, and gains or losses on disposal of businesses. Underlying Loss Before Tax for the year was £18,380,000, down 19.6% on the previous year. This improvement is largely attributable to the resumption of travel operations during the year following the COVID-19 pandemic.

The loss for the year before taxation amounts to £38,090,000 (2021: loss of £61,033,000). After taxation, a loss of £31,915,000 (2021: loss of £55,762,000) from continuing operations has been taken to reserves. Dividends of £nil were paid in the year (2021: £nil).

In the prior year, on 20 October 2020 the Company sold Destinology Limited, an immediate subsidiary undertaking, to Brooklyn Travel Limited, for a nominal sum of £1.

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 Company has to comply with the EEC (European Economic Community) Package Travel Regulations, and comply with the regulations of both the CAA (Civil Aviation Authority) and ABTA (Association of British Travel Agents) in order to trade as a tour operator.

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

2. Operational Risks

The Company provides package holidays where the components of the holiday are exposed to the potential of financial failure, strike actions, extreme weather conditions or other factors causing the hotel, airline, boat or coach operator to be unable to provide their service.

3. Brand Risk

The Company recognises that 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.

4. 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 currency risk and commodity price risk. Financial instruments, including forward currency contracts and fuel swaps, are used to mitigate these risks.

5. COVID-19 Risk

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

Principal Risks and Uncertainties (continued)

5. COVID-19 Risk (continued)

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

6. Political uncertainty

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

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 and are also reviewed by the external regulators.

Future Developments

The ongoing impact of the COVID-19 pandemic is expected to be felt in the general travel market for some time to come, and whilst a full return to normal trading levels for the Travel business remains uncertain in the short-term, trading has resumed.

The Directors have every confidence that the Company and wider group within which it operates are well-placed to successfully navigate through the remaining period of uncertainty.

Policy on use of financial instruments

The Company enters into derivative transactions (forward foreign currency contracts). The purpose of these transactions is to manage currency risks arising from the Company's operations. The Board sets the policies for managing these risks and these policies are summarised below.

The Company has transactional currency exposures that arise from purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposures on all material transactions. The forward contracts to purchase foreign currency are transacted to coincide with identified requirements so that at all times the Company has no material exposures to foreign currency risk. Hedge accounting is used where prescribed criteria are met as explained in accounting policy 2.o.

Customer protection

The Civil Aviation Authority (CAA) and Association of British Travel Agents (ABTA) regulates the business conducted by the Company in the UK. To comply with its regulatory obligations, the Group is required to arrange financial security to protect customer monies, in addition to making ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

The Company's method of customer protection for ATOL licensable bookings is paying customer monies into trust (Trust Accounting). Under Trust Accounting, all monies the Company receives in advance from customers in respect of ATOL licensable holiday packages sold are held in trust until such time as the Company has fulfilled all its obligations to the customer. The trust is administered and controlled by an independent trustee, PT Trustees Limited.

With the introduction of Trust Accounting during the prior year, the Company is no longer required to hold financial security bonds in relation to ATOL bookings. In relation to ABTA bookings a bonding requirement still exists.

The Directors have adopted Trust Accounting as they believe it provides the best possible protection for customer monies.

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 the business.

The matters the Directors must have regard to, amongst others, are as follows:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors also consider other factors in their decision-making process, including the Company's purpose, values and strategy. The Company's values are Precision Pace, Empathy, Curiosity and Collaboration. These values shape the behaviours needed to successfully deliver the Company's strategy and ensure fulfilment of the Company's purpose of delivering exceptional experiences every day whilst being a driver of positive change in its markets and communities.

The decision-making process also needs to consider a balance of interests of key stakeholders including shareholders, customers, colleagues, partners and suppliers, regulators and the communities in which the Company operates. This is achieved by engaging with stakeholders during the year through a variety of means.

Below are some examples, but not an exhaustive list, of how the Directors have had regard to the matters specifically set out in section 172 when discharging their duties, and the effect of that on certain decisions taken.

Strategic planning and financial performance management

The Board delegates responsibility for the day-to-day running of the Company to the executive directors and their management teams. The Board is responsible for providing overall direction for management, deciding on strategic priorities and setting values and standards.

The Company's five-year plan, which is based on its strategy and a set of assumptions and modelled scenarios, consists of commercial and operational performance projections, capital and cash flow forecasts, and is reviewed and approved by the Board during an annual planning process. The Company's performance is measured by the Board against the five-year plan during the year, variances to that plan are investigated and understood, and appropriate action is taken to ensure the ongoing financial success of the Company.

Section 172 (1) statement - Duty to promote the success of the company (continued)

Colleague engagement

As part of the wider Saga group of companies (the "Group"), the Company carried out regular colleague surveys during the year that cover a wide variety of areas including working practices, career development, reward, health and wellbeing, and company strategy, values and purpose. These surveys provide the Directors with information about its colleagues' views and opinions, so it can continue to take appropriate actions to ensure the continued engagement of its colleagues. During 2021, the Group achieved its highest response rate to date of 93% and saw a significant improvement in engagement from 7.3 in February 2021 to 7.7 in November 2021.

The Company also keeps colleagues informed and connected via Workplace, a single, mobile - first internal communications platform that enables colleagues to share their feedback and ideas, and for their voices to be heard, encouraging an open culture.

