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SAGA GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 JANUARY 1997



SAGA GROUP LIMITED

Directors' Report

Directors: R M De Haan (Chairman)
T B Bull
A R Deacon
P C De Haan
M E Hatch
Dr. O McDonald
S J Waugh

Secretary: P C De Haan

Registered Office: The Saga Building, Middelburg Square, Folkestone, Kent CT20 1AZ

The directors submit their report together with the audited accounts of the Group for the year ended 31 January 1997.

Principal activities and review of business developments

The Group's principal activity consists of the provision of services, to people aged fifty and over, primarily in the form of inclusive holidays and financial services.

The past year has been an excellent one for the group with profitability achieving record levels. Significant sales growth has been achieved in the group's core businesses and the directors anticipate further strong growth in the year to 31 January 1998.

Subsequent events and future developments

The directors anticipate that 1997/98 will see a continuation of the Group's long term strategy of developing its core businesses.

In April 1997, the group completed the purchase of a cruise vessel which will be used exclusively by Saga holiday customers. The vessel has a passenger capacity of 575 berths. Forward sales for cruises already advertised are very strong.

The group has recently commenced the development of a new office building in Folkestone which will provide sufficient accommodation to meet the requirements of the business for the foreseeable future. The contracted expenditure commitments in respect of the vessel and the building are set out in note 11 to these accounts.

Results and dividends

The profit for the year before taxation amounts to £13,970,000. A dividend totalling £5,000,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £3,529,000 has been added to reserves.

Directors

The directors of the company during the year were those listed above. Messrs RM De Haan and AR Deacon retire by rotation and, being eligible, offer themselves for re-election.

Directors' Interests

As Messrs R M De Haan and P C De Haan are directors of the ultimate parent undertaking, their interests are set out in the accounts of that company. A R Deacon and M E Hatch are directors of the ultimate parent undertaking and have no interest in the shares of the company or the ultimate parent undertaking. T B Bull, Dr. O McDonald and S J Waugh have no interest in the shares of the company or the ultimate parent undertaking.

It is the company's policy to maintain indemnity insurance for directors and officers.

SAGA GROUP LIMITED
Directors' report continued

Donations

During the year charitable donations in the UK amounted to £95,000. No political donations were made.

Employee involvement

During the year the Group has maintained the practice of keeping employees informed about current activities and progress by various methods. Employee participation and involvement is encouraged.

Employment of disabled persons

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

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

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 Group and of the profit of the Group for the year.

The Directors confirm that the accounting policies are appropriate to the Group's business and have been applied consistently. In preparing the accounts 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 accounts on a going concern basis.

The Directors are responsible for maintaining proper accounting records, for safeguarding the Group's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Saga Building
Middelburg Square
Folkestone, Kent
CT20 1AZ



By Order of the Board

Peter De Haan
Secretary
8th May 1997

SAGA GROUP LIMITED

Consolidated profit and loss account

For the year ended 31 January 1997

	1997 £'000	1996 £'000
Turnover	233,017	188,728
Cost of sales	<u>(152,900)</u>	<u>(123,790)</u>
Gross profit	80,117	64,938
Administrative and marketing expenses	(70,739)	(58,160)
Net investment income	<u>4,592</u>	<u>4,040</u>
Profit on ordinary activities before taxation	13,970	10,818
Taxation	<u>(5,441)</u>	<u>(3,820)</u>
Profit on ordinary activities after taxation	8,529	6,998
Dividend	<u>(5,000)</u>	<u>(5,750)</u>
Retained profit for the year	<u><u>3,529</u></u>	<u><u>1,248</u></u>

SAGA GROUP LIMITED
Consolidated Balance Sheet
As at 31 January 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	11	14,640	13,483
Current assets			
Investments	13	76,601	64,179
Stock	15	95	960
Debtors	16	38,048	30,245
Cash at bank and in hand	14	<u>2,582</u>	<u>2,078</u>
		117,326	97,462
Creditors			
- amounts falling due within one year	17	<u>108,193</u>	<u>90,985</u>
Net current assets		9,133	6,477
Total assets less current liabilities		<u>23,773</u>	<u>19,960</u>
Creditors			
- amounts falling due after more than one year	18	1,678	1,175
Provisions for liabilities and charges	20	<u>-</u>	<u>293</u>
		<u>22,095</u>	<u>18,492</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	3,537	3,619
Currency equalisation account	23	465	391
Profit and loss account	23	<u>14,392</u>	<u>10,781</u>
Equity Shareholders' funds		<u>22,095</u>	<u>18,492</u>

