

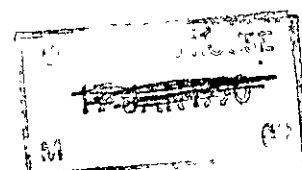
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SAGA GROUP PLC

ANNUAL REPORT &
ACCOUNTS

31 JANUARY 1989





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Five Year Financial Summary

	1989 15 months £000	1988* 12 months £000	1987 12 months £000	1986 12 months £000	1985 12 months £000	1984 12 months £000
Turnover	<u>113,807</u>	<u>99,523</u>	<u>85,299</u>	<u>72,705</u>	<u>73,091</u>	<u>65,756</u>
Profit on ordinary activities before taxation	<u>2,733</u>	<u>4,307</u>	<u>2,213</u>	<u>278</u>	<u>4,068</u>	<u>2,554</u>
Taxation	<u>776</u>	<u>1,233</u>	<u>996</u>	<u>26</u>	<u>1,942</u>	<u>894</u>
Profit on ordinary activities after taxation	<u>1,957</u>	<u>3,074</u>	<u>1,217</u>	<u>252</u>	<u>2,126</u>	<u>1,660</u>
Extraordinary items	<u>3,117</u>	<u>2,974</u>	<u>-</u>	<u>-</u>	<u>980</u>	<u>(2,073)</u>
Dividends	<u>1,302</u>	<u>1,040</u>	<u>832</u>	<u>828</u>	<u>828</u>	<u>720</u>
Earnings per share	10.83p	17.01p	6.74p	1.40p	11.81p	9.22p
Dividends per share	7.20p	5.75p	4.60p	4.60p	4.60p	4.00p

	31 January 1989 £000	31 October 1988* £000	31 October 1987 £000	31 October 1986 £000	31 October 1985 £000	31 October 1984 £000
Fixed assets	<u>6,542</u>	<u>6,492</u>	<u>8,293</u>	<u>5,541</u>	<u>3,161</u>	<u>4,791</u>
Investments	<u>28,522</u>	<u>32,701</u>	<u>22,365</u>	<u>20,937</u>	<u>21,876</u>	<u>16,928</u>
Other current assets	<u>11,475</u>	<u>9,024</u>	<u>7,729</u>	<u>8,529</u>	<u>8,290</u>	<u>9,162</u>
	<u>39,997</u>	<u>41,725</u>	<u>30,094</u>	<u>29,466</u>	<u>30,166</u>	<u>26,090</u>
Current liabilities	<u>33,408</u>	<u>34,055</u>	<u>28,760</u>	<u>25,590</u>	<u>23,098</u>	<u>22,656</u>
Net current assets	<u>6,589</u>	<u>7,670</u>	<u>1,334</u>	<u>3,876</u>	<u>7,068</u>	<u>3,434</u>
Provision for liabilities and charges	<u>788</u>	<u>782</u>	<u>936</u>	<u>917</u>	<u>1,014</u>	<u>1,294</u>
	<u>12,343</u>	<u>13,380</u>	<u>8,691</u>	<u>8,500</u>	<u>9,215</u>	<u>6,931</u>

* The results for the twelve months ended 31 October 1988 were not separately audited, however they form part of the audited results for the fifteen month period ended 31 January 1989.

Chairman's Statement

Shareholders will be aware of our decision last year to change Saga's year end to 31 January in order to provide a better balance between the two halves of the financial year. I am reporting to you now on the fifteen month period ended 31 January 1989. The additional three month period is traditionally one in which we incur losses in our tour operating businesses and as a result the profits before tax for the fifteen month period were £2,733,000. Turnover was £113,807,000.

An extraordinary profit of £2,983,000 already reported, resulted from the sale of the Company's former Head Office and this added to a further £134,000 relating to an over-provision for tax on the sale in 1985 of our hotel group. The Group's investment balances continue to be very strong: £28,522,000 as at 31 January (1988 £18,628,000).

Interim dividends totalling 5.75p have already been paid to shareholders in respect of the period and a final dividend of 1.45p will be recommended to cover the additional three months making a total of 7.2p for the fifteen month period. This represents a pro rata increase of 25% over the dividend paid in respect of the Company's previous twelve month financial period. This dividend will be paid on 7 July to shareholders on the register at the close of business on 9 June.

Having only recently reported on the twelve months ended 31 October 1988 I consider it appropriate to reproduce here the major part of my previous Chairman's Statement, which is still relevant:-

"The twelve month period ended 31 October 1988 saw an increase of 94.6% in Saga's profits compared with the previous twelve months. Profit before tax rose from £2,213,000 to £4,307,000, on turnover which increased 16.7% to £99,523,000. In addition an extraordinary profit after tax of £2,974,000 resulted from the sale of the Company's former head office. Group liquidity is very strong, with investments standing at £32,700,000. (1987 £22,365,000).

I am pleased to be able to report that the twelve months to 31 October 1988 was a most satisfactory period for Saga, during which all our businesses made good progress. As well as producing record profits, the Group also took some significant steps forward in strengthening the business for future growth and development.

Tour Operations: United Kingdom

Saga Holidays enjoyed growth in all product sectors. Turnover was up 21% overall with overseas holidays contributing most of the increase.

Profits in the UK improved considerably. Overheads were held to around the same levels as the previous year. This was largely a result of technological improvements, which have streamlined administration, and reduced promotional costs arising from better targetting.

Holiday sales for departures in 1989 started well and despite sales being significantly affected by the postal strike in September 1988 we are still achieving some growth.

