

SAGA GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 JANUARY 2000



Company Registration Number: 638891

SAGA GROUP LIMITED

Directors' Report

Directors: R M De Haan (Chairman)
H F Anthony
T B Bull
A R Deacon
J A Goodsell
M E Hatch
S M Howard (appointed 4 April 2000)
T C K K Wright (appointed 6 December 1999)

Secretary: R J Fraser

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

The directors submit their report together with the audited accounts of the Group for the year ended 31 January 2000.

Principal activities and review of business developments

The Group's principal activity consists of the provision of a wide range of services to people aged fifty and over, including holidays, insurance, financial services and publishing.

The past year has been an excellent one for the Group with profitability achieving record levels. The directors anticipate further growth in profits in the year to 31 January 2001.

Subsequent events and future developments

The directors anticipate that 2000/2001 will see a continuation of the Group's long term strategy of developing its core businesses.

Results and dividends

The profit for the year before taxation amounts to £28,187,000. A dividend totalling £14,500,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £4,660,000 has been added to reserves.

Directors

The directors of the company during the year to 31 January 2000 were those listed above and P C De Haan who resigned on 18 August 1999. T C K K Wright and S M Howard were appointed on 6 December 1999 and 4 April 2000 respectively; they retire and, being eligible, offer themselves for re-election. H F Anthony and A R Deacon retire by rotation and, being eligible, offer themselves for re-election.

Year 2000

The Group has not encountered any problems associated with Year 2000 matters and the directors do not foresee any difficulties arising in the future.

SAGA GROUP LIMITED

Directors' Report continued

Directors' Interests

As Mr R M De Haan is director of the ultimate parent undertaking, his interest is set out in the accounts of that company. No other director has an 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.

Donations

During the year the group made UK charitable donations amounting to £205,000. 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 including a regular staff newsletter. 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.

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 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.

By order of the Board



R J Fraser
Secretary

3rd May 2000

The Saga Building
Enbrook Park
Folkestone
Kent
CT20 3SE

SAGA GROUP LIMITED

Consolidated profit and loss account For the year ended 31 January 2000

	Note	2000 £'000	1999 £'000
Turnover	3	284,905	276,086
Cost of sales		<u>(166,138)</u>	<u>(166,638)</u>
Gross profit		118,767	109,448
Administrative and marketing expenses		(94,268)	(93,183)
Net investment income	4	<u>3,688</u>	<u>4,385</u>
Profit on ordinary activities before taxation	5	<u>28,187</u>	<u>20,650</u>
Taxation	9	<u>(9,027)</u>	<u>(7,656)</u>
Profit on ordinary activities after taxation		19,160	12,994
Dividend		<u>(14,500)</u>	<u>(12,500)</u>
Retained profit for the year	23	<u><u>4,660</u></u>	<u><u>494</u></u>

SAGA GROUP LIMITED
For the year ended 31 January 2000

Statement of total recognised gains and losses

	2000 £'000	1999 £'000
Profit for the year after taxation	19,160	12,994
Exchange differences arising on foreign currency net investments in overseas subsidiaries	6	70
Total gains recognised since last report	<u>19,166</u>	<u>13,064</u>

Reconciliation of movement in shareholders' funds

	2000 £'000	1999 £'000
Profit for the year after taxation	19,160	12,994
Exchange differences arising on foreign currency net investment in overseas subsidiaries	6	70
Dividends paid	(14,500)	(12,500)
	<u>4,666</u>	<u>564</u>
Shareholders' funds brought forward	20,033	19,469
Shareholders' funds carried forward	<u>24,699</u>	<u>20,033</u>

