

SAGA GROUP LIMITED
ANNUAL REPORT AND ACCOUNTS

31 JANUARY 2002

Company Registration Number: 638891



SAGA GROUP LIMITED

Directors' report

Directors: R M De Haan (Chairman)
T B Bull
A R Deacon
J A Goodsell
M E Hatch
S M Howard
P Phillipson
T C K K Wright

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 2002.

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, radio broadcasting 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 2003.

Subsequent events and future developments

The directors anticipate that 2002/2003 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 £38,768,000. A dividend of £24,000,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £2,754,000 has been added to reserves.

Directors

The directors of the company during the year ended 31 January 2002 were those listed above. T B Bull, A R Deacon and S M Howard retire by rotation and, being eligible, offer themselves for re-election.

SAGA GROUP LIMITED

Directors' report continued

Directors' interests

R M De Haan is a director of the ultimate parent undertaking, Saga Leisure Limited, and his interest in shares are 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 and other payments

During the year the Group made payments to various charitable and non-profit making organisations totalling £729,000 (2001 - £560,000). This included £448,000 of donations and £32,000 of payments in kind to UK charitable organisations and further payments of £249,000 to sponsor charitable and other non-profit making organisations and events. 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

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming 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

17 April 2002

The Saga Building
Enbrook Park
Folkestone
Kent
CT20 3SE

SAGA GROUP LIMITED

Consolidated profit and loss account for the year ended 31 January 2002

		2002	As restated 2001
Turnover	Note	£'000	£'000
Turnover: group and share of joint venture turnover		344,103	311,860
Less: share of joint venture turnover		(369)	-
Group turnover	3	<u>343,734</u>	<u>311,860</u>
Cost of sales		<u>(188,640)</u>	<u>(177,720)</u>
Gross profit		155,094	134,140
Administrative and marketing expenses		(121,116)	(107,029)
Investment income	4	<u>5,626</u>	<u>6,060</u>
Operating profit		39,604	33,171
Share of operating loss in joint venture		(168)	(222)
Profit before finance costs		<u>39,436</u>	<u>32,949</u>
Finance costs	5	<u>(668)</u>	<u>(937)</u>
Profit on ordinary activities before taxation	6	38,768	32,012
Taxation	10	<u>(12,014)</u>	<u>(6,507)</u>
Profit on ordinary activities after taxation		26,754	25,505
Dividend		<u>(24,000)</u>	<u>(22,000)</u>
Retained profit for the year	24	<u>2,754</u>	<u>3,505</u>

SAGA GROUP LIMITED
Year ended 31 January 2002

Statement of total recognised gains and losses

	2002 £'000	As restated 2001 £'000
Profit for the year after taxation	26,754	25,505
Exchange differences arising on foreign currency net investments in overseas subsidiaries	(106)	(273)
Total recognised gains and losses relating to the year	26,648	25,232
Prior year adjustment (as explained in note 28)	(5,473)	-
Total recognised gains and losses since last report	21,175	25,232

Reconciliation of movement in shareholders' funds

	2002 £'000	As restated 2001 £'000
Total recognised gains and losses relating to the year	26,648	25,232
Dividends	(24,000)	(22,000)
	2,648	3,232
Shareholders' funds brought forward (originally £29,231,000 before deducting prior year adjustment of £5,473,000)	23,758	20,526
Shareholders' funds carried forward	26,406	23,758

SAGA GROUP LIMITED
Consolidated balance sheet as at 31 January 2002

			As restated
	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	12	62,238	63,720
Investment in joint venture:			
Share of gross assets		132	159
Share of gross liabilities		(77)	(314)
	13	55	(155)
		<u>62,293</u>	<u>63,565</u>
Current assets			
Investments	14	127,089	138,027
Stock	16	841	889
Debtors – including amounts due after more than one year	17	68,302	52,574
Cash at bank and in hand	15	10,435	7,815
		<u>206,667</u>	<u>199,305</u>
Creditors			
- amounts falling due within one year	18	(216,469)	(213,086)
Net current liabilities		<u>(9,802)</u>	<u>(13,781)</u>
Total assets less current liabilities		52,491	49,784
Creditors			
- amounts falling due after more than one year	19	(25,230)	(25,318)
Provisions for liabilities and charges	21	(855)	(708)
		<u>26,406</u>	<u>23,758</u>
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Currency equalisation account	24	205	311
Profit and loss account	24	22,500	19,746
Equity shareholders' funds		<u>26,406</u>	<u>23,758</u>