Tour Operations: America

Our American company continued to grow, with turnover up 21% in dollar terms despite the effect of the stock market fall of October 1987 and the weaker dollar, which we believe combined to reduce demand, particularly during the first six months of the year. We did not achieve the level of turnover for which our promotional and overhead expenditure was geared, and this led to a significant drop in profits in the USA.

During the winter season 1988/89 exceptional increases in the costs of holidays to Australia have caused a substantial drop in sales to that destination, and this has restricted the Company's growth. However, currently total sales are broadly level with last year's, and we anticipate an improvement in the sales position over the next few months and growth overall.

Chairman's Statement continued

Tour Operations:

Australia

Sales increased by 53%. During the year this subsidiary, which opened in 1985, continued to increase the size of its mailing list and developed a successful domestic tour programme. Sales for 1989 are showing considerable increases over last year, and we expect the Company to break into profit during the year to 31 January 1990.

Financial Services

This year we have continued to develop our financial services business, and it has been a good period for the promotion of personal lines insurance. Household, motor, personal accident and private health plans have been advertised by direct mail and through Saga Magazine, and we are beginning to see high rates of renewal, building a substantial future income stream. We are now promoting these services outside the Saga customer base through national newspaper advertising, with encouraging levels of response. Through this activity Saga is becoming firmly established as a provider of good value insurance services for older people.

Since the Stock Market crash of October 1987 the climate for the sale of investment products has been difficult. We have not escaped the effects of this and this activity has yet to achieve significant volume. However, we remain committed to the development of this business which has significant potential for the Group.

Publishing

Saga Publishing successfully completed the first year in which Saga Magazine was produced as a monthly publication. We also introduced a new magazine which is being published on behalf of the TSB Group. Obviously the increase in the number of issues has demanded major changes in the organisation, and the Company concentrated on building up its resources and establishing new working schedules. An in-house advertising sales team was created and the editorial staff was strengthened. The Magazine's editorial quality was demonstrated by its continuing to win a number of awards and commendations from the Publishing industry."

Since my last statement in January there have been a number of developments which affect the Group's current business.

Tour Operations

The tour operating market in the UK and USA has been and continues to be depressed. In the UK bookings remain marginally ahead of last year and we would hope to maintain this position. In the USA, where air-safety continues to be a serious factor, sales are now down on last year and it is difficult to see what the future trend will be. In Australia sales are currently 60% ahead in local currency terms and we expect this trend to continue.

Financial Services

The recent Budget introduced changes, due to take effect next year, designed to encourage more retired people to take private health insurance. We already promote health insurance and we are working with leading underwriters so as to position Saga to take advantage of the potential growth in demand.

Chairman's Statement continued

In February 1989 Saga ceased to be an appointed representative of the TSB Trust Company Ltd, and became a representative of Sun Life Assurance Society PLC. The main reasons for this change were that Sun Life offers a range of products more specifically designed for retired people, which are well- tried and suitable for the more difficult investment climate following the stock market crash of 1987. In addition, Sun Life has one of the longest-established specialist direct marketing divisions in the UK Life business, and is experienced in developing the type of promotions which are successful with Saga customers.

Publishing

"Saga Magazine" is now available for the first time on news-stands, and this will extend its availability and readership. We continue to publish "TRUST" Magazine on behalf of TSB Group PLC, which circulates it to a large group of its own retired customers. We have also launched a new subscription magazine in the United States, entitled "Connections", which will be developed using the same commercial approach that has made "Saga Magazine" successful in Britain.

Retirement Housing

One of Saga's great strengths is that it is able through its publications and research to develop a dialogue with customers to learn about their needs and attitudes. Over the past three years we have accumulated a considerable amount of information about elderly people's thoughts on housing. We have also examined in detail current trends in the retirement housing industry and the companies who supply it. We believe that there will be substantial growth in this housing sector over the long term and that Saga is well-positioned to enter the market. Consideration was given to acquiring a company already in this sector, but we concluded that provided able and experienced management could be recruited Saga's best course was the formation of its own subsidiary. We have now appointed a chief executive, who has wide experience and a record of success in retirement housing. We expect this to become a major activity of the Group in the medium term, although by its nature the new Company will not contribute profits for at least two years.

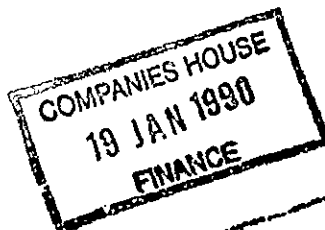
The Future

The level of Group profits for the year will depend upon the trend of holiday bookings which is always difficult to forecast and often depends on factors beyond our control. However we anticipate that our new businesses of insurance and publishing, which have been positioned to take advantage of the considerable opportunities afforded by our large UK customer base, will make a significant contribution to profit this year. In addition, we can expect a substantial increase in investment income, principally as a result of an increase in our cash resources.

Queens Award

It gives me great pleasure to inform shareholders that Saga has for the second time in four years been awarded the Queen's Award for Export Achievement. The award recognises Saga's continuing development of its overseas businesses in America and Australia, which contribute to the United Kingdom's invisible exports. I would like to thank and congratulate Saga staff worldwide - they have all helped to earn this Award.

26 April 1989




Roger De Haan
Chairman

Directors' Report

The directors submit their report together with the audited accounts of the Group for the 15 months ended 31 January 1989, comparative results are stated for the twelve months ended 31 October 1987.

Review of business and principal activities

The Chairman's statement set out on pages 3 to 5 contains a review of the development of the business of the Group during the period.

Saga International and Saga Australasia, our overseas subsidiaries, have contributed 38% (1987 43%) of Group turnover.

Results and dividends

The profit of the Group before taxation for the fifteen month period was £2,733,000 (1987 £2,213,000) and the profit available for distribution is £5,074,000 (1987 £1,217,000).

