

SAGA GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2007

Company Registration Number: 638891



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SAGA GROUP LIMITED
Directors' report

Directors J A Goodsell
 T B Bull
 S M Howard

Secretary. J Davies (appointed 8 December 2006)
 S M Howard (resigned 11 December 2006)

Registered Office The Saga Building, Enbrook Park, Folkestone, Kent CT20 3SE

The Directors submit their report together with the audited financial statements for the year ended 31 January 2007

Results and dividends

The profit for the year before taxation amounts to £162,820,000. After taxation, a profit of £166,103,000 has been taken to reserves. No dividends have been paid during the year.

Principal activity and review of business developments

The Company's principal activity is to provide administrative services to other group companies.

Future developments

The Company will continue to act as an intermediate holding company.

Charitable contributions

During the year, contributions were made to various charities and community projects totalling £1,000 (2006: £79,000).

Directors' interests

T B Bull, J A Goodsell and S M Howard are Directors of the ultimate parent undertaking, Saga Holdings Limited, and their interests are set out in the financial statements of that company.

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

SAGA GROUP LIMITED
Directors' report continued

Statement of Directors' responsibilities

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year.

The Directors confirm that the accounting policies are appropriate to the Company's business and have been applied consistently. In preparing the financial statements for the year, the Directors have made reasonable and prudent judgements, have ensured that applicable accounting standards have been followed, and confirm that it is appropriate to prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

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.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors.

By order of the Board



J Davies
Secretary
22 May 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGA GROUP LIMITED

We have audited the Company's financial statements for the year ended 31 January 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion - (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 and of its profit for the year then ended, (b) the financial statements have been properly prepared in accordance with the Companies Act 1985, and (c) the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
~~May 2007~~

14 June 2007

SAGA GROUP LIMITED**Profit and loss account for the year ended 31 January 2007**

	Note	2007 £'000	2006 £'000
Administrative and marketing expenses		724	(17,698)
Exceptional items	3	(2,769)	5,894
Total administrative and marketing expenses		<u>(2,045)</u>	<u>(11,804)</u>
Other operating income	2	2	2
Operating loss	3	<u>(2,043)</u>	<u>(11,802)</u>
Profit on disposal of fixed assets		-	4,079
Profit on disposal of subsidiary		-	24,121
		<u>(2,043)</u>	<u>16,398</u>
Income from shares in group undertakings		164,866	4,525
Interest payable and similar charges	4	(3)	(133)
Profit on ordinary activities before taxation		<u>162,820</u>	<u>20,790</u>
Taxation	8	3,283	2,956
Profit on ordinary activities after taxation	18	<u>166,103</u>	<u>23,746</u>

There were no recognised gains or losses other than the amounts included above

Reconciliation of movements in shareholders' funds	Note	2007 £'000	2006 £'000
Total recognised gains and losses relating to the year		<u>166,103</u>	<u>23,746</u>
Net movement in shareholders' funds		166,103	23,746
Shareholders' funds brought forward		<u>74,526</u>	<u>50,780</u>
Shareholders' funds carried forward		<u>240,629</u>	<u>74,526</u>

SAGA GROUP LIMITED
Company balance sheet as at 31 January 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	9	5,230	6,398
Investments in subsidiaries	10	73,525	62,372
		<u>78,755</u>	<u>68,770</u>
Current assets			
Stock		12	12
Debtors	11	407,415	725,055
Cash at bank and in hand		8	5
		<u>407,435</u>	<u>725,072</u>
Creditors - amounts falling due within one year	12	(243,266)	(717,120)
		<u>164,169</u>	<u>7,952</u>
Net current assets			
		242,924	76,722
Total assets less current liabilities			
Creditors - amounts falling due after more than one year	13	(2,144)	(2,196)
Provisions for liabilities and charges	16	(151)	-
Net assets		<u>240,629</u>	<u>74,526</u>
Capital and reserves			
Called up share capital	17	3,617	3,617
Share premium account	18	84	84
Profit and loss account	18	236,928	70,825
		<u>240,629</u>	<u>74,526</u>
Equity shareholders' funds			

Signed for and on behalf of the Board by



S M Howard
 Director
 22 May 2007

SAGA GROUP LIMITED
Notes to the financial statements

1 Accounting policies

a Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in Companies Act 1985 s 256