R M De Haan

) Directors

P C De Haan

8th May 1997

SAGA GROUP LIMITED
Company Balance Sheet
As at 31 January 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	11	12,881	10,844
Investment in subsidiaries	12	20,939	16,496
		<u>33,820</u>	<u>27,340</u>
Current assets			
Debtors	16	3,629	2,453
Cash at bank and in hand	14	4	-
		<u>3,633</u>	<u>2,453</u>
Creditors			
- amounts falling due within one year	17	<u>14,260</u>	<u>10,605</u>
Net current liabilities		<u>(10,627)</u>	<u>(8,152)</u>
Total assets less current liabilities		23,193	19,188
Creditors			
- amounts falling due after more than one year	18	1,112	805
		<u>22,081</u>	<u>18,383</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	14,842	13,931
Currency equalisation account	23	465	391
Profit and loss account	23	3,073	360
Equity shareholders' funds		<u>22,081</u>	<u>18,383</u>

R M De Haan

) Directors

P C De Haan

8th May 1997

SAGA GROUP LIMITED**For the year ended 31 January 1997****Statement of total recognised gains and losses**

	1997 £'000	1996 £'000
Profit for the year after taxation	8,529	6,998
Exchange differences arising on foreign currency net investments in overseas subsidiaries	74	(11)
Total recognised gains	<u>8,603</u>	<u>6,987</u>

Note of historical cost profits and losses

	1997 £'000	1996 £'000
Profit for the year before taxation	13,970	10,818
Difference between historical cost depreciation charge and actual charge	82	82
Historical cost profit on ordinary activities before taxation	<u>14,052</u>	<u>10,900</u>
Historical cost profit retained after taxation and dividends	<u>3,611</u>	<u>1,330</u>

Reconciliation of movement in shareholders' funds

	1997 £'000	1996 £'000
Total recognised gains	8,603	6,987
Dividends paid	(5,000)	(5,750)
	<u>3,603</u>	<u>1,237</u>
Shareholders' funds brought forward	<u>18,492</u>	<u>17,255</u>
Shareholders' funds carried forward	<u>22,095</u>	<u>18,492</u>

SAGA GROUP LIMITED

Notes on the Accounts

1 Accounting Policies

a Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of certain freehold properties and investments in subsidiaries, and in accordance with applicable accounting standards.

b Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and each of its subsidiaries for the year ended 31 January 1997.

c Accounting for subsidiary companies

The Company adopts the equity method of accounting for the results of its subsidiaries.

d Turnover

Turnover from tour operations is recognised upon departure date. Commission income from insurers is recognised at the commencement of the period of risk. Additional commissions from insurers may be earned dependent upon the underwriting results of the business insured. The income is recognised when the results of this business can be determined reasonably.

e Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less amounts written off. The cost or valuation of fixed assets is depreciated by equal instalments over the following periods:

Land and buildings

Land	nil
Buildings	50 years
Related fittings	10 years
Leasehold properties	over the period of the lease

Computers

Hardware and software	various up to a maximum of 3 years
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Plant and other equipment

various up to a maximum of 10 years

Computer development costs are capitalised and are depreciated over 3 years from the time that the particular development becomes fully functional.

f Leased assets

Assets held under finance lease 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 profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of operating leases are charged to profit as incurred.

g Stocks

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

SAGA GROUP LIMITED

Notes on the Accounts continued

h Advance receipts

All booking fees and balance payments for holidays with starting dates after the year end and insurance premiums received which relate to insurance policies issued after the year end, are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

i Deferred expenditure

Expenditure on brochures, advertising and promotional initiatives, which relates to the following year's trading is carried forward at the balance sheet date so that this expenditure is matched with the relevant year's income.

j Deferred taxation

Provision is made for deferred taxation, using the liability method on all material timing differences, which are not expected to continue in the foreseeable future.

k Foreign currencies

Exchange differences arising in respect of revenue transactions for the year are included in the profit and loss account. Assets and liabilities existing at balance sheet date are translated at year end rates except where covered by forward contracts where the contract rate is used.