Customer outcomes

The Directors consider customers to be at the core of the business, and everything the business does is aimed at creating exceptional experiences from them every day. Management seeks an in-depth understanding of customer behaviour and preferences, and design differentiated products that are tailored to their needs, provided alongside exceptional service. This creates value for the customers and serves to drive longer and deeper relationships with them.

The Company aims to maintain an honest dialogue with its customers, through customer telephone support, social media, the Saga Magazine and customer opinion panels. The Board receives regular reports from management based on customer insights and feedback, and reviews NPS scores. Customer-facing colleagues are also invited to Board meetings to present details of customer experiences.

Customer outcomes are monitored through direct reporting to the Board and through risk and compliance governance committees, to ensure they are aligned with the expectations of the Company's regulators. The Directors track and monitor management's performance in relation to the fair treatment of the Company's customers and potential customers.

Partners and suppliers

Partners and suppliers are carefully selected to support the Company's ability to deliver exceptional experiences every day, aligned to the interests of the Company's customers, and to complement the Company's in-house capabilities with certain specialist skills, knowledge or capital. In turn, those partners and suppliers benefit from access to the Company's colleagues, brand and deep customer insight. The Company aims to build mutually beneficial, long-term relationships with all key suppliers. The Board is kept informed of any changes to supplier risk management through liaison with the various risk forums operated within the wider Group.

ST&H LIMITED
Strategic Report (continued)

Section 172 (1) statement - Duty to promote the success of the company (continued)

Local communities and the environment

Part of the Company's purpose is to be driver of positive change within its local communities, seeking to understand and carefully consider the impact of every decision made. The Saga Group Chief Executive Officer and Chief People Officer meet with local community stakeholders each quarter to provide them with an update on the business, and which provides them with a forum to ask questions and engage on key topics.

Over the past 12 months, the Group has increased its understanding of its environmental and social impact and has introduced hybrid and electric vehicles in the fleet used within the wider business as an example of positive changes that the Group is making in this area. The Group has also strengthened its level of reporting, alongside consideration of the new task force on climate-related financial disclosures that came into force for the first time this year. Further details of this disclosure can be found in the Saga plc annual report and accounts at the following location: <https://www.corporate.saga.co.uk/investors/results-reports-presentations/>.

By order of the Board



A Harwood
Director
10 August 2022

Registered office:
Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

ST&H LIMITED
Directors' report

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 of 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.

ST&H LIMITED
Directors' report (continued)

Directors

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

E A Sutherland	
J Quin	
N O Blanks	(appointed 31 January 2022)
A J Harwood	(appointed 31 January 2022)
M Watkins	(resigned 15 June 2022)
N Stace	(resigned 31 January 2022)
C D Simmonds	(resigned 29 October 2021)
S A Jenkins	(resigned 11 March 2021)

Employee involvement

During the year the Company has maintained the practice of keeping colleagues informed about current activities and progress by various methods, including deployment of a new fully digital internal communication platform, Workplace provided by Facebook. Colleague participation and involvement is encouraged. Regular colleague engagement surveys are conducted to understand their opinions and to help shape future development. A new purpose and values system has been introduced over the past year to help guide the behaviour of colleagues in the pursuit of the Group's strategy. It is built around an extraordinary brand and the ability to understand and create what our customers need, in order to deliver exceptional experiences every day.

Engagement with suppliers, customers and others in business relationship with the Company

Saga exists to deliver exceptional experiences for its customers every day, whilst being a driver of positive change in its markets and communities. Customers are at the heart of the business, and the Company's focus on them provides insight into their behavioural traits and sentiments. The Directors recognise that the Company's customers do not define themselves by age, but by attitude, aspiration and an appetite for adventure. The Company listens to its customers and uses this knowledge to design and deliver high-quality bespoke, differentiated products and services aimed at creating exceptional experiences and developing long-term relationships with its customer base. The Directors regularly monitor feedback and the quality of customer service provided by in-house and third-party teams to ensure the service meets expectations.

Supplier relationships are fundamental to the Company's business model. The specialist skills, knowledge and capital that the Company's partners and suppliers provide support the Company's ability to deliver the products and services its customers desire. Saga aims to select partners and suppliers that either have specialist skills, knowledge, capital or whose causes are close to its customers' hearts. The Company's partners and suppliers benefit from Saga's brand, customer knowledge and access to an attractive demographic.

Key partnerships are monitored at all levels and subject to periodic due diligence to ensure compliance with current regulatory and statutory requirements, including human rights and modern slavery requirements.

ST&H LIMITED

Directors' report (continued)

Employment of disabled persons

It is the policy of the Company to develop a working environment and to offer terms and conditions of service to provide disabled persons with the appropriate skills, qualifications and equal opportunities to seek and maintain employment with the Company. It is the Company's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

Greenhouse gas emissions and energy consumption

The Directors take their responsibility regarding greenhouse gas emissions and energy consumption seriously and are committed to minimising the Company's environmental impact. The Company supports the Greenhouse Gas Emissions reporting requirements, and full details of the Saga plc Group's emissions and energy consumption, of which the Company forms a part, are included on page 24 of the Saga plc Group financial statements.

Political donations

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

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 4 and 5.