The Company has taken advantage of the exemption under section 228 of the Companies Act 1985 not to prepare and deliver group financial statements as it is a wholly owned subsidiary of the ultimate holdings company Saga Holdings Limited. As such, these financial statements show only the results of the individual Company and not the group

b Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows

Leasehold properties	over the period of the lease
Fixtures & fittings	3 - 10 years
Plant and Machinery	3 - 10 years

c Leased assets and hire purchase commitments

Assets held under finance lease and hire purchase arrangements are capitalised and depreciated over their useful lives. The capital element of the related rental obligation is included in creditors. The interest element of rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term

d Stocks

Stocks are valued at the lower of cost and net realisable value

e Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

f Pension benefits

Annual contributions are made to the UK defined benefit pension 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 is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with paragraph 9 of FRS 17. The costs of providing these benefits are charged to the profit and loss account on a regular basis. The Company also operated a UK defined contribution pension scheme for the first two months of the year. Amounts charged to operating profit represent the contributions payable to the scheme in the year

SAGA GROUP LIMITED
Notes to the financial statements continued

g Government grants

Government grants received in respect of capital expenditure are released into the profit and loss account in equal instalments over the expected useful life of the relevant assets.

h Cash flow statement

The Directors have taken advantage of the exemption available under FRS 1 of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the ultimate parent undertaking, Saga Holdings Limited

2. Other operating income	2007	2006
	£'000	£'000
Other interest receivable	<u>2</u>	<u>2</u>
 3. Operating loss	 2007	 2006
Operating loss is stated after charging/(crediting)	£'000	£'000
Depreciation of owned tangible fixed assets	1,194	2,061
Depreciation of leased tangible fixed assets	234	174
Deferred government grant release	(52)	(52)
Fees for the audit of the Company	18	15
Property lease charges	1,101	1,165
Hire of plant and machinery	729	773
(Release)/increase in provision against investment in subsidiaries	(8,500)	7,475
Exceptional item – compensation	-	(9,572)
Exceptional item – remedial works	2,769	1,038
Exceptional item – pension contribution	<u>-</u>	<u>2,640</u>

The compensation exceptional item relates to compensation received for defects in the construction of one of the Company's office buildings. The remedial works exceptional item relates to costs associated with a major one-off programme of remedial works to that office building. The pension contribution exceptional item relates to a special pension contribution payable to the Saga Group Pension and Life Assurance Scheme to reduce the funding deficit.

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

4. Interest payable and similar charges	2007	2006
	£'000	£'000
Finance lease and hire purchase interest	2	4
Other interest payable	<u>1</u>	<u>129</u>
	<u>3</u>	<u>133</u>

SAGA GROUP LIMITED**Notes to the financial statements continued****5. Directors' emoluments**

	2007	2006
	£'000	£'000
Emoluments	<u>1,707</u>	<u>1,647</u>
Members of defined benefit pension scheme	<u>3</u>	<u>3</u>

J A Goodsell, T B Bull and S M Howard are also Directors of the ultimate parent company, Saga Holdings Limited, and fellow subsidiaries. The remuneration received by J A Goodsell, T B Bull, and S M Howard was paid by the Company. The Directors do not believe that it is practicable to apportion the remuneration of J A Goodsell, T B Bull and S M Howard between their services as Directors of the Company, the ultimate parent company and fellow subsidiaries. The amounts paid in respect of the highest paid Director were as follows -

	2007	2006
	£'000	£'000
Emoluments	<u>872</u>	<u>852</u>
Defined benefit pension scheme	<u>50</u>	<u>46</u>
Accrued pension at end of year		

6. Staff costs

	2007	2006
	£'000	£'000
Wages and salaries	7,993	7,609
Social security costs	798	332
Other pension costs	427	522
Special pension contribution (note 3)	-	2,640
	<u>9,218</u>	<u>11,103</u>
Average number of persons employed during the year was	<u>237</u>	<u>235</u>

7. Pension benefits

The Company is a member of the Saga Group Pension and Life Assurance Scheme which is a defined benefit scheme.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with paragraph 9 of FRS 17. The FRS 17 surplus (gross of deferred taxation) of the Scheme at 31 January 2007 was £0.2 million (2006 - £15.2 million deficit).

