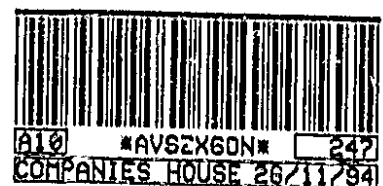


SAGA HOLIDAYS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 JANUARY 1994

Company Registration Number: 2174052



SAGA HOLIDAYS LIMITED

Directors' report

Directors: R M De Haan (Chairman)
T B Bull
P C De Haan
A C Doyle
M D Hamilton
D K Upadhyaya

Secretary: P C De Haan

Registered Office: The Saga Building, Middelburg Square, Folkestone, Kent

The directors present their report together with the audited accounts for the year ended 31 January 1994.

Principal activity and review of business

The company's principal activity is the provision of inclusive holidays and travel services, to people in or approaching retirement, in the United Kingdom and overseas.

The directors consider the result for the year to be satisfactory and anticipate sales growth in the coming year.

Customer Protection

On 4th January 1994, the company introduced a system of Trust Accounting in respect of monies it receives from its holiday customers. All monies received from customers are held in a separate trust until such time as the company has fulfilled its obligations to the customer. The trust is administered and controlled by an independent trustee, Island Trustees Limited, a trust company of Touche Ross & Co. The directors have introduced Trust Accounting as they believe it provides the best possible protection for customer monies.

Accounts and dividends

The profit before tax for the year amounted to £1,503,293. After taxation, a profit of £908,623 has been transferred to reserves. No dividend is proposed.

Directors

The directors of the company during the year ended 31 January 1994 were those listed above and R J Carrick who resigned on 5th March 1993. M D Hamilton was appointed a director on 31 March 1994.

Directors' interests

Messrs RM De Haan and PC De Haan are directors of the ultimate parent undertaking, Saga Leisure Limited and their interests are set out in the accounts of that company. Messrs. T B Bull, A C Doyle, M D Hamilton and D K Upadhyaya have no interest in the shares of the company or the ultimate parent undertaking.

Donations

During the year the company made UK charitable donations of £24,646. No political donations were made.

Employee involvement

During the year the Company 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.

SAGA HOLIDAYS LIMITED
Directors' report (continued)

Employment of disabled persons

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

Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors confirm that the accounting policies are appropriate to the company's business and have been applied consistently. In preparing the 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 Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



P C De Haan
Secretary

5th May 1994

REPORT OF THE AUDITORS TO THE MEMBERS OF SAGA HOLIDAYS LIMITED

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

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

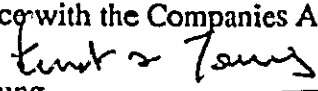
Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 January 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
London

5th May 1994

SAGA HOLIDAYS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 1994

		1994	1993
	Notes	£	£
Turnover	2	74,538,940	80,904,887
Cost of sales		(60,402,283)	(65,950,159)
Gross profit		<u>14,136,657</u>	<u>14,954,728</u>
Administration and marketing expenses		(14,145,579)	(15,315,817)
Net investment income	3	<u>1,512,215</u>	<u>1,958,211</u>
Profit on ordinary activities before taxation	4	1,503,293	1,597,122
Taxation	8	(594,670)	(445,122)
Profit on ordinary activities after taxation		<u>908,623</u>	<u>1,152,000</u>
Dividend	9	-	(2,100,000)
Retained profit/(loss) for the year	19	<u>908,623</u>	<u>(948,000)</u>

There were no recognised gains and losses other than the profits included above.

SAGA HOLIDAYS LIMITED

BALANCE SHEET AS AT 31 JANUARY 1994

	Notes	1994 £	1993 £
Current assets			
Investments	10	24,847,021	17,688,244
Debtors	13	1,959,957	2,237,797
Deferred expenditure		2,234,117	1,716,562
Cash at bank and in hand	11	<u>707,574</u>	<u>10,686</u>
		29,748,669	21,653,289
Creditors - amounts falling due within one year	14	(24,052,964)	(16,866,207)
Total assets less current liabilities		<u>5,695,705</u>	<u>4,787,082</u>
Creditors - amounts falling due after more than one year	15	(1,000,000)	(1,000,000)
Provisions for liabilities and charges	16	-	-
		<u>4,695,705</u>	<u>3,787,082</u>
Capital and reserves			
Called-up share capital	18	1,000,000	1,000,000
Profit and loss account	19	<u>3,695,705</u>	<u>2,787,082</u>
		<u>4,695,705</u>	<u>3,787,082</u>

P C De Haan

Director

5th May 1994

SAGA HOLIDAYS LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1994

1 Accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Advance holiday receipts

All booking fees and balance payments, net of value added tax, for holidays with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

c) 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.

d) Deferred expenditure

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

e) Deferred taxation

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

f) Pension benefits

Pension benefits are funded over the employee's period of service. The company's contributions are based on the most recent actuarial valuation of the fund.

2 Turnover

Turnover, which all arises from continuing business, represents the sales value of holidays with starting dates in the accounting period.

