

SAGA SHIPPING COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 2001



Company Registration Number: 3267858

SAGA SHIPPING COMPANY LIMITED

Directors' report

Directors: R S Clench
R Conolly
J Duguid
R Furlong

Secretary: R J Fraser

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

The directors present their report for the year ended 31 January 2001.

Principal activity and review of business

The company's principal activity is the operation of a cruise ship, the Saga Rose. The directors consider the results of the year to be satisfactory and anticipate continued improvement in the coming year.

Accounts and dividends

The profit before taxation for the year amounted to £3,829,000. A dividend of £4,600,000 has been paid to Saga Group Limited. After taxation and dividend, a profit of £2,280,000 has been transferred to reserves.

Directors

The directors of the company during the year ended 31 January 2001 were those listed above.

Directors' interests

No director holds any shares in the Company or the ultimate parent undertaking.

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 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 SHIPPING COMPANY 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 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

A handwritten signature in dark ink, appearing to read 'R J Fraser', is written over the printed name.

R J Fraser
Secretary

17 May 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF SAGA SHIPPING COMPANY LIMITED

We have audited the accounts on pages 4 to 11 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 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.

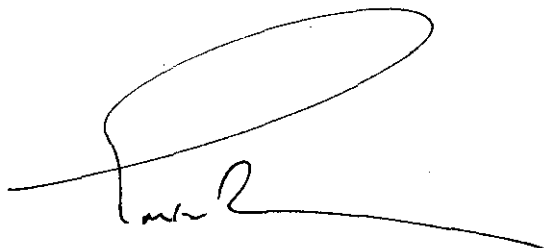
Basis of opinion

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 as at 31 January 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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Ernst & Young
Registered Auditor
London

17 May 2001

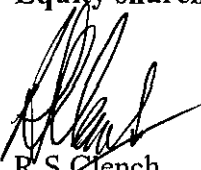
SAGA SHIPPING COMPANY LIMITED**Profit and loss account for the year ended 31 January 2001**

	Notes	2001 £'000	2000 £'000
Turnover	2	30,411	23,210
Cost of sales		<u>(22,959)</u>	<u>(18,887)</u>
Gross profit		7,452	4,323
Administration expenses		(3,064)	(1,240)
Net interest payable	3	<u>(559)</u>	<u>(1,134)</u>
Profit on ordinary activities before taxation	4	3,829	1,949
Taxation	9	<u>3,051</u>	<u>(429)</u>
Profit on ordinary activities after taxation		6,880	1,520
Dividend	8	(4,600)	-
Retained profit for the year	18	<u>2,280</u>	<u>1,520</u>

There were no recognised gains or losses other than the amounts included above.

SAGA SHIPPING COMPANY LIMITED
Balance sheet as at 31 January 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	10	22,788	26,019
Current assets			
Investments	11	64	-
Stocks	12	681	617
Debtors	13	14,712	6,303
Cash at bank and in hand		239	491
		15,696	7,411
Creditors - amounts falling due within one year	14	(16,408)	(7,762)
Net Current liabilities		(712)	(351)
Total assets less current liabilities		22,076	25,668
Creditors - amounts falling due after one year	15	(13,166)	(15,833)
Provisions for liabilities and charges	16	-	(3,205)
		8,910	6,630
Capital and reserves			
Called-up share capital	17	7,000	7,000
Profit and loss account	18	1,910	(370)
Equity shareholders' funds	19	8,910	6,630


R S Clench
Director
17 May 2001

SAGA SHIPPING COMPANY LIMITED

Notes to the accounts - 31 January 2001

1 Accounting policies

a) Accounting convention

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

b) Turnover

Turnover from cruising is recognised as earned, on a daily basis.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less amounts written off.

The cost of the cruise ship less estimated residual value, is depreciated by equal instalments.

Costs relating to bi-annual dry-dockings are capitalised as deferred maintenance and depreciated over the period up to the next dry-dock.

The depreciation rates are as follows:-

Cruise ship	- 13 years
Deferred maintenance	- 2 years

d) Stocks

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

e) Advance receipts

All booking fees and balance payments for cruises with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

f) 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.

g) 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.

h) 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, comprises sales to third parties.

3 Net interest payable

	Notes	2001 £'000	2000 £'000
Bank loan interest payable		890	1,190
Inter-company loan interest paid		390	350
Interest on advance receipts		(577)	-
Inter-company interest received		(144)	(406)
		<u>559</u>	<u>1,134</u>

SAGA SHIPPING COMPANY LIMITED**Notes to the accounts continued****4 Profit on ordinary activities before taxation is stated after charging:**

		2001 £'000	2000 £'000
Depreciation	- cruise ship	2,048	2,172
	- deferred maintenance	1,206	1,045
Auditors' remuneration	- for audit services	11	14
	- for other services	1	1

5 Directors emoluments

The emoluments of the directors of the company during the year were as follows:

	2001 £'000	2000 £'000
Emoluments	281	257
Members of defined benefit pension scheme	3	3

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

	2001 £'000	2000 £'000
Emoluments	147	139
Defined benefit pension scheme:		
Accrued pension at end of year	5	3

6 Staff costs

	2001 £'000	2000 £'000
Wages and salaries	635	660
Social security costs	58	61
Other pension costs	67	49
	760	770
Average number of employees	21	21

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.