The accounts of overseas subsidiaries have been translated using the net investment method. Under the net investment method the balance sheets have been translated at year end rates and the profit and loss accounts at weighted average rates for the year except where the net results are covered by forward exchange contracts. Resultant translation differences are taken to reserves and are matched with realised profits or losses arising from forward foreign currency contracts entered into to provide a currency hedge against the effect of changes in the rates of exchange on the value of the net investment in the overseas subsidiaries.

l Goodwill

Goodwill which is established as a result of a purchase of a business is either written off to reserves or amortised in accordance with the directors' best estimate of its useful economic life.

m 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 costs of providing these benefits are charged to the profit and loss account on a regular basis. Overseas subsidiaries make provisions for pensions in accordance with local law and practice.

2 Turnover

Turnover, which all arises from continuing businesses, comprises sales to third parties, net of value added tax, and commissions receivable from insurers.

SAGA GROUP LIMITED**Notes on the Accounts continued****3 Analysis of turnover and profits**

	Turnover		Contributions to profit	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Tour operations and other services	<u>233,017</u>	<u>188,728</u>	<u>13,970</u>	<u>10,818</u>
United Kingdom	182,420	142,214		
United States	<u>50,597</u>	<u>46,514</u>		
	<u>233,017</u>	<u>188,728</u>		

The accounts do not contain details of profits and net assets by geographical area as, in the opinion of the Directors, disclosure of such information would be seriously prejudicial to the interests of the Group. The Group's turnover and profits are derived from the provision of services to people aged fifty and over.

4 Net investment income

	1997 £'000	1996 £'000
Interest on deposits	5,127	4,408
Other interest receivable	48	8
Intercompany interest received	<u>-</u>	<u>29</u>
	5,175	4,445
Intercompany interest paid	(62)	-
Bank and other interest payable	(22)	(11)
Prompt payment discounts allowed to customers	(365)	(249)
Finance lease interest	<u>(134)</u>	<u>(145)</u>
	<u>4,592</u>	<u>4,040</u>

5 Profit before taxation is stated after charging

	1997 £'000	1996 £'000
Depreciation of tangible fixed assets	3,977	2,247
Auditors' remuneration - audit	110	102
- other services (UK)	27	60
Emoluments of directors of the Company (Note 6)	1,217	921
Property lease charges	<u>815</u>	<u>740</u>

SAGA GROUP LIMITED**Notes on the Accounts continued****6 Emoluments of directors**

	1997	1996
	£'000	£'000
Fees	120	94
Remuneration	1,034	766
Pensions to former directors	63	61
	<u>1,217</u>	<u>921</u>

The emoluments, excluding pension contributions, of directors of the Company were:

	1997	1996
	£'000	£'000
Chairman (and highest paid director in 1996)	282	237
Highest paid director (1997)	292	-

Other directors in scale:	Number	Number
£ 10,001 to £15,000	-	1
£ 30,001 to £35,000	1	-
£ 35,001 to £40,000	-	1
£ 40,001 to £45,000	1	-
£ 45,001 to £50,000	1	1
£135,001 to £140,000	-	1
£155,001 to £160,000	-	1
£165,001 to £170,000	-	1
£190,001 to £195,000	1	-
£195,001 to £200,000	1	-

7 Staff costs (excluding directors emoluments)

	1997	1996
	£'000	£'000
Wages and salaries	22,134	18,775
Social security costs	1,630	1,357
Other pension costs	1,001	774
	<u>24,765</u>	<u>20,906</u>
Average number of persons employed	<u>1,564</u>	<u>1,399</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

8 Pension costs

The Group operates a defined benefit pension scheme in the UK and a defined contribution scheme overseas. The pension cost in the UK was £782,000 and £174,000 overseas.