3 Net investment income

	1994 £	1993 £
Interest receivable on deposits	2,115,596	2,670,365
Intercompany interest paid	(470,617)	(387,096)
Bank interest payable	(927)	(2,694)
Prompt payment discount allowed to customers	(131,837)	(322,364)
	<u>1,512,215</u>	<u>1,958,211</u>

SAGA HOLIDAYS LIMITED

NOTES TO THE ACCOUNTS CONTINUED

4 Profit before taxation is stated after charging

	1994	1993
	£	£
Auditors' remuneration - audit services	35,500	38,200
- other services	900	900
Property lease charges	<u>43,400</u>	<u>43,445</u>

5 Emoluments of directors

	1994	1993
	£	£
Remuneration	<u>144,697</u>	<u>214,339</u>

The emoluments excluding pension contributions of directors of the company were:-

	1994	1993
	£	£
Chairman	-	-
Highest paid director	<u>77,800</u>	<u>59,964</u>

Other directors in scale:

£nil to £ 5,000	2	2
£5,001 to £10,000	1	-
£25,000 to £30,000	-	1
£45,001 to £50,000	1	1
£55,000 to £60,000	-	1

6 Staff costs, (excluding directors emoluments)

	1994	1993
	£	£
Wages and salaries	4,130,606	4,291,570
Social security costs	281,811	312,501
Other pension costs	169,232	180,526
	<u>4,581,649</u>	<u>4,784,597</u>

Average number of employees	393	435
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SAGA HOLIDAYS LIMITED
NOTES TO THE ACCOUNTS CONTINUED

7 Pension benefits

The company is a member of the Saga Group Limited Pension and Life Assurance Scheme which is a defined benefit pension scheme. Contributions to the Scheme are based on pension costs across the group as a whole. Details of the Scheme can be found in the accounts of Saga Group Limited.

8 Taxation on profit on ordinary activities

	1994	1993
	£	£
U.K. Corporation tax @ 33%	596,417	7,500
Group relief @ 33%	-	437,622
Prior years	(1,747)	-
	<u>594,670</u>	<u>445,122</u>

9 Dividend

No dividend has been proposed, (1993 £2.10p per share, total cost £2,100,000).

10 Current asset investments

	1994	1993
	£	£
Deposits with banks and local authorities		
Held in trust (note 12)	15,850,000	-
Other	8,997,021	17,688,244
	<u>24,847,021</u>	<u>17,688,244</u>

Deposits amounting to £8,400,000 (1993 £7,400,000) have maturity dates in excess of one year. Although these investments may be realised at short notice, it is anticipated that they will be held until maturity.

11 Cash at bank and in hand

	1994	1993
	£	£
Held in trust (note 12)	697,862	-
Other	9,712	10,686
	<u>707,574</u>	<u>10,686</u>

12 Reconciliation of trust monies

As explained in the Directors Report, holiday monies received from customers in advance of holiday departure dates are paid directly into the bank account of Saga Holidays Trust.

Trust monies can be reconciled as follows:

	1994	1993
	£	£
Monies in trust - Investments (note 10)	15,850,000	-
- Cash (note 11)	697,862	-
Total monies in trust	<u>16,547,862</u>	<u>-</u>
Less:		
Advance holiday receipts subject to trust (note 14)	<u>(12,059,723)</u>	<u>-</u>
Excess of trust monies over advance receipts	<u>4,488,139</u>	<u>-</u>

SAGA HOLIDAYS LIMITED

NOTES TO THE ACCOUNTS CONTINUED

13 Debtors	1994 £	1993 £
Trade debtors	84,954	183,502
Other debtors	608,854	734,848
Prepayments	1,103,008	1,162,123
Taxation recoverable	163,141	157,324
	<u>1,959,957</u>	<u>2,237,797</u>

14 Creditors - amounts falling due within one year	1994 £	1993 £
Bank overdraft	625,769	23,764
Advance holiday receipts (note 12)	12,059,723	10,919,539
Trade creditors	4,067,144	4,004,866
Corporation tax	596,417	7,499
Other taxes and social security costs	282,625	202,334
Other creditors	282,038	-
Accruals and deferred income	1,623,294	931,819
Amount due to Saga Group Limited	4,042,929	86,268
Amounts due to fellow subsidiaries	473,025	640,118
	<u>24,052,964</u>	<u>16,866,207</u>

15 Creditors - amounts falling due after more than one year	1994 £	1993 £
Subordinated loan repayable 1995 to Saga Group Limited	<u>1,000,000</u>	<u>1,000,000</u>

16 Provision for liabilities and charges	1994 £	1993 £
Deferred taxation		
Balance as at 31 January 1993	-	-
Release for the year	-	-
Balance as at 31 January 1994	<u>-</u>	<u>-</u>

At 31 January 1994 the full potential liability for deferred tax, which relates to short term timing differences, was £96,000 (1993 £193,000).

SAGA HOLIDAYS LIMITED

NOTES TO THE ACCOUNTS CONTINUED

17 Lease commitments

Operating leases

The annual commitment under non-cancellable operating leases in respect of land and buildings was as follows:

	1994 £	1993 £
Leases expiring within one to two years	43,500	-
Leases expiring within two to five years	-	43,500
	<u>43,500</u>	<u>43,500</u>

18 Called up share capital

	1994 £	1993 £
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called-up and fully paid 1,000,000 ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>

There were no movements in share capital during the year.

19 Profit and loss account

	1994 £	1993 £
Balance as at 31 January 1993	2,787,082	3,735,082
Profit/(loss) for the year	908,623	(948,000)
Balance at 31 January 1994	<u>3,695,705</u>	<u>2,787,082</u>

20 Contingent Liabilities

At 31 January 1994 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £3,941,000 (1993 £8,344,000).

21 Ultimate parent undertaking

The accounts of the company have been consolidated in the group accounts of Saga Leisure Limited (the ultimate parent undertaking) and Saga Group Limited, both of which are registered in England.