The recommended final dividend on the Ordinary Shares is 1.45p per share. Taken together with the interim dividends a total of 7.20p (1987 4.6p) per share will have been paid for the fifteen months.

If the recommended final dividend is approved, warrants will be posted on 6 July 1989 to shareholders on the register at the close of business on 9 June 1989.

Change of name and corporate reorganisation

On 30 June 1988 the Company changed its name to Saga Group PLC from Saga Holidays PLC and transferred its UK holiday business to a new subsidiary Saga Holidays Limited and its UK publishing business to Saga Publishing Limited. Saga Group PLC has primarily become a holding company.

Change of year end

In previous years we have been accustomed to declaring losses in the first half of the financial year. The seasonal nature of Saga's business means that the majority of sales fall into the period from May to October. In order to provide a better balance of profit between the two halves of the Group's financial year, the financial year end has been changed to 31 January from 31 October.

Retirement housing

A new subsidiary has been formed to enter the retirement housing market. Although in its initial two years it is not expected to contribute profits it is anticipated over a period in time to become one of the major activities of the Group.

Tangible fixed assets

In June 1988 Enbrook House, the Group's former Head Office was sold for £6,055,000. The resulting extraordinary profit is shown in note 10 to the accounts.

Directors

R De Haan and J Foster retire by rotation and, being eligible, offer themselves for re-election. T Bull and I R Levine were appointed as directors on 26 April 1988 and being eligible, offer themselves for re-election. P V Taylor and P Carr resigned on 29 April 1983 and 15 November 1988 respectively.

The interests of the directors and their families in the share capital of the Company were as follows:

	31 January 1989		31 October 1987	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R M De Haan	2,241,695	2,253,502	2,241,695	2,253,502
T Bull	-	-	-	-
A R Deacon	75,000	-	75,000	-
P C De Haan	1,979,124	2,313,502	1,979,124	2,313,502
J Foster	49,176	-	49,176	-
M E Hatch	5,000	-	5,000	-
I R Levine	6,000	-	6,000	-

The above non-beneficial interests apply to a total of 2,313,502 (1987 2,313,502) shares.

Shares under option in the 1981 Savings-Related Share Option Scheme:

	31 January 1989	31 October 1987
R M De Haan	4,839	4,839
T Bull	4,540	-
P C De Haan	4,586	-

On 26 April 1989 A R Deacon sold 25,000 ordinary 20p shares to one of the De Haan family settlements.

No further changes in any of these interests had been notified to the Company by 26 April 1989.

Directors' Report continued

Substantial shareholders

So far as the Board is aware no person or corporation held 5% or more of the ordinary share capital of the Company at 26 April 1989 except the directors and the following:

	Number of shares	Percentage held
Wakari Investments Limited	1,351,238	7.47%
DDH Investments Limited	1,256,922	6.95%
S De Haan •	359,392	1.99%
	1,014,372*	5.61%
S J Moss	203,145	1.12%
	2,022,080*	11.19%
M J S De Haan •	918,812	5.08%
	1,296,784*	7.17%

- * denotes a non-beneficial interest. These non-beneficial interests and those non-beneficial interests of R M De Haan and P C De Haan shown in the section headed "Directors" above apply to a total of 3,378,864 shares.
- in addition to their interests disclosed above S De Haan and his wife Mrs M J S De Haan are to be regarded, pursuant to Section 203 of the Companies Act 1985, as interested in each other's shareholdings.

Taxation status

The Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Donations

During the period charitable donations in the UK amounted to £21,930. No political donations were made.

Employee involvement

During the period the Group has maintained the practice of keeping employees informed about current activities and progress by various methods; participation and involvement are encouraged including participation in the Group's Share Option Scheme.

Executive share option schemes

An approved Executive Share Option Scheme was adopted on 29 April 1988 and an Unapproved Executive Share Option scheme was adopted on 31 October 1988. These schemes have been set up for the purpose of enhancing the Company's ability to attract high calibre senior employees to the Saga group of companies and to provide such employees with an incentive to remain within the group on a long-term basis. No options have been granted as at 26 April 1989.

Employees share saving scheme

All full-time United Kingdom employees (including directors) of the Group who have completed at least two year's continuous service are eligible to participate in the Scheme. During the period savings contracts for a five year period to the value of £32,905 have been entered into which at the option price of £1.57 per share would finance the issue of a total of 20,958 shares at the end of such period. Total savings contracts at 31 January 1989 at the various option prices will finance the issue of a total of 101,960 shares.

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 & Whinney have expressed their willingness to continue in office as auditors and in accordance with Section 384 of the Companies Act 1985 a resolution proposing their reappointment will be submitted at the Annual General Meeting.

The Saga Building,
Middelburg Square,
Folkestone, Kent.

26 April 1989

By Order of the Board
Peter De Haan
Secretary

Consolidated Profit and Loss Account

For the fifteen months ended 31 January 1989

	Note	1989 15 months £000	1987 12 months £000
Turnover	2	113,807	85,299
Cost of sales		(89,618)	(67,157)
Gross profit		24,189	18,142
Administrative and marketing expenses		(24,918)	(17,947)
Net investment income	4	3,462	2,018
Profit on ordinary activities before taxation		2,733	2,213
Taxation	8	(776)	(996)
Profit on ordinary activities after taxation		1,957	1,217
Extraordinary items	10	3,117	-
Profit for the financial period		5,074	1,217
Dividends	11	(1,302)	(832)
Retained profit for the period	24	3,772	385
Earnings per share	12	10.83p	5.74p
Dividends per share	11	7.20p	4.60p

