

SAGA GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 JANUARY 2001



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 (appointed 1 April 2000)
P Phillipson (appointed 18 December 2000)
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 2001.

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 2002.

Subsequent events and future developments

The directors anticipate that 2001/2002 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 £33,869,000. A dividend totalling £22,000,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £4,805,000 has been added to reserves.

Directors

The directors of the company during the year ended 31 January 2001 were those listed above and H F Anthony who retired on 14 March 2001. P Phillipson was appointed on 18 December 2000. He retires and, being eligible, offers himself for re-election. R M De Haan, J A Goodsell and M E Hatch 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 £560,000. This included £302,000 of donations and £50,000 of payments in kind to UK charitable organisations. In addition, the Group has made payments sponsoring charitable and other non-profit making organisations and events totalling £208,000. 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. Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the forthcoming year. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

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 May 2001

The Saga Building
Enbrook Park
Folkestone
Kent
CT20 3SE

SAGA GROUP LIMITED

Consolidated profit and loss account for the year ended 31 January 2001

	Note	2001 £'000	2000 £'000
Turnover	3	311,860	284,905
Cost of sales		<u>(177,720)</u>	<u>(166,138)</u>
Gross profit		134,140	118,767
Administrative and marketing expenses		(105,172)	(94,268)
Investment income	4	<u>6,060</u>	<u>4,950</u>
Operating profit		35,028	29,449
Share of operating loss in joint venture		<u>(222)</u>	<u>-</u>
Profit before finance costs		34,806	29,449
Finance costs	5	<u>(937)</u>	<u>(1,262)</u>
Profit on ordinary activities before taxation	6	33,869	28,187
Taxation	10	<u>(7,064)</u>	<u>(9,027)</u>
Profit on ordinary activities after taxation		26,805	19,160
Dividend		<u>(22,000)</u>	<u>(14,500)</u>
Retained profit for the year	24	<u>4,805</u>	<u>4,660</u>

SAGA GROUP LIMITED
Year ended 31 January 2001

Statement of total recognised gains and losses

	2001 £'000	2000 £'000
Profit for the year after taxation	26,805	19,160
Exchange differences arising on foreign currency net investments in overseas subsidiaries	(273)	6
Total gains recognised since last report	<u>26,532</u>	<u>19,166</u>

Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the year after taxation	26,805	19,160
Exchange differences arising on foreign currency net investments in overseas subsidiaries	(273)	6
Dividends	(22,000)	(14,500)
	<u>4,532</u>	<u>4,666</u>
Shareholders' funds brought forward	<u>24,699</u>	<u>20,033</u>
Shareholders' funds carried forward	<u>29,231</u>	<u>24,699</u>

SAGA GROUP LIMITED**Consolidated balance sheet as at 31 January 2001**

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	12	63,720	65,047
Investment in joint venture:			
Share of gross assets		159	-
Share of gross liabilities		(314)	-
		(155)	-
		63,565	65,047
Current assets			
Investments	14	138,027	125,504
Stock	16	889	617
Debtors – including amounts due after more than one year	17	61,196	48,398
Cash at bank and in hand	15	7,815	4,029
		207,927	178,548
Creditors			
- amounts falling due within one year	18	(216,260)	(197,137)
Net current liabilities		(8,333)	(18,589)
Total assets less current liabilities		55,232	46,458
Creditors			
- amounts falling due after more than one year	19	(26,001)	(18,393)
Provisions for liabilities and charges	21	-	(3,366)
		29,231	24,699
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Currency equalisation account	24	311	584
Profit and loss account	24	25,219	20,414
Equity shareholders' funds		29,231	24,699

R M De Haan



} Directors

S M Howard



17 May 2001

SAGA GROUP LIMITED**Company balance sheet as at 31 January 2001**

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	12	36,327	37,898
Investments	13	23,931	23,930
		<u>60,258</u>	<u>61,828</u>
Current assets			
Debtors – including amounts due after more than one year	17	9,114	9,135
Cash at bank and in hand	15	2	6
		<u>9,116</u>	<u>9,141</u>
Creditors			
- amounts falling due within one year	18	37,450	43,457
Net current liabilities		<u>(28,334)</u>	<u>(34,316)</u>
Total assets less current liabilities		31,924	27,512
Creditors			
- amounts falling due after more than one year	19	(8,956)	(9,060)
Provisions for liabilities and charges	21	<u>(1,383)</u>	<u>(1,429)</u>
		<u>21,585</u>	<u>17,023</u>
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Profit and loss account	24	17,884	13,322
Equity shareholders' funds		<u>21,585</u>	<u>17,023</u>