R M De Haan

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} Directors

S M Howard

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17 April 2002

SAGA GROUP LIMITED
Company balance sheet as at 31 January 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	12	35,223	36,327
Investments	13	26,018	23,931
		<u>61,241</u>	<u>60,258</u>
Current assets			
Investments	14	1,743	-
Debtors – including amounts due after more than one year	17	9,067	9,114
Cash at bank and in hand	15	2	2
		<u>10,812</u>	<u>9,116</u>
Creditors			
- amounts falling due within one year	18	(38,254)	(37,450)
Net current liabilities		<u>(27,442)</u>	<u>(28,334)</u>
Total assets less current liabilities		33,799	31,924
Creditors			
- amounts falling due after more than one year	19	(8,904)	(8,956)
Provisions for liabilities and charges	21	(1,232)	(1,383)
		<u>23,663</u>	<u>21,585</u>
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Profit and loss account	24	19,962	17,884
Equity shareholders' funds		<u>23,663</u>	<u>21,585</u>


R M De Haan

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} Directors

S M Howard

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17 April 2002

SAGA GROUP LIMITED

Notes to 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 2002. Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

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. Income received in advance relating to long term commercial agreements is recognised over the period of the agreement. 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
Leasehold properties	over the period of the lease
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

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

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.

SAGA GROUP LIMITED

Notes to the accounts continued

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.

h Deferred expenditure

Expenditure on holiday brochures, which relates to next year's trading is carried forward at the balance sheet date and charged against profits in the following accounting period. The policy was changed during the year and a full explanation is set out in note 28.

i 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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 applied.

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. Resultant translation differences are taken to reserves.

k 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.

l 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.

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 to the accounts continued

3 Analysis of turnover by geographical area

	2002	2001
	£'000	£'000
United Kingdom	311,777	274,541
United States	31,957	37,319
	<u>343,734</u>	<u>311,860</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 Investment income

	2002	2001
	£'000	£'000
Interest on deposits	6,819	8,171
Intercompany interest	(1,196)	(2,141)
Other interest receivable	3	30
	<u>5,626</u>	<u>6,060</u>

5 Finance costs

	2002	2001
	£'000	£'000
Loan interest	631	890
Finance lease interest	29	42
Other interest payable	8	5
	<u>668</u>	<u>937</u>

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

	2002	2001
	£'000	£'000
Depreciation of tangible fixed assets	6,274	5,684
Deferred government grant release	(52)	(52)
Auditors' remuneration - for audit services	127	160
- for non-audit services	98	83
Property lease charges	1,314	1,172
Hire of plant and machinery	<u>1,968</u>	<u>1,563</u>

SAGA GROUP LIMITED
Notes to the accounts continued

7	Directors' emoluments	2002	2001
		£'000	£'000
	Emoluments	2,156	1,588
	Compensation for loss of office	110	-
	Pensions to former directors	87	81
		<u>2,353</u>	<u>1,669</u>
		2002	2001
	Members of defined benefit pension scheme	<u>5</u>	<u>5</u>

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

	2002	2001
	£'000	£'000
Emoluments	<u>635</u>	<u>534</u>
	2002	2001
Defined benefit pension scheme:	£'000	£'000
Accrued pension at end of year	<u>15</u>	<u>286</u>

8	Staff costs	2002	2001
		£'000	£'000
	Wages and salaries	45,879	40,656
	Social security costs	3,428	3,017
	Other pension costs	2,307	2,439
		<u>51,614</u>	<u>46,112</u>
	Average number of persons employed	<u>2,545</u>	<u>2,249</u>

SAGA GROUP LIMITED
Notes on the accounts continued

9 Pension costs

The company operates a pension scheme in the UK with defined benefit and defined contribution sections. The company operates a defined contribution scheme overseas.

In the past year contributions of £24,000 were paid to the UK defined contribution section of the scheme and an amount of £35,000 was credited to the overseas defined contribution scheme.

In the past year contributions of £2,318,000 were paid to the defined benefit section of the scheme. Contributions were paid by the company at a rate of 10.5% of members' Gross Earnings (12% with effect from February 2002) and by members at a rate of 5% of Gross Earnings. The increase in contribution rate was introduced on the recommendation of the scheme's actuary with a view to meeting the long-term funding requirement of the scheme. Included in debtors is a pension contribution prepayment of £1,687,000 (2001 – £1,854,000).