The Directors have prepared cash flow forecasts for a period of twelve months from the date of approval of these financial statements which indicate that, after taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. This is made possible through the availability of funding from its intermediate parent company, Saga Group Limited. The Directors have also considered the cash flow forecasts and financial position of the wider Group that it is dependent on to ensure its continued viability.

Based on this assessment, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements for the year ending 31 January 2022. Full details regarding this assessment are included in note 2(b) to these financial statements.

ST&H LIMITED
Directors' report (continued)

Disclosure of information to the auditor

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

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

Auditor

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

By order of the Board



A Harwood
Director
10 August 2022

Registered office:

Enbrook Park
Sandgate
Folkestone
Kent
CT20 3SE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST&H LIMITED

Opinion

We have audited the financial statements of ST&H Limited ("the Company") for the year ended 31 January 2022 which comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, 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 2022 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.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST&H LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of key policies and papers provided to those charged with governance as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is not complex in nature and there is no significant management judgement or estimation involved in recording the revenue transactions.

We did not identify any additional fraud risks.

To address the pervasive risk as it relates to management override, we performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those including specific words based on our risk criteria, those posted to unusual accounts those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and
- Assessing significant accounting estimates for bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST&H LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: Data Protection Act 2018; the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. The Company is a member of the Association of British Travel Agents (ABTA), the International Air Transport Association (IATA) and the Federation of Tour Operators (FTO). These are well-recognised trade bodies with codes of conduct which members are required to adhere to. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit, in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 ST&H 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 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Kevin Rose (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

10 August 2022

ST&H LIMITED**Income statement for the year ended 31 January 2022**

	Note	2022 £'000	2021 £'000
Turnover	3	9,048	16,523
Cost of sales		(8,547)	(16,251)
Gross profit		<u>501</u>	<u>272</u>
Administrative and marketing expenses		(19,474)	(27,249)
Impairment of assets	11	(9,677)	(100)
Profit/(loss) on disposal of subsidiaries	4	100	(29,514)
Intra-group loan written off	4	(7,337)	(5,374)
Operating loss	4	(35,887)	(61,965)
Income from shares in group undertakings		-	329
Loss on ordinary activities before interest & taxation		(35,887)	(61,636)
Interest receivable and similar income	5	-	932
Interest payable and similar expenses	6	(2,203)	(329)
Loss before tax		(38,090)	(61,033)
Taxation	10	6,175	5,271
Loss for the financial year		<u>(31,915)</u>	<u>(55,762)</u>

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

ST&H LIMITED
Statement of comprehensive income
for the year ended 31 January 2022

	Note	2022 £'000	2021 £'000
Loss for the year		(31,915)	(55,762)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit and loss account in subsequent years</i>			
Net (losses)/gains on cash flow hedges during the year		(757)	1,192
Recycling of previous losses/(gains) to income statement on matured hedges		187	(70)
Total net (losses)/gains on cash flow hedges		(570)	1,122
Tax effect		169	(182)
Total other comprehensive income		(401)	940
Total comprehensive loss for the year		(32,316)	(54,822)

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

ST&H LIMITED**Balance sheet as at 31 January 2022**

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible fixed assets	11	103	7,909
Tangible fixed assets	12	32,896	6,210
Investment in subsidiary undertakings	13	-	80,030
		<u>32,999</u>	<u>94,149</u>
Current assets			
Debtors	14	12,731	29,225
Trust accounts	15	14,817	12,962
Cash at bank and in hand	16	<u>6,306</u>	<u>2,898</u>
		33,854	45,085
Creditors - amounts falling due within one year	17	<u>(33,200)</u>	<u>(95,111)</u>
Net current assets/(liabilities)		<u>654</u>	<u>(50,026)</u>
Total assets less current liabilities		33,653	44,123
Creditors - amounts falling due after more than one year	18	(29,529)	(7,411)
Provisions for liabilities	20	(223)	(495)
Net assets		<u><u>3,901</u></u>	<u><u>36,217</u></u>
Capital and reserves	21		
Called-up share capital		50	50
Capital contribution reserve		802	802
Hedging reserve		(760)	(359)
Retained earnings		<u>3,809</u>	<u>35,724</u>
Shareholders' funds		<u><u>3,901</u></u>	<u><u>36,217</u></u>

These financial statements were approved by the Board of Directors on 10 August 2022 and were signed for on its behalf by



A Harwood
Director
10 August 2022

Company Registration no: 02174052

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

ST&H LIMITED
Statement of changes in equity for the year ended 31 January 2022

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2020	50	802	(1,299)	91,486	91,039
Loss for the financial year	-	-	-	(55,762)	(55,762)
Other comprehensive income	-	-	940	-	940
At 31 January 2021	50	802	(359)	35,724	36,217
Loss for the financial year	-	-	-	(31,915)	(31,915)
Other comprehensive income	-	-	(401)	-	(401)
Share based payment charge	-	-	-	-	-
At 31 January 2022	50	802	(760)	3,809	3,901

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

ST&H LIMITED

Notes to the financial statements

1. General information

ST&H Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 02174052) with a Registered Office; Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.