SAGA GROUP LIMITED
Consolidated Balance Sheet
As at 31 January 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	65,047	66,929
Current assets			
Investments	13	125,504	134,787
Stock	15	617	752
Debtors	16	48,398	44,840
Cash at bank and in hand	14	4,029	4,391
		<u>178,548</u>	<u>184,770</u>
Creditors			
- amounts falling due within one year	17	<u>197,137</u>	<u>208,626</u>
Net current liabilities		(18,589)	(23,856)
Total assets less current liabilities		<u>46,458</u>	<u>43,073</u>
Creditors			
- amounts falling due after more than one year	18	18,393	21,000
Provisions for liabilities and charges	20	<u>3,366</u>	<u>2,040</u>
		<u>24,699</u>	<u>20,033</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Currency equalisation account	23	584	578
Profit and loss account	23	20,414	15,754
Equity shareholders' funds		<u>24,699</u>	<u>20,033</u>

R M De Haan



} Directors

S M Howard

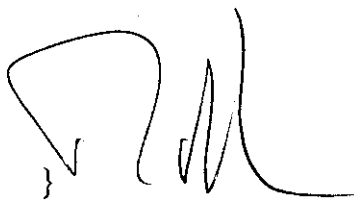


3rd May 2000

SAGA GROUP LIMITED
Company Balance Sheet
As at 31 January 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	37,898	36,830
Investment in subsidiaries	12	23,930	23,930
		<u>61,828</u>	<u>60,760</u>
Current assets			
Investments	13	-	5,000
Debtors - including amounts due after one year	16	9,135	10,271
Cash at bank and in hand	14	6	5
		<u>9,141</u>	<u>15,276</u>
Creditors			
- amounts falling due within one year	17	43,457	52,261
Net current liabilities		<u>(34,316)</u>	<u>(36,985)</u>
Total assets less current liabilities		27,512	23,775
Creditors			
- amounts falling due after more than one year	18	9,060	8,849
Provision for liabilities and charges	20	1,429	200
		<u>17,023</u>	<u>14,726</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Profit and loss account	23	13,322	11,025
Equity shareholders' funds		<u>17,023</u>	<u>14,726</u>

R M De Haan



} Directors

S M Howard



3rd May 2000

SAGA GROUP LIMITED
Notes on the Accounts

1 Accounting Policies

a Accounting convention

The accounts are prepared under the historical cost convention, 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 2000.

c Turnover

Turnover from tour operations is recognised upon departure date with the exception of cruises where turnover is recognised on a daily basis if the cruise ship is owned by the group.

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. This income is recognised when the results of this business can be determined reasonably. All other income is recognised as earned.

d Tangible fixed assets

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

Land and buildings

Land	nil
Buildings	50 years
Related fittings	various up to a maximum of 10 years
Cruise ship	various up to a maximum of 13 years
Computers	various up to a maximum of 3 years
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.

e 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.

f Stocks

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

g 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.

SAGA GROUP LIMITED
Notes on the Accounts continued

h 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.

i 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.

j 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 the 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.

k Goodwill

Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10.

l Pension benefits

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

m Government grants

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

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 by geographical area

	2000	1999
	£'000	£'000
United Kingdom	245,609	231,792
United States	39,296	44,294
	<u>284,905</u>	<u>276,086</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 single activity of providing services to people aged fifty and over.

4 Net investment income

	2000	1999
	£'000	£'000
Interest on deposits	7,083	8,441
Other interest receivable	50	10
	<u>7,133</u>	<u>8,451</u>
Intercompany interest	(2,183)	(3,055)
Loan interest	(1,190)	(892)
Other interest payable	(11)	(18)
Finance lease interest	(61)	(101)
	<u>3,688</u>	<u>4,385</u>

5 Profit before taxation is stated after charging/(crediting):

	2000	1999
	£'000	£'000
Depreciation of tangible fixed assets	5,390	4,746
Deferred government grant release	(43)	-
Auditors' remuneration - for audit services	133	128
- for non-audit services	104	115
Property lease charges	806	864
Hire of plant and machinery	<u>1,055</u>	<u>1,101</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

6	Directors' emoluments	2000 £'000	1999 £'000
	Emoluments	2,960	1,401
	Compensation for loss of office	250	157
	Pensions to former directors	79	70
		<u>3,289</u>	<u>1,628</u>

		2000 <u>4</u>	1999 <u>5</u>
	Members of defined benefit pension scheme		

The amounts in respect of the highest paid director are as follows:

		2000 £'000	1999 £'000
	Emoluments	<u>2,026</u>	<u>519</u>

		2000 £'000	1998 £'000
	Defined benefit pension scheme:		
	Accrued pension at end of year	<u>236</u>	<u>229</u>

7	Staff costs	2000 £'000	1999 £'000
	Wages and salaries	35,774	31,935
	Social security costs	2,765	2,574
	Other pension costs	2,296	2,715
		<u>40,835</u>	<u>37,224</u>
	Average number of persons employed	<u>1,974</u>	<u>1,784</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 £2,026,000 (1999 - £2,416,000) and £270,000 (1999 - £203,000) overseas. Included in debtors is a pension contribution prepayment of £2,020,000 (1999 - 1,960,000).

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 most recent full valuation was conducted as at 1 December 1998 at which date the actuarial valuation of the Scheme assets was £15.7m. This valuation was prepared using the projected unit funding method and showed that the level of funding was 87% allowing for salaries projected to retirement or earlier withdrawal. Pension benefits accruing after 1 July 2000 will be affected by an amendment to be made to the Scheme rules which will restrict the increases in pensions in payment to Limited Price Indexation (LPI). This means that annual increases will be made equal to the Retail Price Index (RPI), limited to a maximum increase of 5%. After allowing for the alteration to pension benefits, the Scheme actuary has confirmed that the current contribution rate of 15% is sufficient to meet the funding requirements of the Scheme. The other main financial assumptions used in the valuation were that the rate of return on investments is 8% per annum, the rate of salary growth is 6.5% per annum and the rate of price inflation is 4% per annum. A Minimum Funding Requirement (MFR) valuation was also undertaken at 1 December 1998, as required by the Pensions Act 1995, using a prescribed method and set of assumptions. The MFR Funding Level was found to be 88% representing a shortfall of assets against liabilities of £2,563,000. The group made special payments to the Scheme equal to the MFR shortfall identified.

9 Tax on profit on ordinary activities

2000	1999
£'000	£'000

The charge based on the profit for the year comprises:

UK corporation tax @ 30.2% (1999 - 31%)	6,985	5,856
Group relief @ 30.2% (1999 - 31%)	1,413	764
Overseas taxes	33	(464)
Adjustments relating to prior years	(730)	(40)
	<hr/>	<hr/>
	7,701	6,116
Deferred tax - current year	810	1,540
- prior years	516	-
	<hr/>	<hr/>
	9,027	7,656

10 Profit for the financial year

Of the profit after taxation for the financial year, £16,819,000 (1999 - £14,572,000) 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

	Land and buildings £'000	Cruise ship £'000	Other fixed assets £'000	Total £'000
Group				
Cost or valuation				
At 1 February 1999	35,292	33,425	18,862	87,579
Exchange adjustments	-	-	20	20
Additions	2,520	(11)	997	3,506
Disposals	(75)	-	(59)	(134)
At 31 January 2000	<u>37,737</u>	<u>33,414</u>	<u>19,820</u>	<u>90,971</u>
Depreciation				
At 1 February 1999	1,352	4,177	15,121	20,650
Exchange adjustments	-	-	18	18
Charge for year	1,093	3,217	1,080	5,390
Disposals	(75)	-	(59)	(134)
At 31 January 2000	<u>2,370</u>	<u>7,394</u>	<u>16,160</u>	<u>25,924</u>
Net book amounts				
At 31 January 2000	<u>35,367</u>	<u>26,020</u>	<u>3,660</u>	<u>65,047</u>
Net book amounts				
At 1 February 1999	<u>33,940</u>	<u>29,248</u>	<u>3,741</u>	<u>66,929</u>
Company				
Cost or valuation				
At 1 February 1999	35,292		12,634	47,926
Additions	2,520		465	2,985
Disposals	(75)		-	(75)
At 31 January 2000	<u>37,737</u>		<u>13,099</u>	<u>50,836</u>
Depreciation				
At 1 February 1999	1,352		9,744	11,096
Charge for year	1,093		824	1,917
Disposals	(75)		-	(75)
At 31 January 2000	<u>2,370</u>		<u>10,568</u>	<u>12,938</u>
Net book amounts				
At 31 January 2000	<u>35,367</u>		<u>2,531</u>	<u>37,898</u>
Net book amounts				
At 1 February 1999	<u>33,940</u>		<u>2,890</u>	<u>36,830</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

11 Tangible fixed assets cont'd.

As at 31 January 2000 the directors had contracted for £134,000 (1999 - £4,143,000) of future capital expenditure.