R M De Haan



} Directors

S M Howard



17 May 2001

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 2001. 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
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 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 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

	2001 £'000	2000 £'000
United Kingdom	274,541	245,609
United States	37,319	39,296
	<u>311,860</u>	<u>284,905</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

	2001 £'000	2000 £'000
Interest on deposits	8,171	7,083
Intercompany interest	(2,141)	(2,183)
Other interest receivable	30	50
	<u>6,060</u>	<u>4,950</u>

5 Finance costs

	2001 £'000	2000 £'000
Loan interest	890	1,190
Finance lease interest	42	61
Other interest payable	5	11
	<u>937</u>	<u>1,262</u>

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

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	5,684	5,390
Deferred government grant release	(52)	(43)
Auditors' remuneration - for audit services	139	133
- for non-audit services	83	104
Property lease charges	1,172	806
Hire of plant and machinery	<u>1,563</u>	<u>1,859</u>

SAGA GROUP LIMITED
Notes to the accounts continued

7	Directors' emoluments	2001 £'000	2000 £'000
	Emoluments	1,588	2,960
	Compensation for loss of office	-	250
	Pensions to former directors	81	79
		<u>1,669</u>	<u>3,289</u>
		2001	2000
	Members of defined benefit pension scheme	<u>5</u>	<u>4</u>

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

	2001 £'000	2000 £'000
Emoluments	<u>534</u>	<u>2,026</u>
	2001 £'000	2000 £'000
Defined benefit pension scheme:		
Accrued pension at end of year	<u>286</u>	<u>236</u>

8	Staff costs	2001 £'000	2000 £'000
	Wages and salaries	40,115	36,064
	Social security costs	3,017	2,765
	Other pension costs	2,439	2,006
		<u>45,571</u>	<u>40,835</u>
	Average number of persons employed	<u>2,249</u>	<u>1,974</u>

SAGA GROUP LIMITED
Notes on the accounts continued

9 Pension costs

The Group operates a defined benefit and defined contribution pension scheme in the UK and a defined contribution scheme overseas. The pension cost in the UK was £2,166,000 (2000 - £1,736,000) and £273,000 (2000 - £270,000) overseas. Included in debtors is a pension contribution prepayment of £1,854,000 (2000 - £2,020,000).

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 were affected by an amendment to the Scheme rules which restricts 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%. The 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. In response to a recent interim MFR valuation the contribution rate has been increased from 15% to 15.5% on the advice of the scheme actuary. The next full actuarial valuation will be conducted on 1st December 2001.

10 Tax on profit on ordinary activities	2001	2000
	£'000	£'000
The charge based on the profit for the year comprises:		
UK corporation tax @ 30% (2000 - 30.2%)	8,968	6,985
Group relief @ 30% (2000 - 30.2%)	1,484	1,413
Overseas taxes	11	33
Adjustments relating to prior years	(33)	(730)
	<hr/>	<hr/>
	10,430	7,701
Deferred tax - current year	(3,366)	810
- prior years	-	516
	<hr/>	<hr/>
	7,064	9,027
	<hr/>	<hr/>

The effective tax rate in 2001 is low as a consequence of the group's cruising subsidiary benefiting from the new Tonnage Tax regime.