Consolidated Balance Sheet

As at 31 January 1989

	Note	31 January 1989 £000	31 October 1987 £000
Fixed assets			
Tangible assets	13	5,944	7,486
Intangible assets	14	598	807
		<u>6,542</u>	<u>8,293</u>
Current assets			
Investments	16	28,522	22,365
Debtors	17	7,034	5,593
Deferred expenditure		3,953	1,904
Cash at bank and in hand		488	232
		<u>39,997</u>	<u>30,094</u>
Creditors - amounts falling due within one year	18	<u>33,408</u>	<u>28,760</u>
Net current assets		<u>6,589</u>	<u>1,334</u>
Total assets less liabilities		<u>13,131</u>	<u>9,627</u>
Provisions for liabilities and charges	19	<u>788</u>	<u>936</u>
		<u>12,343</u>	<u>8,691</u>
Capital and reserves			
Called-up share capital	21	3,615	3,613
Share premium account	22	77	69
Profit and loss account	24	<u>8,651</u>	<u>5,009</u>
		<u>12,343</u>	<u>8,691</u>

R De Haan

Directors

P De Haan

26 April 1989

Source and Application of Funds

For the fifteen months ended 31 January 1989

	1989 15 months £000	1987 12 months £000
Source of funds		
Profit before taxation and extraordinary items	2,733	2,213
Adjustments for items not involving movement of funds		
Depreciation of tangible fixed assets	1,527	611
Amortisation of intangible fixed assets	475	167
Exchange adjustments	160	(260)
Goodwill written off	(195)	-
	<u>1,967</u>	<u>518</u>
Generated from operations	<u>4,700</u>	<u>2,731</u>
Funds from other sources		
Issue of shares	10	76
Proceeds from sale of fixed assets	6,187	43
Taxation refunded	<u>1,380</u>	-
	<u>7,577</u>	<u>119</u>
	<u>12,277</u>	<u>2,850</u>
Application of funds		
Dividends paid	904	830
Taxation paid	1,425	2,380
Acquisition of tangible fixed assets and cost of disposals	2,009	2,658
Acquisition of intangible fixed assets	<u>297</u>	<u>964</u>
	<u>4,635</u>	<u>6,832</u>
Increase in working capital	<u>7,642</u>	<u>(3,982)</u>
Arising from movement in		
Investments	6,157	1,428
Debtors	2,094	(546)
Deferred expenditure	2,049	(646)
Advance receipts	(8,765)	511
Creditors	6,250	(4,579)
Net liquid funds	<u>(143)</u>	<u>(150)</u>
	<u>7,642</u>	<u>(3,982)</u>

Company Balance Sheet

As at 31 January 1989

	Note	31 January 1989 £000	31 October 1987 £000
Fixed assets			
Tangible assets	13	5,041	6,630
Investment in subsidiaries	15	3,973	2,149
		<u>9,014</u>	<u>8,779</u>
Current assets			
Investments	16	22,597	16,493
Debtors	17	3,188	4,369
Deferred expenditure		-	1,213
Cash at bank and in hand		211	79
		<u>25,996</u>	<u>22,154</u>
Creditors - amounts falling due within one year	18	<u>22,411</u>	<u>21,792</u>
Net current assets		<u>3,585</u>	<u>362</u>
Total assets less current liabilities		<u>12,599</u>	<u>9,141</u>
Provisions for liabilities and charges	19	256	450
		<u>12,343</u>	<u>8,691</u>
Capital and reserves			
Called-up share capital	21	3,615	3,613
Share premium account	22	77	69
Revaluation reserve	23	1,621	1,621
Profit and loss account	24	7,030	3,388
		<u>12,343</u>	<u>8,691</u>

R De Haan

P De Haan

Directors

26 April 1989

Notes on the Accounts

1 Accounting Policies

a Accounting convention

The accounts are prepared under the historical cost convention modified by the revaluation of certain freehold properties and investments in subsidiaries.

b Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and each of its subsidiaries for the fifteen months ended 31 January 1989.

c Accounting for subsidiary companies

The company adopts the Equity method of accounting for the results of its subsidiaries.

d Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less amounts written off. The cost or valuation of fixed assets is depreciated by equal instalments over their expected useful lives. The rates of depreciation are as follows:

Land and buildings	
Land	nil
Buildings	2% per annum
Related fittings	10% per annum
Leasehold properties	over the period of the lease
Computers	
Hardware and software	20% to 33 1/3% per annum
Other equipment	10% to 20% per annum
Motor vehicles	20% per annum

Computer development costs are capitalised and are depreciated at between 20% and 33 1/3% per annum from the time that the particular development becomes fully functional.

e Intangible fixed assets

Intangible fixed assets comprise the cost of expanding the customer mailing list. These costs are being amortised over the useful life of the additions to the mailing list. On this basis costs are amortised as to 30% in the year of expenditure and as to 30%, 30% and 10% in following years. Expenditure on maintaining the group's mailing list at its existing level is written off as incurred.

f Advance receipts

All booking fees and balance payments for holidays with starting dates after the period end and insurance premiums received which have not been matched with insurance policies issued are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

g 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.

h 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.

i 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 balance sheet date are translated at year end rates except where covered by forward contracts.

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.

Notes on the Accounts continued

j Goodwill

Goodwill which is established as a result of a purchase of a business is either written off to reserves or amortised in accordance with the directors' best estimate of its useful economic life.

k 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 represents the sales value of holidays with starting dates in the accounting period, advertising, subscription income, marketing and publishing fees and commissions relating to financial services. Turnover excludes value added tax and sales between Group companies.