2. Significant Accounting policies

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

The Directors have reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included in note 2(b). Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements. 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, and that it does not intend to seek repayment of the amounts made available until ST&H Limited is able to afford repayment, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 26.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

a) Basis of preparation (continued)

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

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share Based Payment" because the share based payment arrangement concerns the instruments of another group entity.
- b) the requirements of IFRS 7 "Financial Instruments: Disclosures".
- c) the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement".
- d) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 "Revenue from Contracts with Customers".
- e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 "Leases".
- 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.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

b) Going concern

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

The Company's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, are described on pages 4 and 5. As a result, the Directors believe that the Company is well-placed to successfully manage its business risks, but given the Company is dependent on funding from its intermediate parent, Saga Group Limited, it remains exposed to the viability of the wider Saga plc Group. The Company is also dependent on the provision of back-office functions such as Finance, IT and HR that are operated centrally as shared services on behalf of the Group as a whole.

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

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

The latest scenario modelling has considered a range of downside sensitivities, including further COVID-19 related disruption to the Group's travel businesses, higher inflation driven in part by the Russia-Ukraine conflict, and an initial estimate of the impact of the FCA market study on general insurance pricing within the Insurance business which is expected to have an adverse impact on profit before tax in 2022/23 and 2023/24. Further details on the actions taken and downside stress-testing for the Group are disclosed in the Group's latest annual report and accounts published on the Saga plc corporate website www.corporate.saga.co.uk.

The Directors therefore have a reasonable expectation that the Company will continue to trade through the continued COVID-19 disruption and will have sufficient liquidity for at least the next 12 months from the approval of these accounts, and accordingly have prepared the financial statements on a going concern basis.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

c) Judgements and key sources of estimation uncertainty

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

The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of intangible and tangible fixed assets

The annual amortisation charge for intangible fixed assets and depreciation charge for tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of intangible fixed assets, note 12 for the carrying amount of tangible fixed assets and notes 2(e) and 2(f) for the useful economic lives for each class of asset.

ii) Investment in subsidiaries

The Company determines whether its investment in subsidiaries need to be impaired on when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value. See note 13 for the carrying amount of investment in subsidiaries and notes 2(g) and 2(h) for the accounting policies.

iii) Impairment testing of major classes of assets

Given the delay in taking delivery of the river cruise ship, Spirit of the Rhine, along with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, management concluded that indicators of impairment exist and deemed it necessary to conduct an impairment review of the vessel at 31 January 2022. Management has considered a range of scenarios and used its judgement to conclude that no impairment was necessary. Please refer to Note 12b for further detail.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

d) Revenue recognition

Revenue from tour operations and river cruising is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied, which is deemed to be when each service to the customer takes place. The standalone selling price of each performance obligation is estimated as the cost to provide each obligation plus a profit margin appropriate to the nature of each service. The price charged to each customer is then apportioned to each performance obligation based on the relative estimated standalone selling prices, in line with the requirements of IFRS 15.

Revenue in relation to flights and flight upgrades is recognised on the date of each flight; revenue in relation to accommodation is recognised over the duration of the holiday; revenue in relation to transfers is recognised on the date that the transfers occur before and after each holiday; and revenue in respect of travel insurance (which is underwritten by a third-party underwriter) is recognised on the cover start date of the insurance.

An element of revenue which represents the non-refundable deposit received at the time of booking is recognised in the income statement immediately in line with the prevailing rate of cancellations.

Revenue from sales in resort, for example for optional excursions, is recognised as it is earned.

Revenue from tour operations and river cruising holidays received in advance of when each performance obligation is satisfied is included as deferred revenue within contract liabilities in the statement of financial position.

ST&H 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:

Buildings, properties and related fixtures:	
Buildings	50 years
Related fittings	3 - 10 years
River cruise ships	2 - 4 years
Computers	3 years
Plant, vehicles and other equipment	3 - 10 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 the derecognition of the asset is included in the income statement in the period of derecognition.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

f) Intangible fixed assets

Intangible fixed assets acquired are measured on initial recognition at cost. Intangible assets acquired externally by the Company in a business combination are measured at their fair value at the date of acquisition and, following initial recognition, are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

Expenditure on development activities is capitalised if: (a) the product, or process, is technically and commercially feasible; (b) the Company intends and has the technical ability and sufficient resources to complete development; (c) future economic benefits are probable; and (d) the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new, or substantially improved, products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of relevant overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Intangible assets capitalised as a result of development activities are amortised from the point in time when the asset is available for commercial use.

The useful lives of intangible assets are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationship	Over the life of the customer relationship
Software	3 - 10 years

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

g) Investment in subsidiaries

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

h) 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.

i) Trade and other debtors

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

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

j) 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.

k) Trust accounts

All customer monies received in advance in relation to ATOL licensable bookings are held in trust accounts until after the customer has travelled, when the Company has fulfilled all its performance obligations with customers.

The trust arrangement is governed by a deed between the Company, the Civil Aviation Authority Air Travel Trustees and an independent trustee, PT Trustees Limited, which determines the inflows and outflows from the accounts. The Company does not use advance receipts from customers to fund its business operations.

l) 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.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

m) Trade and other creditors

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

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

n) 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.

o) Financial instruments

i) Financial assets

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

The Company's financial assets at amortised cost include amounts due from group undertakings and other debtors. The Company's financial assets classified as Fair Value through Profit and loss include derivative instruments. The Company does not hold any financial assets classified as fair value through other comprehensive income (FVOCI).