A full actuarial valuation has been carried out as at 30 November 2001, however the formal report has not yet been signed off. The results of this valuation have been updated on an FRS17 basis to 31 January 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 Jan 2002
Rate of increase in salaries	4.6%
Rate of increase in pensions in payment (LPI)	2.4%
Rate of increase in deferred pensions	2.4%
Discount rate	5.6%
Inflation assumption	2.4%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 Jan 2002	Market Value At 31 Jan 2002 £'000
Equities	7.1%	22,234
Bonds	5.1%	4,449
Other (Cash)	4.0%	1,554
Total Assets	6.6%	28,237
Actuarial value of scheme liabilities		(45,264)
FRS17 deficit in the scheme		(17,027)
Related deferred tax asset		5,108
FRS17 Net pension liability		(11,919)

10 Tax on profit on ordinary activities

	2002 £'000	As restated 2001 £'000
The charge based on the profit for the year comprises:		
UK corporation tax @ 30%	11,320	8,411
Group relief @ 30%	855	1,484
Overseas taxes	-	11
Adjustments relating to prior years	(161)	(33)
	12,014	9,873
Deferred tax - current year	-	(3,366)
	12,014	6,507

SAGA GROUP LIMITED
Notes to the accounts continued

11 Profit for the financial year

Of the profit after taxation for the financial year, £2,078,000 (2001 – £4,700,000) 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.

12 Tangible fixed assets

Group	Land and Buildings £'000	Cruise Ship £'000	Other Assets £'000	Total £'000
Cost or valuation				
At 1 February 2001	38,072	31,387	22,397	91,856
Exchange adjustments	-	-	53	53
Additions	338	2,825	1,627	4,790
Disposals	-	(2,382)	(1,812)	(4,194)
At 31 January 2002	38,410	31,830	22,265	92,505
Depreciation				
At 1 February 2001	3,602	8,599	15,935	28,136
Exchange adjustments	-	-	51	51
Charge for year	1,246	3,137	1,891	6,274
Disposals	-	(2,382)	(1,812)	(4,194)
At 31 January 2002	4,848	9,354	16,065	30,267
Net book amounts				
At 31 January 2002	33,562	22,476	6,200	62,238
Net book amounts				
At 1 February 2001	34,470	22,788	6,462	63,720
Company				
Cost or valuation				
At 1 February 2001	38,072		13,189	51,261
Additions	10		697	707
At 31 January 2002	38,082		13,886	51,968
Depreciation				
At 1 February 2001	3,601		11,333	14,934
Charge for year	1,237		574	1,811
At 31 January 2002	4,838		11,907	16,745
Net book amounts				
At 31 January 2002	33,244		1,979	35,223
At 1 February 2001	34,471		1,856	36,327

Included in land and buildings are amounts in respect of land, with an original cost of £2,597,000 (2001 : £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 £2,146,000 (2001 - £3,110,000) for the Group and £211,000 (2001 - £290,000) for the Company in respect of assets held under finance leases. Depreciation for the year on these assets was £964,000 (2001- £311,000) for the Group and £79,000 (2001 - £119,000) for the Company.

Included within land and buildings are leasehold improvements with a cost of £327,000. Depreciation for the year on these assets was £9,000.

The Group had expenditure contracted for but not provided in the financial statements of £444,000 at 31 January 2002 (2001 - £nil).

SAGA GROUP LIMITED
Notes to the accounts continued

13 Investments

Group – Investment in joint venture	£'000		
At 1 February 2001	(155)		
Share of loss retained by joint venture	(168)		
Capital contribution	378		
At 31 January 2002	<u>55</u>		
	Subsidiary	Joint	
	Undertakings	Venture	Total
Company	£'000	£'000	£'000
Cost			
At 1 February 2001	24,791	-	24,791
Additions	<u>2,500</u>	<u>330</u>	<u>2,830</u>
At 31 January 2002	27,291	330	27,621
Provision			
At 1 February 2001	860	-	860
Movement in year	<u>413</u>	<u>330</u>	<u>743</u>
At 31 January 2002	1,273	330	1,603
Net book value			
At 31 January 2002	<u>26,018</u>	<u>-</u>	<u>26,018</u>
Net book value			
At 1 February 2001	<u>23,931</u>	<u>-</u>	<u>23,931</u>

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

The main operating subsidiary undertakings of Saga Group Limited, all of which are wholly owned, are listed below:

	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 Digital Radio Limited	England	Radio broadcasting
Saga Radio Limited	England	Radio broadcasting
Saga Regional Digital Radio Limited	England	Radio broadcasting
Saga International Holidays Limited	USA	Tour operating

Saga Group Limited holds a 50% interest in a joint venture company, Saga Flights.com Limited, a company registered in England. The company sells flights and other services via the Internet.