Further details of the Scheme can be found in the financial statements of Saga Holdings Limited.

SAGA GROUP LIMITED
Notes to the financial statements continued

8. Taxation	2007	2006
	£'000	£'000
UK corporation tax at 30% – current year	(3,091)	(99)
Adjustments relating to prior years	(192)	(1,235)
Current tax	(3,283)	(1,334)
Deferred tax – current year	-	(1,622)
	<u>(3,283)</u>	<u>(2,956)</u>
Reconciliation of Current Tax Credit -	2007	2006
	£'000	£'000
Pre-tax profit at 30%	48,846	6,237
Non taxable dividend income	(49,460)	(1,358)
Depreciation in excess of capital allowances	20	-
Capital allowances in excess of depreciation	-	(32)
Provisions against capital investments and loans	(2,545)	(4,743)
Permanent differences	269	32
Other timing differences	(228)	882
Adjustments relating to prior years	(192)	(1,235)
Other items	7	(1,117)
	<u>(3,283)</u>	<u>(1,334)</u>

The tax credit relating to the exceptional items amounts to £831,000 (2006 - £1,768,000 charge).

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

A deferred tax asset of £780,000 (2006 - £988,000) has not been recognised in these financial statements as, on the basis of the evidence available, there will not be sufficient taxable profits in the future against which the deferred tax would be offset

SAGA GROUP LIMITED
Notes to the financial statements continued

9. Tangible fixed assets

	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Plant & Machinery £'000	Total £'000
Cost				
At 1 February 2006	4,911	8,117	10,333	23,361
Additions	(447)	270	437	260
At 31 January 2007	<u>4,464</u>	<u>8,387</u>	<u>10,770</u>	<u>23,621</u>
Depreciation				
At 1 February 2006	1,015	6,440	9,508	16,963
Charge for year	234	756	438	1,428
At 31 January 2007	<u>1,249</u>	<u>7,196</u>	<u>9,946</u>	<u>18,391</u>
Net book amounts				
At 31 January 2007	<u>3,215</u>	<u>1,191</u>	<u>824</u>	<u>5,230</u>
At 31 January 2006	<u>3,896</u>	<u>1,677</u>	<u>825</u>	<u>6,398</u>

Short leasehold land & building additions in the year of £447,000 (credit) comprise additions of £3,000 offset by government grants received of £450,000

SAGA GROUP LIMITED
Notes to the financial statements continued

10. Investment in subsidiaries

	Subsidiary Undertakings £'000
Cost	
At 1 February 2006	72,116
Additions (see note 23)	2,653
At 31 January 2007	<u>74,769</u>
Provision	
At 1 February 2006	9,744
Release in year (see note 23)	(8,500)
At 31 January 2007	<u>1,244</u>
Net book amount	
At 31 January 2007	<u>73,525</u>
Net book amount	
At 1 February 2006	<u>62,372</u>

The main operating subsidiary undertakings of Saga Group Limited, all of which are directly held with the exception of *Saga Cruises Limited* and *Saga Cruises II Limited* which are held by *Saga Shipping Company Limited* which is in turn held by *Saga Holidays Limited*, are listed below

Company	Country of registration	Nature of business
Saga Holidays Limited	England	Tour operating
Saga Shipping Company Limited	England	Cruising
Saga Cruises Limited	England	Cruising
Saga Cruises II Limited	England	Cruising
Saga Services Limited	England	Financial services
Saga Insurance Company Limited	Gibraltar	Insurance underwriting
Saga Personal Finance Limited (formerly Saga Investment Direct Limited)	England	Regulated investment products
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house
Smooth Radio Midlands Limited (formerly Saga Radio Limited)	England	Radio station (see note 23)
Smooth Radio Scotland Limited (formerly Saga Radio (Scotland) Limited)	Scotland	Radio station (see note 23)
Smooth Radio NE Limited (formerly Saga Radio (North East) Limited)	England	Radio station (see note 23)
Smooth Digital Radio Limited (formerly Saga Regional Digital Radio Limited)	England	Radio station (see note 23)