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

o) Financial instruments (continued)

i) Financial assets (continued)

Financial Assets at Amortised Cost

Initial Recognition

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

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

Subsequent Measurement

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

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

Initial Recognition

All financial assets not classified as amortised cost or FVOCI, 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.

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.

ST&H LIMITED**Notes to the financial statements (continued)****2. Significant Accounting policies (continued)****o) Financial instruments (continued)****ii) Impairment of financial assets**

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

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

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

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Company's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with a corresponding charge to the income statement.

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, derivative financial instruments and lease liabilities.

Subsequent measurement

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

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

o) Financial instruments (continued)

iii) Financial liabilities (continued)

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.

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 cash flow hedges are initially recognised in other comprehensive income until such a point that they are recycled to profit or loss in the same period as the hedged item is recognised in profit or loss, or immediately if the hedged item is no longer expected to occur.

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

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

o) 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.

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).

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

q) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in future periods 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.

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Leases

The Company leases various river cruise ships, offices, equipment and vehicles. The contract length of the lease varies considerably and may include extension or termination options as described below.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. 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 so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 except for the Company's river cruise ships. The unit of production method is used to depreciate river cruise ships in order to accurately reflect the expected usage of the asset, which is seasonal.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and river cruise ship leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

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

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

s) 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.

t) Pension benefits

The Company makes contributions to the Saga Pension Scheme, a defined benefit pension scheme (the 'Scheme') on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement.

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

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

ST&H LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

u) Interest income

Interest on the Company's investment and current accounts is recognised as interest accrues.

v) 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.

w) Income from shares in group undertakings

Interim dividend revenue is recognised when paid and final dividends are recognised when approved.

3. Turnover

Turnover represents the sales value of tour operating and river cruising services provided to customers. All turnover is generated from sales within the UK.

ST&H LIMITED**Notes to the financial statements (continued)**

4. Operating loss	2022	2021
	£'000	£'000
This is stated after charging/(crediting):-		
Depreciation of owned tangible fixed assets (note 12)	45	154
Depreciation of right of use tangible fixed assets (note 12)	816	583
Amortisation of intangible fixed assets (note 11)	988	1,785
Impairment of assets (note 11)	9,677	100
Intra-group loan written off	7,337	5,374
(Profit)/loss on disposal of subsidiaries	(100)	29,514
Non-trading items:		
Operational restructuring and other costs	<u>2,445</u>	<u>4,130</u>

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

The fees for the audit of the financial statements of the Company are £117,000 (2021: £95,500), which have been borne by Saga Group Limited, a fellow group undertaking.

During the current year, the Company wrote off a £7,337,000 (2021: £5,374,000) intra-group loan.

In the current year, the Company disposed of Titan Transport Limited to another group undertaking, resulting in a profit on disposal of £100,000. During the prior year, the Company disposed of Destinology Limited for consideration of £1 (note 13). A loss on disposal of £29,514,000 was recognised on this transaction.

5. Interest receivable and similar income	2022	2021
	£'000	£'000
Net fair value gain on foreign exchange derivative financial instruments	-	932
	<u>-</u>	<u>932</u>

6. Interest payable and similar charges	2022	2021
	£'000	£'000
Bank interest payable	-	93
Net interest and finance charges payable on lease liabilities	716	236
Net fair value loss on foreign exchange derivative financial instruments	1,487	-
	<u>2,203</u>	<u>329</u>

ST&H LIMITED**Notes to the financial statements (continued)****7. Directors' remuneration**

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

	2022 £'000	2021 £'000
Aggregate remuneration in respect of qualifying services	475	486
Aggregate compensation in respect of loss of office	<u>76</u>	<u>-</u>
Number of Directors who received shares under long term incentive schemes	<u>-</u>	<u>-</u>
Members of defined benefit pension scheme	<u>2</u>	<u>2</u>

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

	2022 £'000	2021 £'000
Aggregate remuneration in respect of qualifying services	<u>291</u>	<u>231</u>
Defined benefit pension scheme:		
Accrued pension at end of year	<u>-</u>	<u>-</u>

A number of Directors of the Company are also directors of a number of other subsidiaries of the ultimate parent undertaking, Saga plc. The remuneration of these Directors has not been disclosed above, and is instead disclosed in the financial statements of the entities to which the Directors are deemed to provide the most substantial separately-identifiable qualifying services.

8. Staff costs

	2022 £'000	2021 £'000
Wages and salaries	8,332	11,548
Social security costs	1,220	1,389
Pension costs	<u>397</u>	<u>449</u>
	<u>9,949</u>	<u>13,386</u>

ST&H LIMITED**Notes to the financial statements (continued)****8. Staff costs (continued)**

The monthly average number of employees during the year was as follows:-	2022 No.	2021 No.
Sales & marketing	46	94
Operations	199	186
Administration and management	34	31
	<u>279</u>	<u>311</u>

9. Pension benefits

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

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

The IAS 19 surplus (gross of deferred taxation) of the Scheme at 31 January 2022 was £11 million (2021: £4.3 million deficit).