3 Analysis of turnover and profits

	1989 15 months £000	Turnover 1987 12 months £000	Contributions to profit 1989 15 months £000	1987 12 months £000
Tour operations and other services	113,807	85,299	2,733	2,213
	<u>113,807</u>	<u>85,299</u>	<u>2,733</u>	<u>2,213</u>
United Kingdom	70,422	48,463		
United States	41,825	35,895		
Australia	1,560	941		
	<u>113,807</u>	<u>85,299</u>		

4 Net investment income

	1989 15 months £000	1987 12 months £000
Interest on deposits	3,918	2,272
Income from preference shares	42	74
	<u>3,960</u>	<u>2,346</u>
Bank interest payable	(42)	(45)
Prompt payment discounts allowed to customers	(456)	(283)
	<u>3,462</u>	<u>2,018</u>

5 Operating profit is stated after charging:

	1989 15 months £000	1987 12 months £000
Depreciation and amortisation	1,527	611
Tangible fixed assets	475	167
Intangible fixed assets	28	35
Hire of equipment	119	115
Auditors' remuneration	598	483
Emoluments of directors of the Company (note 6)	506	294
Property lease charges		

Notes on the Accounts continued

6 Emoluments of directors and employees

	1989 15 months £000	1987 12 months £000
(a) Directors		
Fees	66	45
Remuneration	446	365
Pensions to former directors	54	41
Compensation for loss of office	32	32
	<u>598</u>	<u>483</u>

The emoluments, excluding pension contributions, of directors of the Company who discharged their duties mainly in the United Kingdom were:

	1989 15 months £123,858	1987 12 months £82,409
Chairman	Number	Number
Other directors in scale:		
Nil to £5,000	-	1
£10,001 to £15,000	1	2
£15,001 to £20,000	1	1
£20,001 to £25,000	1	-
£30,001 to £35,000	-	1
£35,001 to £40,000	1	-
£40,001 to £45,000	-	1
£45,001 to £50,000	1	-
£50,001 to £55,000	-	1
£75,000 to £80,000	1	-

(b) Employees

The number of employees of the UK companies other than directors whose emoluments, excluding pension contributions, exceeded £30,000 was as follows:

	1989 15 months Number	1987 12 months Number
£30,001 to £35,000	2	1
£35,001 to £40,000	5	-
£40,001 to £45,000	1	-
£45,001 to £50,000	1	-
£50,001 to £55,000	1	-

7 Staff costs

	1989 15 months £000	1987 12 months £000
Wages and salaries	7,673	5,414
Social security costs	559	429
Other pension costs	255	300
	<u>8,487</u>	<u>6,143</u>
Average number of persons employed	<u>622</u>	<u>620</u>

During the fifteen month period ended 31 January 1989 the Company took advantage of a pension holiday which resulted in cost savings of £170,000. The decision was taken following the result of an actuarial valuation.

Notes on the Accounts continued

8 Tax on profit on ordinary activities

The charge based on the profit for the period comprises:

	1989 15 months £000	1987 12 months £000
UK corporation tax @ 35% (1987 35%)	1,124	579
Double taxation relief	-	(156)
	<u>1,124</u>	<u>423</u>
Oversens taxes	(35)	522
Tax on franked investment income	13	19
Adjustments relating to prior years	(288)	(47)
	<u>814</u>	<u>917</u>
Deferred tax	(38)	79
	<u>776</u>	<u>996</u>

The adjustments relating to prior years arise on account of the final resolution of outstanding issues relating to earlier years.

9 Profit on ordinary activities after taxation

Of the profit for the financial period, £5,074,000 (1987 £1,217,000) 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 228 (7) in not separately publishing a Company Profit and Loss Account.

10 Extraordinary items

(a) The Group's former head office and eighteen acres of its surrounding grounds were sold during the period

Sale proceeds

Book value and costs relating to sale

Corporation tax

1989 15 months £000
6,055
(1,868)
<u>4,187</u>
(1,204)
<u>2,983</u>

(b) Heritage Hotels division, corporation tax liabilities relating to the sale of this division in 1985 have been agreed with the Inland Revenue and have resulted in adjustment to prior year provisions.

Release of corporation tax provision

Deferred tax provision

145
(11)
<u>134</u>
<u>3,117</u>

11 Dividends

	1989 15 months Pence per share	1987 12 months Pence per share	1989 15 months £000	1987 12 months £000
First interim	2.00	1.60	362	290
Second interim	3.75	-	678	-
Proposed final	1.45	3.00	262	542
	<u>7.20</u>	<u>4.60</u>	<u>1,302</u>	<u>832</u>

12 Earnings per share

The calculation of earnings per share is based upon the profit after taxation of £1,957,000 (1987 £1,217,000) and on the 18,076,921 shares in issue (1987 18,067,113).