Included in land and buildings are amounts in respect of land, with an original cost of £2,547,000 which have not been depreciated.

All tangible fixed assets are stated at historic cost.

The net book amount of tangible fixed assets includes £410,000 (1999 - £706,000) for the Group and £410,000 for the Company (1999 - £691,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £298,000 (1999 - £347,000) for the Group and £281,000 for the Company (1999 - £327,000).

12 Investment in subsidiary undertakings	2000	1999
	£'000	£'000
Cost	24,790	24,790
Provision	(860)	(860)
	<u>23,930</u>	<u>23,930</u>

The shares in all directly owned subsidiaries are subject to a legal charge in favour of the group's principal bankers.

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 Shipping Company Limited	England	Cruising
Saga International Holidays Limited	USA	Tour operating

SAGA GROUP LIMITED
Notes on the Accounts continued

13 Current asset investments

Deposits with financial institutions and local authorities -

	31st January 2000		31st January 1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Held in trust	55,252	-	79,550	-
Other	70,252	-	55,237	5,000
	<u>125,504</u>	<u>-</u>	<u>134,787</u>	<u>5,000</u>

Monies received in respect of holiday packages by the group's UK 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 £26,088,000 (1999 - £22,588,000) 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 2000		31st January 1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 13)	1,656	-	1,174	-
Other	2,373	6	3,217	5
	<u>4,029</u>	<u>6</u>	<u>4,391</u>	<u>5</u>

15 Stock

	2000	1999
	£'000	£'000
	Group	Group
Stock	<u>617</u>	<u>752</u>

16 Debtors

	31st January 2000		31st January 1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	23,151	11	20,809	7
Other debtors	3,774	644	4,053	1,391
Prepayments and deferred expenditure	20,957	1,980	19,062	2,225
Amounts owed by group undertaking	-	6,500	-	6,500
Taxation recoverable	516	-	916	148
	<u>48,398</u>	<u>9,135</u>	<u>44,840</u>	<u>10,271</u>

The amount owed by group undertaking is receivable after more than one year.

Included within prepayments are amounts paid in respect of pensions by the Group of £1,852,000, 1999 - £1,806,000 (Company - £1,459,000, 1999 - £1,517,000) which are chargeable to profit and loss account after more than one year.

SAGA GROUP LIMITED
Notes on the Accounts continued

17 Creditors	31st January 2000		31st January 1999	
	Group	Company	Group	Company
- amounts falling due within one year	£'000	£'000	£'000	£'000
Bank loan	2,667	-	2,667	-
Bank overdraft	914	262	2,384	770
Advance receipts (see footnote below)	55,225	-	49,835	-
Trade creditors	62,878	86	69,870	830
Due to group undertakings	41,394	34,345	45,474	41,393
Corporate taxation	5,081	250	4,872	103
Other taxation and social security	2,781	1,487	1,772	627
Other creditors	2,108	528	7,035	256
Accruals and deferred income	23,836	6,358	24,131	7,860
Leasing (see note 19)	253	141	586	422
	<u>197,137</u>	<u>43,457</u>	<u>208,626</u>	<u>52,261</u>

Of the amount included in advance receipts, £45,142,000 (1999 - £38,856,000) relates to advance customer holiday deposits which are held in trust, as explained in note 13.