In the UK an actuarial valuation of assets and liabilities of the scheme is carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable the Group to determine the contributions to be made to the scheme. The scheme's funds are held independently of the group's assets.

The actuaries have confirmed that, on the basis of the actuarial assumptions and methods used, the scheme's assets at 1 December 1995 fully covered its liabilities based on the current salary levels and service to the valuation date.

The most recent valuation was conducted as at 1 December 1995 at which date the market value of the scheme assets was £8,058,000. This valuation was prepared using the projected unit method and showed that the level of funding was 89%. The actuaries recommended future contributions of 15% of pensionable salary of which 1.1% represents the amount expected to be necessary to achieve a funding level of 100%. The main financial assumptions used in the valuation were that the rate of return on the investments be 9% per annum, that the rate of salary growth be 7.5% per annum and that the guaranteed rate of pension increase be 5% per annum.

9 Tax on profit on ordinary activities

1997	1996
£'000	£'000

The charge based on the profit for the year comprises:

UK corporation tax @ 33%	4,466	2,522
Group relief @33%	675	624
Overseas taxes	629	509
Adjustments relating to prior years	(36)	(10)
	<hr/> 5,734	<hr/> 3,645
Deferred tax	<hr/> (293)	<hr/> 175
	<hr/> 5,441	<hr/> 3,820

10 Profit for the financial year

Of the profit after taxation for the financial year, £7,631,000 (1996 £5,829,000) has been dealt with in the accounts of the Company. The directors have taken advantage of the exemption given by the Companies Act 1985 Section 230 in not publishing separately a Company Profit and Loss Account.

SAGA GROUP LIMITED
Notes on the accounts continued

11 Tangible fixed assets

Group	Land and buildings £'000	Computers £'000	Plant and other equipment £'000	Total £'000
Cost or valuation:				
At 31 January 1996	9,444	11,455	5,169	26,068
Exchange adjustments	-	(113)	(40)	(153)
Additions	2,887	2,150	153	5,190
Disposals	-	(1,955)	-	(1,955)
At 31 January 1997	<u>12,331</u>	<u>11,537</u>	<u>5,282</u>	<u>29,150</u>
Depreciation:				
At 31 January 1996	1,539	8,436	2,610	12,585
Exchange adjustments	-	(120)	(27)	(147)
Charge for year	194	3,271	512	3,977
Disposals	-	(1,905)	-	(1,905)
At 31 January 1997	<u>1,733</u>	<u>9,682</u>	<u>3,095</u>	<u>14,510</u>
Net book amounts				
At 31 January 1997	<u>10,598</u>	<u>1,855</u>	<u>2,187</u>	<u>14,640</u>
Net book amounts				
At 31 January 1996	<u>7,905</u>	<u>3,019</u>	<u>2,559</u>	<u>13,483</u>
Company				
Cost or valuation:				
At 31 January 1996	9,444	5,800	3,718	18,962
Additions	2,887	710	138	3,735
At 31 January 1997	<u>12,331</u>	<u>6,510</u>	<u>3,856</u>	<u>22,697</u>
Depreciation:				
At 31 January 1996	1,539	4,750	1,829	8,118
Charge for year	194	1,133	371	1,698
At 31 January 1997	<u>1,733</u>	<u>5,883</u>	<u>2,200</u>	<u>9,816</u>
Net book amounts				
At 31 January 1997	<u>10,598</u>	<u>627</u>	<u>1,656</u>	<u>12,881</u>
Net book amounts				
At 31 January 1996	<u>7,905</u>	<u>1,050</u>	<u>1,889</u>	<u>10,844</u>

Land and buildings consists of freehold properties and short leasehold properties. Short leasehold comprises cost of £75,000 and accumulated depreciation of £75,000 at 31 January 1997.

SAGA GROUP LIMITED
Notes on the Accounts continued

As at 31 January 1997 the directors have contracted for £19,493,000 (1996 - £NIL) future capital expenditure.

On 5 April, 1990 The Saga Building, one of the company's freehold properties, was revalued at £5,300,000 by a firm of Chartered Surveyors on an open market existing use basis. Depreciation on the revaluation uplift amounted to £82,080 during the year. Included in land and buildings are amounts in respect of land, with an original cost of £2,547,000 which have not been depreciated.