SAGA SHIPPING COMPANY LIMITED

Notes to the accounts continued

8 Dividend

A dividend of £0.65714 per share (2000 - £nil) has been paid at a cost of £4,600,000 (2000: £nil).

9	Taxation (credit)/charge on profit on ordinary activities	2001 £'000	2000 £'000
	Group Relief at 30% (2000 - 30.2%)	131	(28)
	UK Corporation tax charge at 20%	5	-
	Adjustments relating to prior years	18	(33)
	Deferred tax	(3,205)	490
		<u>(3,051)</u>	<u>429</u>

The effective tax rate in 2001 is low as a result of the company being subject to tax under the new tonnage tax regime. As a consequence a provision for deferred tax is no longer required.

10	Tangible fixed assets	Cruise Ship £'000
	Cost	
	As at 31 January 2000	31,364
	Additions in period	23
	At 31 January 2001	<u>31,387</u>
	Depreciation	
	At 31 January 2000	5,345
	Charge for period	3,254
	At 31 January 2001	<u>8,599</u>
	Net book amounts	
	At 31 January 2001	<u>22,788</u>
	Net book amounts	
	At 31 January 2000	<u>26,019</u>

11	Investments	2001 £'000	2000 £'000
	Cash Deposits	64	-

SAGA SHIPPING COMPANY LIMITED

Notes to the accounts continued

12	Stocks	2001	2000
		£'000	£'000
	Fuel and oil	123	193
	Hotel consumables and food	377	291
	Bar and other sundry stocks	181	133
		<u>681</u>	<u>617</u>

13	Debtors	2001	2000
		£'000	£'000
	Prepayments	193	166
	Amount owed by group undertaking	14,245	5,781
	Other debtors	274	356
		<u>14,712</u>	<u>6,303</u>

14	Creditors : amounts falling due within one year	2001	2000
		£'000	£'000
	Bank loan	2,667	2,667
	Advance receipts	8,748	-
	Trade creditors	1,354	1,572
	Corporation tax	5	-
	Accruals and deferred income	3,595	3,491
	Other creditors	39	32
		<u>16,408</u>	<u>7,762</u>

15	Creditors : amounts falling due after more than one year	2001	2000
		£'000	£'000
	Bank loan	6,666	9,333
	Loan from immediate parent undertaking	6,500	6,500
		<u>13,166</u>	<u>15,833</u>

Interest on the loans is at a variable rate linked to LIBOR.

A mortgage exists over the company's cruise ship in favour of its principal lender.

The loans fall due for repayment:	2001	2000
	£'000	£'000
Between one and two years	2,667	2,667
Between two and five years	3,999	6,666
After five years	6,500	6,500
	<u>13,166</u>	<u>15,833</u>

The bank loan will be fully repaid by 2 June 2004.

SAGA SHIPPING COMPANY LIMITED

Notes to the accounts continued

16	Provisions for liabilities and charges	2001	2000
		£'000	£'000
	Deferred taxation		
	Balance as at 31 January 2000	3,205	2,715
	(Credit)/Charge for the year	(3,205)	490
	Balance as at 31 January 2001	-	3,205
	Deferred taxation comprises:		
	Accelerated capital allowances	-	3,205
	At 31 January 2001, the full potential liability for deferred taxation was £-nil. (2000 : £3,205,000).		
17	Called up share capital	2001	2000
		£'000	£'000
	Authorised		
	10,000,000 ordinary shares of £1 each	10,000	10,000
	Allotted, called up and fully paid		
	7,000,000 ordinary shares of £1 each	7,000	7,000
18	Profit and loss account	2001	2000
		£'000	£'000
	Balance at 31 January 2000	(370)	(1,890)
	Profit for the year	2,280	1,520
	Balance at 31 January 2001	1,910	(370)
19	Reconciliation of movements in equity shareholders' funds	2001	2000
		£'000	£'000
	At 31 January 2000	6,630	5,110
	Profit for the year	2,280	1,520
	At 31 January 2001	8,910	6,630
	There were no other movements in shareholders' funds.		
20	Capital commitments	2001	2000
		£'000	£'000
	Capital expenditure contracted for but not provided	-	134

SAGA SHIPPING COMPANY LIMITED

Notes to the accounts continued

21 Contingent liability

The company intends to enter the tonnage tax regime with effect from 1st February 2000. As such the company has a reduced liability to corporation tax on its shipping activities. However, if the company were to exit the regime, a deferred tax liability of £2,700,000 would arise.

22 Related party transactions

The company has taken advantage of the exemption afforded by FRS8 in not disclosing transactions with other entities in the Saga group of companies.

23 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.