18 Creditors	31st January 2000		31st January 1999	
	Group	Company	Group	Company
- amounts falling due after more than one year	£'000	£'000	£'000	£'000
Bank loan	9,333	-	12,000	-
Due to group undertaking	6,500	6,500	6,500	6,500
Deferred government grants	2,560	2,560	2,208	2,208
Leasing (note 19)	-	-	292	141
	<u>18,393</u>	<u>9,060</u>	<u>21,000</u>	<u>8,849</u>
The bank loan falls due for repayment:				
Between 1 and 2 years	2,667		2,667	
Between 2 and 5 years	6,666		8,000	
After 5 years	-		1,333	
	<u>9,333</u>		<u>12,000</u>	

Interest rates on the bank loans are on a variable basis linked to LIBOR.

19 Obligations under finance leases

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

	31st January 2000		31st January 1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Within one year	253	141	586	422
Within two to five years	-	-	292	141
	<u>253</u>	<u>141</u>	<u>878</u>	<u>563</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

20	Provision for liabilities and charges	31st January 2000		31st January 1999	
		Group	Company	Group	Company
	Deferred taxation	£'000	£'000	£'000	£'000
	Balance at beginning of year	2,040	200	500	-
	Charge for the year	1,326	1,229	1,540	200
	Balance at end of year	<u>3,366</u>	<u>1,429</u>	<u>2,040</u>	<u>200</u>

All of the above deferred tax liabilities relate to accelerated capital allowances.

At 31 January 2000 the full potential liability for deferred tax of the Group was £3,366,000 (1999 - £2,040,000) and of the Company £1,429,000 (1999 - £200,000).

21 Lease commitments

Operating leases

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

	31st January 2000		31st January 1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within 1 year	44	44	100	91
Within 2 to 5 years	877	27	836	71
	<u>921</u>	<u>71</u>	<u>936</u>	<u>162</u>
Plant & machinery				
Leases expiring:-				
Within 1 year	359	359	546	545
Within 2 to 5 years	1,082	1,048	578	547
	<u>1,441</u>	<u>1,407</u>	<u>1,124</u>	<u>1,092</u>

22 Called up share capital

	2000	1999
Authorised	£'000	£'000
27,000,000 Ordinary shares of 20p each	<u>5,400</u>	<u>5,400</u>
Allotted and fully paid		
18,086,076 Ordinary shares of 20p each	<u>3,617</u>	<u>3,617</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

23 Reserves

Group	Share Premium Account £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
At 1 February 1999	84	578	15,754
Currency fluctuations	-	6	-
Retained profit	-	-	4,660
At 31 January 2000	<u>84</u>	<u>584</u>	<u>20,414</u>

The cumulative amount of goodwill written off at 31 January 2000 is £271,000 (1999 - £271,000)

Company

At 1 February 1999	84	-	11,025
Retained profit	-	-	2,297
At 31 January 2000	<u>84</u>	<u>-</u>	<u>13,322</u>

24 Contingent liabilities

At 31 January 2000 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £3,359,000 (1999 - £2,959,000). 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 2000 was £60 million (1999 - £50 million). In addition, a bank holds a mortgage over the group's cruise ship, as security against borrowing by Saga Shipping Company Limited in the amount of £12,000,000 (1999 - £14,667,000).

25 Related party transactions

During the year Saga Holidays Limited used the services of David De Haan Tours Limited (a company resident in New Zealand controlled by a relative of the director RM De Haan) as an overseas handling agent. All arrangements were on an "arms-length basis" and amounts paid during the year totalled £1,151,000 (1999 - £1,052,000) in respect of hotel and other direct costs incurred in New Zealand 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 4 to 18 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

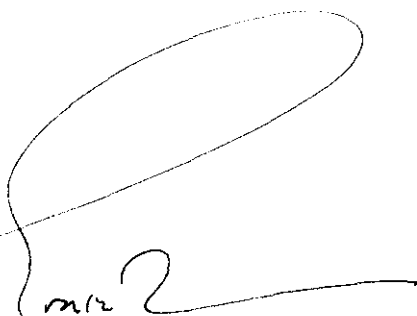
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 2000 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
Registered Auditor
London



3rd May 2000