With the exception of certain land and buildings, all tangible fixed assets are stated at historic cost. The historic cost of land and buildings is as follows:

	Group £'000	Company £'000
Cost	8,226	8,226
Aggregate depreciation	<u>1,165</u>	<u>1,165</u>
Net book amount 31 January 1997	<u>7,061</u>	<u>7,061</u>
Net book amount 31 January 1996	<u>4,286</u>	<u>4,286</u>

The net book amount of tangible fixed assets includes £1,568,000 (1996 - £1,839,000) for the Group and £1,010,000 for the Company (1996 - £1,246,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £1,301,000 (1996 - £624,000) for the Group and £713,000 for the Company (1996 - £317,000).

12 Investment in subsidiary undertakings	1997 £'000	1996 £'000
Cost		
At 31 January 1996	9,080	7,980
Additions	<u>3,750</u>	<u>1,100</u>
	12,830	9,080
Revaluation		
Balance brought forward	7,416	6,031
Adjustments for the year	<u>693</u>	<u>1,385</u>
	8,109	7,416
Net book amount at 31 January 1997	<u>20,939</u>	<u>16,496</u>

The shares in all directly owned subsidiaries are subject to a legal charge in favour of the principal bankers of Saga Leisure Limited, the parent undertaking.

Main operating subsidiary undertakings of Saga Group Limited all of which are wholly owned:

	Country of incorporation or registration	Nature of Business
Saga Holidays Limited	England	Tour operating
Inter-Church Travel Limited	England	Tour operating
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Financial services
Saga Investment Direct Limited	England	Regulated investment products
MetroMail Limited	England	Mail processing
Saga International Holidays Limited	USA	Tour operating

SAGA GROUP LIMITED
Notes on the Accounts continued

13 Current asset investments

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Deposits with financial institutions and local authorities -				
Held in trust	41,629	-	32,200	-
Other	34,972	-	31,979	-
	<u>76,601</u>	<u>-</u>	<u>64,179</u>	<u>-</u>

Holiday monies received by the group's U.K. tour operating businesses from customers in advance of holiday departure dates, are paid directly into independently controlled trusts. The monies remain in trust until the tour operating companies have fulfilled their obligations to the customer. (See also, the footnote to note 17).

Group deposits amounting to £15,062,000 (1996 - £22,906,000) have maturity dates in excess of one year. Although these investments could be realised at short notice it is anticipated that they will be held until maturity.

14 Cash at bank and in hand

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 13)	1,231	-	1,074	-
Other	1,351	4	1,004	-
	<u>2,582</u>	<u>4</u>	<u>2,078</u>	<u>-</u>

15 Stock

	1997	1996
	£'000	£'000
Stock	<u>95</u>	<u>960</u>

Stock comprises housing units held for resale and land held for development.

16 Debtors

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	14,606	2	10,944	808
Other debtors	3,156	712	2,324	242
Prepayments and deferred expenditure	20,105	2,915	16,835	1,403
Taxation recoverable	181	-	142	-
	<u>38,048</u>	<u>3,629</u>	<u>30,245</u>	<u>2,453</u>

SAGA GROUP LIMITED

Notes on the Accounts continued

17 Creditors - amounts falling due within one year	31st January 1997		31st January 1996	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft	811	377	2,852	408
Advance receipts (see footnote below)	45,735	-	39,462	-
Trade creditors	39,207	156	31,572	402
Due to group undertakings	5,544	11,840	3,567	7,537
Corporate taxation	4,368	5	2,216	-
Other taxation and social security	1,016	-	677	-
Other creditors	718	64	983	290
Accruals and deferred income	10,289	1,632	8,883	1,525
Leasing	505	186	773	443
	<u>108,193</u>	<u>14,260</u>	<u>90,985</u>	<u>10,605</u>

Of the amount included in advance receipts, £33,463,000 (1996 - £28,476,000) relates to advance customer holiday deposits which are held in trust, as explained in note 13.