Notes on the Accounts continued

13 Tangible fixed assets

	Land and Buildings £000	Computers £000	Other Equipment £000	Motor Vehicles £000	Total £000
Group					
Cost or valuation:					
At 31 October 1987	4,256	2,964	1,824	336	9,380
Exchange adjustments	(1)	(11)	(1)	1	(12)
Additions	169	998	239	178	1,584
Disposals	(1,592)	(24)	(201)	(63)	(1,880)
At 31 January 1989	<u>2,832</u>	<u>3,927</u>	<u>1,861</u>	<u>452</u>	<u>9,072</u>
Depreciation:					
At 31 October 1987	364	922	487	121	1,894
Exchange adjustments	-	9	2	1	12
Charge for period	164	990	286	87	1,527
Disposals	(205)	(22)	(31)	(47)	(305)
At 31 January 1989	<u>323</u>	<u>1,899</u>	<u>744</u>	<u>162</u>	<u>3,128</u>
Net book amounts at 31 January 1989	<u>2,509</u>	<u>2,028</u>	<u>1,117</u>	<u>290</u>	<u>5,944</u>
Net book amounts at 31 October 1987	<u>3,892</u>	<u>2,042</u>	<u>1,337</u>	<u>215</u>	<u>7,486</u>
Company					
Cost or valuation:					
At 31 October 1987	4,202	2,003	1,540	305	8,050
Additions	169	637	169	146	1,121
Disposals	(1,592)	(6)	(201)	(55)	(1,854)
At 31 January 1989	<u>2,779</u>	<u>2,634</u>	<u>1,508</u>	<u>396</u>	<u>7,317</u>
Depreciation:					
At 31 October 1987	336	615	359	110	1,420
Charge for period	140	699	227	74	1,140
Disposals	(206)	(6)	(30)	(42)	(284)
At 31 January 1989	<u>270</u>	<u>1,308</u>	<u>556</u>	<u>142</u>	<u>2,276</u>
Net book amounts at 31 January 1989	<u>2,509</u>	<u>1,326</u>	<u>952</u>	<u>254</u>	<u>5,041</u>
Net book amounts at 31 October 1987	<u>3,866</u>	<u>1,388</u>	<u>1,181</u>	<u>195</u>	<u>6,630</u>

Land and buildings consists of freehold properties and two short leasehold properties costing £129,000 with accumulated depreciation of £103,000 at 31 January 1989.

As at 31 January 1989 the directors have contracted for future capital expenditure amounting to £425,712 (1987 £33,855) and have authorised, but not contracted for, future capital expenditure amounting to £735,000 (1987 nil).

Notes on the Accounts continued

14 Intangible fixed assets

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
Mailing list expansion				
Cost				
At 31 October 1987	964	-	-	-
Exchange adjustment	(17)	-	964	-
Additions	297	-	-	-
At 31 January 1989	<u>1,244</u>	<u>-</u>	<u>964</u>	<u>-</u>
Amortisation				
At 31 October 1987	157	-	-	-
Exchange adjustment	14	-	167	-
Charge for the period	475	-	(10)	-
At 31 January 1989	<u>646</u>	<u>-</u>	<u>157</u>	<u>-</u>
Net book amounts at 31 January 1989	<u>598</u>	<u>-</u>	<u>807</u>	<u>-</u>

15 Investment in Subsidiaries

	1989 £000	1987 £000
Shares at cost		
At 31 October 1987	734	516
Additions	<u>1,293</u>	<u>218</u>
	2,027	734
Revaluation		
Balance brought forward	1,415	1,158
Adjustments for the period	<u>531</u>	<u>257</u>
	1,946	1,415
Net book amount at 31 January 1989	<u>3,973</u>	<u>2,149</u>

Main operating subsidiary companies of Saga Group PLC all of which are wholly owned:

Company	Country of incorporation or registration	Nature of Business
Saga Holidays Limited	England	Tour operating
Inter-Church Travel Limited	England	Tour operating
Renaissance Tours Limited	England	Tour operating
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Financial services
Saga International Holidays Limited	USA	Tour operating
Saga Holidays (Australasia) Pty Limited	Australia	Tour operating

Notes on the Accounts continued

16 Current asset investments

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
Redeemable preference shares listed in UK market value £388,900 (1987 £361,700)	343	343	393	393
Deposits with banks and local authorities	28,179	22,254	21,972	16,100
	<u>28,522</u>	<u>22,597</u>	<u>22,365</u>	<u>16,493</u>

Deposits and redeemable preference shares amounting to £8,381,000 (1987 £11,392,000) 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.

17 Debtors

	31 January 1989		31 October 1987	
	Group	Company	Group	Company
Trade debtors	1,886	612	712	240
Amounts owed by subsidiaries	-	961	-	234
Other debtors	1,581	1,114	1,471	1,315
Prepayments	2,838	122	2,028	1,199
Taxation recoverable	729	379	1,382	1,381
	<u>7,034</u>	<u>3,188</u>	<u>5,593</u>	<u>4,369</u>

18 Creditors

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
Bank overdraft	1,534	-	1,135	755
Advance receipts	19,998	-	11,233	7,387
Trade creditors	5,707	865	10,227	8,790
Amount owed to subsidiaries	-	18,772	-	774
Corporate taxation	2,083	1,579	747	138
Other taxation and social security	131	-	150	147
Other creditors	278	249	1,869	946
Accruals and deferred income	2,737	6	2,857	2,313
Dividends	940	940	542	542
	<u>33,408</u>	<u>22,411</u>	<u>28,760</u>	<u>21,792</u>

Notes on the Accounts continued

19 Provision for liabilities and charges

	Group £000	1989 Company £000
Deferred taxation		
Balance at 31 October 1987	936	450
Charge for the year	(27)	(79)
Exchange adjustment	(6)	-
Movement in ACT recoverable	(115)	(115)
Balance at 31 January 1989	<u>788</u>	<u>256</u>

The major components of the provision for deferred taxation are:

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
Accelerated capital allowances	465	406	711	651
Short term timing differences	<u>638</u>	<u>165</u>	<u>426</u>	<u>-</u>
	1,103	571	1,137	651
Advance Corporation Tax	<u>(316)</u>	<u>(316)</u>	<u>(201)</u>	<u>(201)</u>
	<u>787</u>	<u>255</u>	<u>936</u>	<u>450</u>

At 31 January 1989 the full potential liability of the Group for deferred tax was £874,000 (1987 £1,303,000) and Company £342,000 (1987 £817,000).