SAGA GROUP LIMITED
Notes to the accounts continued

11 Profit for the financial year

Of the profit after taxation for the financial year, £4,700,000 (2000 – £16,819,000) 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

	Freehold Land and Buildings £'000	Cruise Ship £'000	Other Assets £'000	Total £'000
Group				
Cost or valuation				
At 1 February 2000	37,737	33,414	19,820	90,971
Exchange adjustments	-	-	158	158
Additions	335	22	3,991	4,348
Disposals	-	(2,049)	(1,572)	(3,621)
At 31 January 2001	<u>38,072</u>	<u>31,387</u>	<u>22,397</u>	<u>91,856</u>
Depreciation				
At 1 February 2000	2,370	7,394	16,160	25,924
Exchange adjustments	-	-	149	149
Charge for year	1,232	3,254	1,198	5,684
Disposals	-	(2,049)	(1,572)	(3,621)
At 31 January 2001	<u>3,602</u>	<u>8,599</u>	<u>15,935</u>	<u>28,136</u>
Net book amounts				
At 31 January 2001	<u>34,470</u>	<u>22,788</u>	<u>6,462</u>	<u>63,720</u>
Net book amounts				
At 1 February 2000	<u>35,367</u>	<u>26,020</u>	<u>3,660</u>	<u>65,047</u>
Company				
Cost or valuation				
At 1 February 2000	37,737		13,099	50,836
Additions	335		90	425
Disposals	-		-	-
At 31 January 2001	<u>38,072</u>		<u>13,189</u>	<u>51,261</u>
Depreciation				
At 1 February 2000	2,370		10,568	12,938
Charge for year	1,231		765	1,996
Disposals	-		-	-
At 31 January 2001	<u>3,601</u>		<u>11,333</u>	<u>14,934</u>
Net book amounts				
At 31 January 2001	<u>34,471</u>		<u>1,856</u>	<u>36,327</u>
At 1 February 2000	<u>35,367</u>		<u>2,531</u>	<u>37,898</u>

SAGA GROUP LIMITED
Notes to the accounts continued

12 Tangible fixed assets continued.

As at 31 January 2001 the directors had contracted for £nil (2000 - £134,000) 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 £3,110,000 (2000 - £410,000) for the Group and £290,000 (2000 - £410,000) for the Company in respect of assets held under finance leases. Depreciation for the year on these assets was £311,000 (2000- £298,000) for the Group and £119,000 (2000 - £281,000) for the Company.

13 Investments	2001	2000
	£'000	£'000
Cost	24,791	24,790
Provision	(860)	(860)
	<u>23,931</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.

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 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 -

	2001	2000
	Group	Group
	£'000	£'000
Held in trust	59,421	55,252
Other	78,606	70,252
	<u>138,027</u>	<u>125,504</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).

Group deposits amounting to £23,588,000 (2000 - £26,088,000) 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

	2001	2000	2001	2000
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 14)	1,854	1,656	-	-
Other	5,961	2,373	2	6
	<u>7,815</u>	<u>4,029</u>	<u>2</u>	<u>6</u>

16 Stock

	2001	2000
	Group	Group
	£'000	£'000
Stock	<u>889</u>	<u>617</u>

17 Debtors

	2001	2000	2001	2000
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Trade debtors	33,936	23,151	21	11
Amounts due from joint venture company	252	-	252	-
Other debtors	3,350	3,774	380	644
Prepayments and deferred expenditure	23,150	20,957	1,961	1,980
Amounts owed by group undertakings	-	-	6,500	6,500
Taxation recoverable	508	516	-	-
	<u>61,196</u>	<u>48,398</u>	<u>9,114</u>	<u>9,135</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 £1,687,000 (2000 - £1,852,000) and by the Company £1,326,886 (2000 - £1,459,000) which are chargeable to profit and loss account after more than one year.

SAGA GROUP LIMITED

Notes to the accounts continued

18	Creditors	2001	2000	2001	2000
	- amounts falling due within one year	Group	Group	Company	Company
		£'000	£'000	£'000	£'000
	Bank loan	2,667	2,667	-	-
	Bank overdraft	1,454	914	677	262
	Advance receipts (see footnote below)	60,340	55,225	-	-
	Trade creditors	85,993	62,878	61	86
	Due to group undertakings	26,576	41,394	28,876	34,345
	Due to joint venture company	67	-	67	-
	Corporate taxation	5,724	5,081	350	250
	Other taxation and social security	3,552	2,781	774	1,487
	Deferred government grants	52	-	52	-
	Other creditors	2,878	2,108	646	528
	Accruals and deferred income	26,021	23,836	5,947	6,358
	Leasing (see note 20)	936	253	-	141
		<u>216,260</u>	<u>197,137</u>	<u>37,450</u>	<u>43,457</u>

Of the amount included in advance receipts, £47,618,000 (2000 - £45,142,000) relates to advance customer holiday deposits which are held in trust, as explained in note 14.