18 Creditors - amounts falling due after more than one year	31st January 1997		31st January 1996	
	Group £'000	Company £'000	Group £'000	Company £'000
Leasing	<u>1,678</u>	<u>1,112</u>	<u>1,175</u>	<u>805</u>

19 Obligations under finance leases

The capital amounts due under finance lease obligations are as follows:

	31st January 1997		31st January 1996	
	Group £'000	Company £'000	Group £'000	Company £'000
Within one year	505	186	773	443
Within two to five years	<u>1,678</u>	<u>1,112</u>	<u>1,175</u>	<u>805</u>
	<u>2,183</u>	<u>1,298</u>	<u>1,948</u>	<u>1,248</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

20 Provision for liabilities and charges

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Deferred taxation				
Balance at beginning of year	293	-	116	-
Charge/(credit) for the year	(293)	-	175	-
Exchange adjustment	-	-	2	-
	<u>-</u>	<u>-</u>	<u>293</u>	<u>-</u>
Balance at end of year	-	-	-	-

The major components of the provision for deferred taxation are:

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	43	-
Other short term timing differences	-	-	250	-
	<u>-</u>	<u>-</u>	<u>293</u>	<u>-</u>

At 31 January 1997 the full potential liability for deferred tax of the Group was £13,000 (1996 - £534,000) and of the Company £NIL (1996 - £NIL).

The above figures exclude deferred tax on capital gains which would arise if freehold properties or investments in subsidiaries were sold at their revalued amounts as it is the intention that such assets will be retained for use in the business.

21 Lease commitments

Operating leases

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

	31st January 1997		31st January 1996	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within 1 year	82	77	47	47
Within 2 to 5 years	863	211	183	183
Thereafter	84	-	747	51
	<u>1,029</u>	<u>288</u>	<u>977</u>	<u>281</u>
Plant & machinery				
Leases expiring:-				
Within 1 year	147	104	58	54
Within 2 to 5 years	694	665	399	385
Thereafter	-	-	5	-
	<u>841</u>	<u>769</u>	<u>462</u>	<u>439</u>

SAGA GROUP LIMITED

Notes on the Accounts continued

22 Called up share capital

	1997 £'000	1996 £'000
Authorised		
27,000,000 Ordinary shares of 20p each	5,400	5,400
Allotted and fully paid		
18,086,076 Ordinary shares of 20p each	3,617	3,617

23 Reserves

Group	Share Premium Account £'000	Revaluation Reserve £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
At 31 January 1996	84	3,619	391	10,781
Currency fluctuations	-	-	74	-
Depreciation transfer	-	(82)	-	82
Retained profit	-	-	-	3,529
At 31 January 1997	84	3,537	465	14,392
Company				
At 31 January 1996	84	13,931	391	360
Currency fluctuations	-	-	74	-
Depreciation transfer	-	(82)	-	82
Revaluation of investment in subsidiaries	-	993	-	(15)
Retained profit	-	-	-	2,646
At 31 January 1997	84	14,842	465	3,073

24 Contingent liabilities

At 31 January 1997 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £2,201,000 (1996 - £1,743,000). Further contingent liabilities of approximately £450,000 existed at 31 January 1997 relating to services provided to the group. The company is party to a guarantee in favour of the principal bankers of Saga Leisure Limited, as security for the borrowings of that company. The amount subject to guarantee at 31 January 1997 was £15 million.

25 Related party transactions

During the year Saga Holidays Limited used the services of David De Haan Tours Limited (a company controlled by a relative of the directors RM De Haan and PC De Haan) as an overseas handling agent. All arrangements were on an "arms-length basis" and amounts paid during the year totalled £1,679,000 in respect of hotel and other direct costs incurred on behalf of the group's tour operating businesses. No material amounts were outstanding at the balance sheet date.

26 Ultimate parent undertaking

The ultimate parent undertaking is Saga Leisure Limited which is incorporated in England. The accounts of the company have been included in the consolidated accounts of Saga Leisure Limited.

Report of the Auditors to the Members of Saga Group Limited

We have audited the accounts on pages 3 to 17 which have been prepared under the historical cost convention, modified by the revaluation of certain freehold properties and investments in subsidiaries, and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, the group's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 January 1997 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London



.....8. May 1997