SAGA GROUP LIMITED
Notes to the accounts continued

14 Current asset investments

Deposits with financial institutions and local authorities -

	2002	2001	2002	2001
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Held in trust	58,982	59,421	1,743	-
Other	68,107	78,606	-	-
	<u>127,089</u>	<u>138,027</u>	<u>1,743</u>	<u>-</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 18). Monies held in trust also include amounts relating to payments made into an Employee Benefit Trust.

Group deposits amounting to £16,913,000 (2001 - £23,588,000) 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.

15 Cash at bank and in hand

	2002	2001	2002	2001
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 14)	2,070	1,854	-	-
Other	8,365	5,961	2	2
	<u>10,435</u>	<u>7,815</u>	<u>2</u>	<u>2</u>

16 Stock

	2002	2001
	Group	Group
	£'000	£'000
Stock	<u>841</u>	<u>889</u>

17 Debtors

	2002	As restated 2001	2002	2001
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Trade debtors	51,816	33,936	26	21
Amounts due from joint venture company	-	252	-	252
Other debtors	3,799	3,350	671	380
Prepayments and deferred expenditure	12,075	14,528	1,870	1,961
Amounts owed by group undertakings	-	-	6,500	6,500
Taxation recoverable	612	508	-	-
	<u>68,302</u>	<u>52,574</u>	<u>9,067</u>	<u>9,114</u>

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

Included within prepayments are amounts paid in respect of pensions by the Group of £1,520,000 (2001 - £1,687,000) and by the Company £1,195,000 (2001 - £1,327,000) which are chargeable to profit and loss account after more than one year.

SAGA GROUP LIMITED
Notes to the accounts continued

18 Creditors

	As restated			
	2002	2001	2002	2001
- amounts falling due within one year	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Bank loan	2,667	2,667	-	-
Bank overdraft	1,852	1,454	75	677
Advance receipts (see footnote below)	52,702	60,340	-	-
Trade creditors	97,050	85,993	164	61
Due to group undertakings	22,163	26,576	29,001	28,876
Due to joint venture company	-	67	-	67
Corporate taxation	4,561	3,378	700	350
Other taxation and social security	3,459	3,552	881	774
Deferred government grants	60	52	52	52
Other creditors	3,690	2,170	2,373	646
Accruals and deferred income	28,097	25,901	5,008	5,947
Leasing (see note 20)	168	936	-	-
	<u>216,469</u>	<u>213,086</u>	<u>38,254</u>	<u>37,450</u>

Of the amount included in advance receipts, £46,586,000 (2001 - £47,618,000) relates to advance customer holiday deposits which are held in trust, as explained in note 14.

19 Creditors

	2002	2001	2002	2001
- amounts falling due after more than one year	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Bank loan	4,000	6,666	-	-
Due to group undertaking	6,500	6,500	6,500	6,500
Deferred income	11,750	9,004	-	-
Deferred government grants	2,467	2,456	2,404	2,456
Leasing (note 20)	513	692	-	-
	<u>25,230</u>	<u>25,318</u>	<u>8,904</u>	<u>8,956</u>

The bank loan falls due for repayment:

Between one and two years	2,666	2,666
Between two and five years	1,334	4,000
After five years	-	-
	<u>4,000</u>	<u>6,666</u>

Interest rate on the bank loan is on a variable basis linked to LIBOR.

SAGA GROUP LIMITED
Notes to the accounts continued

20 Obligations under finance leases

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

	2002	2001
	Group	Group
	£'000	£'000
Within one year	168	936
Within two to five years	513	692
	<u>681</u>	<u>1,628</u>

21 Provisions for liabilities and charges

	2002	2001	2002	2001
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Deferred Tax				
Balance at beginning of year	-	3,366	1,383	1,429
(Credit)/charge for the year	-	(3,366)	(151)	(46)
Balance at end of year	<u>-</u>	<u>-</u>	<u>1,232</u>	<u>1,383</u>

All of the above deferred tax liabilities relate to accelerated capital allowances. The Group had no material unprovided net deferred taxation as at 31 January 2002 (2001 - £nil).