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

10. Taxation

	2022 £'000	2021 £'000
Tax credited in the income statement		
Current tax		
UK corporation tax at 19.00% (2021: 19.00%)	(5,944)	(5,177)
Adjustment in respect of prior periods	(127)	(69)
Total current income tax	<u>(6,071)</u>	<u>(5,246)</u>
Deferred tax		
Origination and reversal of timing differences	128	105
Adjustment in respect of prior periods	109	20
Effect of rate change on opening balance	(341)	(150)
Total deferred tax	<u>(104)</u>	<u>(25)</u>
Tax credit on loss on ordinary activities	<u>(6,175)</u>	<u>(5,271)</u>

ST&H LIMITED**Notes to the financial statements (continued)****10. Taxation (continued)**

	2022 £'000	2021 £'000
Tax relating to items charged or credited to other comprehensive income		
Deferred tax		
On foreign currency forward cash flow hedges	(169)	182
Total deferred tax	<u>(169)</u>	<u>182</u>
Tax (charge)/credit in the statement of other comprehensive	<u>(169)</u>	<u>182</u>

The tax credit assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is reconciled as follows:

Reconciliation of Total Tax Charge	2022 £'000	2021 £'000
Pre-tax loss at 19.00% (2021: 19.00%)	(7,237)	(11,596)
Non-taxable income	-	(63)
Permanent differences	1,421	6,587
Adjustments relating to prior years	(18)	(49)
Effect of rate change on opening balance	<u>(341)</u>	<u>(150)</u>
Total tax credit for the year	<u>(6,175)</u>	<u>(5,271)</u>

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

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

ST&H LIMITED**Notes to the financial statements (continued)****11. Intangible fixed assets**

Cost	Software £'000
At 1 February 2021	33,627
Additions	2,648
Disposals	<u>(35,661)</u>
At 31 January 2022	<u>614</u>
 Amortisation and impairment	
At 1 February 2021	25,718
Charge for the year	988
Impairment	9,422
Disposals	<u>(35,617)</u>
At 31 January 2022	<u>511</u>
 Net book value	
At 31 January 2022	<u>103</u>
 At 31 January 2021	<u>7,909</u>

The net book value of software at 31 January 2022 includes internally generated software of £nil (2021: £7,326,000) relating to the Company's Tigerbay platform. Software additions in the year include internally generated software of £36,000 (2021: £2,280,000) relating to the Company's Tigerbay platform.

Tigerbay was the Company's travel reservation, tour & packaging, general e-commerce and B2B website for agents, platform. Following the continued impact of the COVID-19 pandemic on the travel industry, management decided to restructure the Group's Tour Operations business. As a result of this restructuring exercise, management performed an impairment review of software assets used by the Company. The outcome of the impairment review concluded that an impairment charge of £9,422,000 be recognised against the Company's software assets as at 31 January 2022, including writing down the net book value of the Tigerbay platform to £nil.

Intangible assets amortisation is recorded in administrative and marketing expenses in the income statement.

During the year, the Company disposed of assets with a net book value of £44,000 (2021: £nil). The loss arising on disposal was £44,000 (2021: £nil).

ST&H LIMITED**Notes to the financial statements (continued)****12. Tangible fixed assets**

	2022 £'000	2021 £'000
Owned assets (a)	88	346
Right of use assets (b)	32,808	5,864
	<u>32,896</u>	<u>6,210</u>

(a) Owned assets

	Freehold Land & Buildings £'000	Plant & equipment £'000	Total £'000
Cost			
At 1 February 2021	376	4,977	5,353
Additions	-	42	42
Disposals	-	(4,468)	(4,468)
At 31 January 2022	<u>376</u>	<u>551</u>	<u>927</u>

Depreciation and impairment

At 1 February 2021	128	4,879	5,007
Provided during the year	10	35	45
Impairment	238	17	255
Disposals	-	(4,468)	(4,468)
At 31 January 2022	<u>376</u>	<u>463</u>	<u>839</u>

Net book value

At 31 January 2022	<u>-</u>	<u>88</u>	<u>88</u>
At 31 January 2021	<u>248</u>	<u>98</u>	<u>346</u>

The depreciation charge for the year is recorded in administrative and marketing expenses in the income statement.

During the year, the Company disposed of assets with a net book value of £nil (2021: £nil). The loss arising on disposal was £nil (2021: £nil).

ST&H LIMITED**Notes to the financial statements (continued)****12. Tangible fixed assets (continued)****(b) Right of use assets**

	Leasehold Land & Buildings £'000	River Cruise Ships £'000	Total £'000
Cost			
At 1 February 2021	6,368	-	6,368
Additions	-	33,518	33,518
Lease modification	(6,368)		(6,368)
At 31 January 2022	<u>-</u>	<u>33,518</u>	<u>33,518</u>
Depreciation and impairment			
At 1 February 2021	504	-	504
Charged during the year	106	710	816
Lease modification	(610)		(610)
At 31 January 2022	<u>-</u>	<u>710</u>	<u>710</u>
Net book value			
At 31 January 2022	<u>-</u>	<u>32,808</u>	<u>32,808</u>
At 31 January 2021	<u>5,864</u>	<u>-</u>	<u>5,864</u>

River cruise ship additions in the year ended 31 January 2022 relate to the river cruise vessel, Spirit of the Rhine.