19	Creditors	2001	2000	2001	2000
	- amounts falling due after more than one year	Group	Group	Company	Company
		£'000	£'000	£'000	£'000
	Bank loan	6,666	9,333	-	-
	Due to group undertaking	6,500	6,500	6,500	6,500
	Deferred income	9,687	-	-	-
	Deferred government grants	2,456	2,560	2,456	2,560
	Leasing (note 20)	692	-	-	-
		<u>26,001</u>	<u>18,393</u>	<u>8,956</u>	<u>9,060</u>
	The bank loan falls due for repayment:				
	Between one and two years	2,666	2,667		
	Between two and five years	4,000	6,666		
	After five years	-	-		
		<u>6,666</u>	<u>9,333</u>		

Interest rates on the bank loans are 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:

	2001	2000	2001	2000
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Within one year	936	253	-	141
Within two to five years	692	-	-	-
	<u>1,628</u>	<u>253</u>	<u>-</u>	<u>141</u>

21 Provisions for liabilities and charges

	2001	2000	2001	2000
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Balance at beginning of year	3,366	2,040	1,429	200
(Credit)/charge for the year	(3,366)	1,326	(46)	1,229
Balance at end of year	<u>-</u>	<u>3,366</u>	<u>1,383</u>	<u>1,429</u>

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

At 31 January 2001 the full potential liability for deferred tax of the Group was £nil (2000 - £3,366,000) and of the Company £1,383,000 (2000 - £1,429,000).

22 Lease commitments

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

	2001	2000	2001	2000
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within one year	27	44	27	44
Within two to five years	1,049	877	60	27
After five years	450	-	25	-
	<u>1,526</u>	<u>921</u>	<u>112</u>	<u>71</u>
Plant & machinery				
Leases expiring:-				
Within one year	312	359	312	359
Within two to five years	1,230	1,082	1,191	1,048
After five years	33	-	-	-
	<u>1,575</u>	<u>1,441</u>	<u>1,503</u>	<u>1,407</u>

SAGA GROUP LIMITED
Notes to the accounts continued

23 Called up share capital

	2001	2000
Authorised	£'000	£'000
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
At 1 February 2000	84	584	20,414
Currency fluctuations		(273)	
Retained profit			4,805
At 31 January 2001	84	311	25,219

The cumulative amount of goodwill written off at 31 January 2001 is £271,000 (2000 - £271,000)

Company

At 1 February 2000	84	-	13,322
Retained profit			4,562
At 31 January 2001	84	-	17,884

25 Contingent liabilities

At 31 January 2001 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £3,227,000 (2000 - £3,359,000). The company's cruise subsidiary benefits from a lower tax charge as a result of the new Tonnage Tax regime. If the company were to opt out of Tonnage Tax, a deferred tax liability of £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 2001 was £30,150,000 (2000 - £60,000,000). 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 £9,335,000 (2000 - £12,000,000).

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 £1,108,000 (2000 - £1,151,000) 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.

During the year the Group acquired 50% of the issued share capital of Saga Flights.com Limited. The Group has supplied services to Saga Flights.com Limited in the amount of £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.

REPORT OF THE AUDITORS TO THE MEMBERS OF SAGA GROUP LIMITED

We have audited the accounts on pages 4 to 19 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

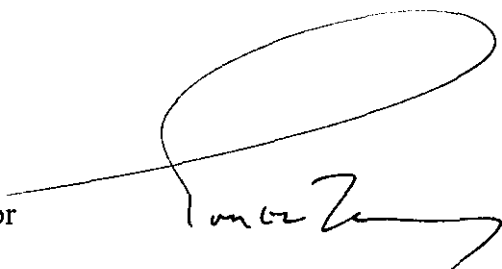
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 2001 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



17 May 2001