20 Lease commitments

Operating leases

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

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
Leases expiring within one year	34	-	181	14
Within 2 to 5 years	40	-	88	-
Thereafter	<u>364</u>	<u>70</u>	<u>103</u>	<u>103</u>
	<u>438</u>	<u>70</u>	<u>372</u>	<u>117</u>

21 Called up share capital

	31 January 1989 £000	31 October 1987 £000
Authorised		
27,000,000 (1987 22,500,000) Ordinary Shares of 20p each	<u>5,400</u>	<u>4,500</u>
Allotted and fully paid		
18,076,921 (1987 18,067,113) Ordinary Shares of 20p each	<u>3,615</u>	<u>3,613</u>

22 Share premium account

	31 January 1989 £000	31 October 1987 £000
Premium on shares issued	<u>77</u>	<u>69</u>

During the year 9,808 ordinary shares of 20p each were allotted and fully paid, being issued at a premium through the 1981 Savings-Related Share Option Scheme.

Notes on the Accounts continued

23 Revaluation reserve

	Group £000	1989 Company £000
Surplus arising on revaluation of investments in subsidiaries	-	1,621

24 Profit and loss accounts

	31 January 1989		31 October 1987	
	Group £000	Company £000	Group £000	Company £000
At 31 October 1987	5,009	3,388	4,894	3,273
Profit for the period	3,772	3,772	385	385
Exchange adjustments				
Unrealised translation	(20)	(20)	(336)	(336)
Realised gain	131	131	101	101
Corporation tax on realised gain	(46)	(46)	(35)	(35)
Goodwill written off	(195)	(195)	-	-
At 31 January 1989	8,651	7,030	5,009	3,388

£1,300,000 of the company's profit and loss account is not distributable.


25 Contingent liabilities

At 31 January 1989 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of the ABTA bond and other guarantees amounting to £6,314,921 (1987 £6,259,000).

Report of the Auditors

We have audited the accounts set out on pages 8 to 20 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained in note 1 (a).

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 January 1989 and of the profit and source and application of funds of the Group for the period then ended and comply with the Companies Act 1985.


Ernst & Whinney
London

26 April 1989

General Information

Saga Group PLC

R M De Haan *Chairman*

Other Directors

T Bull

A R Deacon *non-executive*

P C De Haan

J Foster

M E Hatch *non-executive*

I R Levine *non-executive*

Secretary and Registered Office

P C De Haan FCA

The Saga Building

Middelburg Square

Folkestone

Kent CT20 1AZ

Registrars and Transfer Office

National Westminster Bank PLC

Registrar's Department

PO Box 82, Caxton House

Redcliffe Way, Bristol BS99 7NH

Solicitors

Lovell White Durrant

London

Auditors

Ernst & Whinney

London

Principal Bankers

National Westminster Bank Plc

Folkestone

Brokers

James Capel & Company

London

Representation in the USA: Saga International Holidays Limited

J Foster *President*

Other local Directors

L Bragg III

M Galper

I R Levine

Office address

120 Boylston Street

Boston 02116

Massachusetts

Lawyers

Ropes & Gray

Boston

Bankers

The First National Bank

of Boston

Boston

Representation in Australia: Saga Holidays (Australasia) Pty Limited

D Simond *Managing Director*

Local director

W D Lawrenson

Office address

10 - 14 Paul Street

Milson Point

Sydney NSW 2061

Lawyers

Baker & McKenzie

Sydney

Bankers

Australia & New Zealand

Banking Group Limited

Sydney

General Information

Profile of Group Non-Executive Directors

Andrew Deacon (aged 40) was appointed a director of the company in 1979. He is a chartered accountant who left merchant banking ten years ago to enter industry. He is now chairman or a director of five companies in widely differing fields.

Maurice Hatch (aged 67) was appointed a director of the company in 1980. He is a chartered accountant and was, for 35 years, a partner in the city firm of Saffery Champness from which he retired as senior partner in 1987 and of which firm he is still an active consultant.

Robert Levine (aged 56) was appointed a director of the company in 1988. He is a certified public accountant in the USA where for 12 years he had been a national partner in Ernst & Whinney. He is currently Vice President - Financial Development with UST Inc, in Greenwich, Connecticut.

Share Information

Analysis of Shareholdings at 31 January 1989

	Shareholders	Ordinary Shares held	%
The holdings of the De Haan family, family trusts and other directors	16	11,485,233	63.54
Other shareholdings of:			
150,001 and over	10	3,198,588	17.69
30,001 to 150,000	23	1,792,549	9.92
15,001 to 30,000	4	90,074	0.50
6,001 to 15,000	16	154,931	0.86
3,001 to 6,000	44	205,138	1.13
Up to 3,000	1,467	1,150,408	6.36
	<u>1,580</u>	<u>18,076,921</u>	<u>100.00</u>

Financial Calendar

End of financial period	31 January 1989
Ex-dividend date	22 May 1989
Report and Accounts posted to shareholders	1 June 1989
Record date of final dividend	9 June 1989
Annual General Meeting	30 June 1989
Payment of final dividend	7 July 1989

Saga Group PLC

(Registered in England: Number 638891)

Directors:

R M De Haan *Chairman*
T Bull
A R Deacon *Non-executive*
P C De Haan
J Foster
M E Hatch *Non-executive*
I R Levine *Non-executive*

Registered Office
The Saga Building
Middelburg Square
Folkestone
Kent
CT20 1AZ

To the Shareholders:

1 June 1989

Dear Sir or Madam,

You will find on page 25 a Notice convening the 1989 Annual General Meeting of the Company, to be held on 30 June 1989, at which Resolutions will be proposed to:

- amend the Company's Savings-Related Share Option Scheme;
- amend the Company's Unapproved Executive Share Option Scheme; and
- renew the Directors' power to allot or grant rights over shares for a cash consideration.

I am writing to give you details of the proposals and the reasons for them.