In the current year, modification of lease terms relating to leasehold land and buildings resulted from the Group's decision to sell the freehold property which this Company was previously sub-letting from another group undertaking. The modification of lease term relating to leasehold land and buildings resulted in a gain of £255k being reported in the income statement.

The depreciation charge for the year is analysed as follows:

	2022 £'000	2021 £'000
Cost of sales	710	265
Administrative and selling expenses	<u>106</u>	<u>318</u>
	<u>816</u>	<u>583</u>

12. Tangible fixed assets (continued)**(b) Right of use assets (continued)****Impairment review of right-of-use assets**

During the year, the Company took delivery of the river cruise ship, Spirit of the Rhine, under a 10-year lease. The ship's first cruise season was initially planned to commence on 1 April 2021, but due to the impact of the COVID-19 pandemic, the start of the first season was delayed for several months. The Company did not therefore take control of the asset until the ship's inaugural cruise took place in September 2021, at which point a right-of-use asset was recognised and corresponding lease liability was capitalised on the balance sheet.

Given the carrying value of the asset is quantitatively material to the Company, combined with the ongoing adverse impacts of the COVID-19 pandemic on the wider travel industry, which constitute an indicator of impairment, management deemed it necessary to conduct an impairment review on Spirit of the Rhine at 31 January 2022.

The recoverable amount of the vessel was determined based on a value-in-use calculation using cash flow projections from the Group's five-year financial forecasts to 2026/27 and applying a constant annual growth rate of 2% thereafter for subsequent periods until the end of the ship's useful economic life of 10 years. This has then been discounted back to present value using a suitably risk-adjusted discount rate. The underlying forecast cash flows were updated for the latest impact of the COVID-19 pandemic. In addition, a stress test of the potential adverse medium-term impact that the pandemic may have on demand for river cruises was also considered, by assuming the need for a two-month layup of the vessel in April and May 2022, and with load factors capped at 75% for the remainder of 2022/23 and at 80% for the duration of 2023/24. The annual growth rate beyond the fifth year of management forecasts was also reduced to 1.5% in the stress test scenario, reflecting a more cautious outlook for long-term growth in the UK economy.

The cash flows were discounted to present value using a pre-tax discount rate of 5.2%, which effectively represents a market-participant's view of the pre-tax cost of debt of the river cruise business. This is because by the very nature of how the carrying value of the right-of-use asset arises as the present value of future lease payments at the inception of the lease, a market-participant would expect to finance such an asset purely with debt. As at 31 January 2022, the headroom for the ship against its carrying value was as follows:

	Headroom £m	
	Central Scenario	RWC stress test scenario
Spirit of the Rhine	7.9	6.5

Based on these impairment tests, and looking at the likelihood of a range of outcomes, the Group is satisfied that there was headroom over and above the carrying value of Spirit of the Rhine. Management considered that there was no reasonable possible change in the key assumptions made in its impairment assessment that would give rise to an impairment of the carrying value of this vessel.

ST&H LIMITED**Notes to the financial statements (continued)****13. Investment in subsidiary undertakings**

	2022 £'000	2021 £'000
Cost		
At 1 February	80,705	109,890
Additions	-	-
Disposals	(80,705)	(29,185)
At 31 January	-	80,705
Provision for impairment		
At 1 February	675	575
Amounts provided in the year	-	100
Amounts released in year	(675)	-
At 31 January	-	675
Net book amount		
At 31 January	-	80,030

During the current year, the Company disposed of Titan Travel (UK) Limited to Titan Travel Group Limited, a fellow group undertaking, for consideration of £80,030,000.

During the current year, the Company disposed of Saga Transport Limited to Titan Travel Group Limited, a fellow group undertaking, for consideration of £100,000.

During the prior year, the Company disposed of Destinology Limited for consideration of £1.

The entities listed below are subsidiary undertakings of the Company as at 31 January 2022. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE.

Company	Country of registration	Nature of business
Driveline Group Limited	England	Holding company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
ST&H Transport Limited	England	Dormant company

ST&H LIMITED**Notes to the financial statements (continued)****14. Debtors**

	2022 £'000	2021 £'000
Due after more than one year		
Foreign exchange forward derivative financial instruments	24	-
Deferred taxation	1,677	1,403
	<u>1,701</u>	<u>1,403</u>
	2022 £'000	2021 £'000
Due within one year		
Trade debtors	760	871
Amounts due from group undertakings	3,253	21,208
Other taxes and social security	990	650
Foreign exchange forward derivative financial instruments	366	383
Prepayments and accrued income	5,661	4,710
	<u>11,030</u>	<u>27,822</u>
	<u>12,731</u>	<u>29,225</u>

Deferred tax comprises short term timing differences of £289,000 (2021: £166,000), an excess of depreciation over capital allowances of £1,352,000 (2021: £1,210,000) and losses available for offsetting against future taxable income of £36,000 (2021: £27,000). Recognition of Company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

15. Trust accounts

The Civil Aviation Authority (CAA) and Association of British Travel Agents (ABTA) regulated the business conducted by the Company in the UK during the year. To comply with its regulatory obligations, the Group is required to arrange financial security to protect customer monies, in addition to making ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund.

The Company's method of customer protection for ATOL licensable bookings is paying customer monies into trust (Trust Accounting). Under Trust Accounting, all monies the Company receives from customers in respect of ATOL licensable holiday packages sold are held in trust until such time as the Company has fulfilled all its obligations to the customer. The trust is administered and controlled by an independent trustee, PT Trustees Limited.