Other Provisions

	2002	2001
	Group	Group
	£'000	£'000
Balance at beginning of year	708	-
Charge for the year	147	708
Balance at end of year	<u>855</u>	<u>708</u>

22 Lease commitments

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

	2002	2001	2002	2001
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within one year	318	27	-	27
Within two to five years	266	1,049	74	60
After five years	460	450	35	25
	<u>1,044</u>	<u>1,526</u>	<u>109</u>	<u>112</u>
Plant & machinery				
Leases expiring:-				
Within one year	199	312	199	312
Within two to five years	1,027	1,230	986	1,191
After five years	-	33	-	-
	<u>1,226</u>	<u>1,575</u>	<u>1,185</u>	<u>1,503</u>

SAGA GROUP LIMITED
Notes to the accounts continued

23 Called up share capital

	2002	2001
	£'000	£'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

24 Reserves

Group	Share Premium Account £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
Balance at beginning of the year as previously stated	84	311	25,219
Prior year adjustment	-	-	(5,473)
Balance at beginning of year as restated	84	311	19,746
Currency fluctuations	-	(106)	-
Retained profit for the year	-	-	2,754
At 31 January 2002	84	205	22,500

The cumulative amount of goodwill written off at 31 January 2002 is £271,000 (2001 - £271,000)

Company

At 1 February 2001	84	-	17,884
Retained profit for the year	-	-	2,078
At 31 January 2002	84	-	19,962

25 Contingent liabilities

At 31 January 2002 there were contingent liabilities under counter indemnities given, in the normal course of business, to the Company's bankers in respect of financial bonds and other guarantees amounting to £3,606,000 (2001 - £3,227,000). During the year the group was notified of a legal claim relating to the use of the services of Tour Directors by the group's U.S. based tour business. This claim is being resisted and the directors do not expect any material liability to arise. The company's cruise subsidiary benefits from a lower tax charge as a result of the Tonnage Tax regime. If the company were to opt out of Tonnage Tax, a deferred tax liability of £2,220,000 (2001 - £2,700,000) would arise.

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 2002 was £9,950,000 (2001 - £30,150,000). 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 £6,667,000 (2001 - £9,335,000).

SAGA GROUP LIMITED
Notes to the accounts continued

26 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 R M De Haan) as an overseas handling agent. All arrangements were on an "arms-length basis" and amounts paid during the year totalled £1,102,000 (2001 - £1,108,000) in respect of hotel and other direct costs incurred in New Zealand on behalf of the group's tour operating businesses. The amount owed to David De Haan Tours Limited at 31 January 2002 was £146,000.

The Group has supplied management services to Saga Flights.com Limited in the amount of £213,000 (2001 - £483,000).

27 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.

28 Prior year comparatives

As a consequence of the introduction of FRS18 (Accounting Policies) the Group has changed its accounting policy for deferred expenditure. With the exception of holidays brochures, all expenditure relating to advertising and promotional initiatives is now expensed to the profit and loss account as incurred. Expenditure on brochures which relates to the following year's holiday departures, continues to be carried forward at the balance sheet date. There has been no material impact on the 2001/02 results arising from this change in policy.

The 2001 comparative balance sheet and profit and loss accounts have been restated to reflect this change in policy. The impact has been to decrease net assets at 31 January 2001 by £5,473,000, comprising a reduction in deferred expenditure by £7,819,000 and a reduction in the corporation tax creditor by £2,346,000.

REPORT OF THE AUDITORS TO THE MEMBERS OF SAGA GROUP LIMITED

We have audited the company's and the group's financial statements for the year ended 31 January 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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

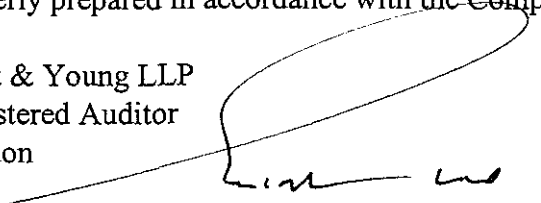
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 January 2002 and of profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London



17 April 2002