SAGA GROUP LIMITED**Notes to the financial statements continued**

11. Debtors	2007 £'000	2006 £'000
Trade debtors	44	62
Amount owed by group undertakings	406,263	722,848
Other debtors	620	679
Prepayments and deferred expenditure	488	1,466
	<u>407,415</u>	<u>725,055</u>
12. Creditors - amounts falling due within one year	2007 £'000	2006 £'000
Bank overdraft	50	188
Leasing and hire purchase (note 14)	-	78
Trade creditors	42	212
Due to group undertakings	234,669	696,870
Corporate taxation	2,070	681
Other taxation and social security	1,328	1,253
Deferred government grants	52	52
Other creditors	696	13,463
Accruals and deferred income	4,359	4,323
	<u>243,266</u>	<u>717,120</u>
13. Creditors - amounts falling due after more than one year	2007 £'000	2006 £'000
Deferred government grants	2,144	2,196
	<u>2,144</u>	<u>2,196</u>
14. Obligations under finance leases and hire purchase contracts	2007 £'000	2006 £'000
The capital amounts due under finance lease and hire purchase obligations are		
Within one year	-	78
Within two to five years	-	-
	<u>-</u>	<u>78</u>

SAGA GROUP LIMITED
Notes to the financial statements continued

15. Lease commitments

The annual commitment under non-cancellable operating leases is as follows

	2007 £'000	2006 £'000
Land and buildings		
Leases expiring		
Within one year	76	124
Between two and five years	222	84
After five years	802	894
	<u>1,100</u>	<u>1,102</u>
Plant and machinery		
Leases expiring		
Within one year	106	142
Between two and five years	390	645
	<u>496</u>	<u>787</u>

16. Provisions for liabilities and charges

	Other Provisions £'000
Balance at 1 February 2006	-
Charge for the year	<u>151</u>
Balance at 31 January 2007	<u>151</u>

The provision relates to transmission and other costs arising in future years in respect of an onerous contract relating to the Company's subsidiary, Smooth Radio NE Limited (formerly Saga Radio (North East) Limited), whose termination results in a break fee calculated as three times the annual fee. Smooth Radio NE Limited was disposed of after the year end (see note 23). This contract has been taken on by Saga Group Limited as part of the disposal agreement. The provision will be fully utilised over the next 2 years.

17. Called up share capital

	2007 £'000	2006 £'000
Authorised		
27,000,000 ordinary shares at 20p each	<u>5,400</u>	<u>5,400</u>
Allotted and fully paid up		
18,086,076 ordinary shares at 20p each	<u>3,617</u>	<u>3,617</u>

SAGA GROUP LIMITED

Notes to the financial statements continued

18. Reserves	Share Premium		Profit and Loss	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Balance at beginning of the year	84	84	70,825	47,079
Profit for the year	-	-	166,103	23,746
Balance at the end of the year	84	84	236,928	70,825

19. Cross Company Guarantees

The Company along with certain of its fellow subsidiaries acts as Obligor on bank loans made to Saga 300 Limited and Saga 400 Limited. At the balance sheet date the principal and accrued interest outstanding on these bank loans was £1,294.1 million (2006 - £834.4 million).

20. Related party transactions

The Company has taken advantage of the exemption afforded by FRS 8 in not disclosing transactions with other entities in the Saga Group of companies.

21. Ultimate parent undertaking

The Company is wholly owned by its immediate parent undertaking, Saga Leisure Limited, a company which is registered in England. The financial statements of the Company have been consolidated in the group financial statements of Saga Holdings Limited (the ultimate parent undertaking), a company which is registered in England.

22. Ultimate controlling party

The ultimate controlling party is Charterhouse General Partners (VII) Limited, a company which is registered in England.

23. Post balance sheet events

On 1 February 2007 Smooth Radio NE Limited (formerly Saga Radio (North East) Limited), Smooth Radio Scotland Limited (formerly Saga Radio (Scotland) Limited), Smooth Radio Midlands Limited (formerly Saga Radio Limited), and Smooth Digital Radio Limited (formerly Saga Regional Digital Radio Limited), were sold to Guardian Media Group.

As part of the disposal process £2,653,000 new shares were issued on 30 January 2007 for cash. As the proceeds were in excess of the historic cost of these investments, the provisions against these investments of £8,500,000 have been released.