With the introduction of Trust Accounting during the prior year, the Company is no longer required to hold financial security bonds in relation to ATOL bookings. In relation to ABTA bookings a bonding requirement still exists.

ST&H LIMITED**Notes to the financial statements (continued)**

16. Cash at bank and in hand	2022	2021
	£'000	£'000
Cash at bank and in hand	<u>6,306</u>	<u>2,898</u>

Cash at bank and in hand is subject to contractual or regulatory restrictions. The Company considers that these monies are not readily available to be used for other purposes within the Group.

17. Creditors - amounts falling due within one year	2022	2021
	£'000	£'000
Trade and other creditors	822	975
Amounts due to group undertakings	702	75,618
Lease liabilities	2,787	232
Foreign exchange forward derivative financial instruments	1,963	609
Accruals	11,495	6,946
Deferred income	15,431	10,731
	<u>33,200</u>	<u>95,111</u>

18. Creditors - amounts falling due after more than one year	2022	2021
	£'000	£'000
Lease liabilities	29,160	5,819
Foreign exchange forward derivative financial instruments	120	390
Deferred income	249	1,202
	<u>29,529</u>	<u>7,411</u>

ST&H LIMITED**Notes to the financial statements (continued)****19. Lease commitments**

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

	2022 £'000	2021 £'000
Within one year	4,213	450
Between two and five years	17,105	1,800
After five years	17,941	6,075
Total minimum lease payments	39,259	8,325
Less amounts representing finance charges	(7,312)	(2,274)
Present value of minimum lease payments	31,947	6,051

As at 31 January 2022, the value of lease liabilities contracted for but not recognised in the financial statements in respect of right-of-use assets amounted to £42,482,000 (2021: £92,687,000). As at 31 January 2022, these lease commitments relate to the river cruise vessel, Spirit of the Danube, for which management concluded that the necessary lease recognition criteria under IFRS 16 had not yet been met.

20. Provisions for liabilities

	Other Provisions £'000	Total Provisions £'000
Balance as at 1 February 2021	495	495
Utilised during the year	(203)	(203)
Released unutilised during the year	(139)	(139)
Charge for the year	70	70
Balance as at 31 January 2022	223	223

As at 31 January 2022, the balance of £223k relates entirely to the Destinology Wilmslow site provision. The outflow from this provision depends on the timing of rent payments for this site.

ST&H LIMITED**Notes to the financial statements (continued)**

21. Called up share capital and reserves	2022 £'000	2021 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>50</u>	<u>50</u>

At 31 January 2022, allotted, called-up and fully paid share capital comprised of 50,000 ordinary shares of £1 each (2021: 50,000 ordinary shares of £1 each). All shares are unrestricted and carry equal voting rights.

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.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in: (a) profit or loss as the hedged cash flows or items affect profit or loss; or (b) the statement of financial position as the hedged cash flows or items affect property, plant and equipment.

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

22. Share-based payments

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Company's Directors and employees. Equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan ('LTIP') and Restricted Share Plan ('RSP').

The LTIP is a discretionary executive share plan. Under the LTIP, the Saga plc Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, TSR. From 1 February 2017 to 31 January 2018, these options are 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR. From 1 February 2018, these options are 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to ROCE) and 40% linked to a market vesting condition, TSR. From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR. The fair value of the options has been calculated using a Black-Scholes valuation.

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

ST&H LIMITED**Notes to the financial statements (continued)****22. Share-based payments (continued)**

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

	RSP	LTIP
Outstanding at 1 February 2021	102,054	84,354
Granted during the year	61,462	-
Forfeited during the year	(73,963)	(24,490)
Exercised during the year	-	(871)
Outstanding at 31 January 2022	89,553	58,993
Exercise price	£nil	£nil
Exercisable at 31 January 2022	nil	nil
Average remaining contractual life	1.7 years	0.7 years
Average fair value at grant	£2.88	£6.60

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

23. Contingent liabilities

The CAA regulate the Company's UK Tour Operations business, and the Company is a member of the Association of British Travel Agents (ABTA). ABTA requires the Group to put in place bonds to provide customer protection. At 31 January 2022, the Group had £19,439,000 (2021: £20,950,000) of travel-related financial security bonds in place.

24. 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.

ST&H LIMITED

Notes to the financial statements (continued)

25. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Company's capital management, capital includes issued capital, share premium and all other capital reserves attributable to the equity holders of the parent. It also includes capital, share premium and all other capital reserves of any subsidiaries within the Company which are required to comply with any specific requirements in respect of its capital or other resources.

The Company operates under the regulation of the Civil Aviation Authority ('CAA') in the UK. Management ensure the Company complies with the requirements of these regulators at all times.

The Company treats all cash and other financial assets held within its regulated businesses as restricted and not therefore available to be used by the Company for any purposes outside of those of the relevant restricted business. The Company enters into regular open communication with its regulators and any distribution of capital from those businesses to the Company is agreed in advance.

26. Ultimate parent undertaking

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

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

In respect of the year ended 31 January 2022, ST&H Group Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

A copy of the financial statements of Saga plc for the year ended 31 January 2022 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

27. Ultimate controlling party

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