The 1981 Savings-Related Share Option Scheme

Your Directors believe that this Scheme has been successful in developing greater interest in the Company among its employees. Since its introduction, over 76,000 ordinary shares have been issued to almost 60 employees following the exercise of their options and almost 102,000 further ordinary shares are under option pursuant to the SAYE Scheme.

To encourage further participation, it is proposed that the subscription price for the shares should be lowered to the extent which will be permitted if the Finance Bill 1989 is passed in its present form. The legislation would permit the maximum discount at which shares may be offered to be increased from 10% to 20% below the market value of the shares at the date of grant of the option.

A resolution adopting this change to the Scheme will be proposed as special business at the Annual General Meeting.

The limit on the number of shares which may be issued for employee share schemes will remain unchanged at 2 1/2% of the issued ordinary share capital of the Company from time to time, subject to an overall fixed limit of one million ordinary shares (representing 3.7% of the authorised share capital of the Company).

The 1988 Unapproved Executive Share Option Scheme

It is proposed to rationalise the limit in this scheme on the value of shares which can be put under option to any individual executive who has no UK income. The limit is currently set at four times his salary but is capped by ignoring any part of a salary above £25,000. This cap is felt to be unduly low in current circumstances and, since there is no tax advantage in having it, your Directors propose that it be removed.

A resolution proposing this change to the Unapproved Scheme will also be proposed as special business at the Annual General Meeting.

The maximum number of shares over which options may be granted under the approved and unapproved executive schemes and the savings related scheme, individually and under all three schemes in aggregate, will remain unchanged.

The Directors' Power to Allot Shares

In order to preserve the degree of flexibility given by the Company to your Board in April last year to issue additional shares if suitable opportunities arise, a resolution has again been included this year as part of the business of the Annual General Meeting to renew the power of the Directors to issue or grant rights over new ordinary shares issued for cash. The resolution, if passed, will enable your Directors to make a rights issue and, additionally, to issue up to 903,550 ordinary shares for cash otherwise than by way of rights. The authority, which complies with the guidelines issued by the leading institutional investors, will expire at the 1990 Annual General Meeting.

Recommendation

Your directors believe that these proposals are in the best interests of your company and they strongly recommend all shareholders to vote in favour of these resolutions.

Yours sincerely,

Roger De Haan
Chairman

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Saga Group PLC will be held at The Saga Building, Middelburg Square, Folkestone, Kent at 2.30 pm on 30 June 1989 to transact the following business:

- 1 To receive and adopt the directors' report and audited accounts for the fifteen months ended 31 January 1989.
- 2 To declare a final dividend
- 3 To re-elect a director: Mr R M De Haan
- 4 To re-elect a director: Mr J Foster
- 5 To re-elect a director: Mr T Bull
- 6 To re-elect a director: Mr I R Levine
- 7 To re-appoint the auditors
- 8 To authorise the directors to determine the remuneration of the auditors.

To consider and, if thought fit, pass the following resolution as a Special Resolution

9 Special Resolution

That:- (a) the power given to the Board of Directors of the Company under Article 8 of the Articles of Association of the Company to allot Equity Securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment be and it is hereby renewed until the conclusion of the next Annual General Meeting of the Company;

(b) all outstanding authorities granted to the Board of Directors of the Company pursuant to and in accordance with Section 95 of the Companies Act 1985 prior to the date hereof be and they are hereby revoked save to the extent that the Company has prior to the date hereof made any offer or entered into any agreement for the allotment of any Equity Securities of the Company pursuant to any such authorities; and

(c) words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall in this Resolution bear the same meanings.

As Special Business, to consider, and if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions.

10 Ordinary Resolution

That the 1981 Savings-Related Share Option Scheme be amended by deleting from paragraph 1 thereof the words shown as the meaning of "the Subscription Price" and inserting in their place:

"The price per share payable on the exercise of an Option being such percentage, not lower than eighty per cent, as may be permitted by the rules for the time being in force for qualification for Inland Revenue approval of savings-related share option schemes pursuant to Part I of Schedule 9 to the Income and Corporation Taxes Act 1988, of the average of the middle market quotations of the Shares as derived from The Stock Exchange Daily Official List for the last three dealing days during the week immediately preceding the week during which the Option is offered to the Eligible Employee, or the nominal value of such Share (if higher);"

11 Ordinary Resolution

That the 1988 Unapproved Executive Share Option Scheme be amended by deleting from paragraph 3(ii) thereof everything after the words "four times the Relevant Emoluments of such Offeree" and inserting in its place the following.

"(or its equivalent in any other currency, taking as the rate of such exchange the spot rate for the currency in question on the date of grant of the Option as quoted by any of the Company's bankers from time to time)."

By Order of the Board

Peter De Haan
Secretary

1 June 1989

Notes

- 1 Any member of the company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- 2 The amendments to effect the changes to the 1981 Savings-Related Share Option Scheme are set out in draft amended rules, copies of which are available for inspection at the offices of Lovell White Durrant, 73 Cheapside, London, EC2V 6ER during normal business hours in any weekday until the Annual General Meeting, and will be available for inspection at the Meeting. They are subject to final approval of the Inland Revenue and the Board is advised that they comply with institutional guidelines.

Form of Proxy - Saga Group PLC

I/We
of

Member(s) of the Company, HEREBY APPOINT Roger De Haan; or failing him; Maurice Hatch (both directors of the Company); or failing him * as my/our proxy to attend for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday 30 June 1989 and at every adjournment thereof.

Dated this 1989

Signature(s)

Please tick in the appropriate space below how you wish your votes to be cast. Where this is not done the proxy will be used in favour of the resolution.

RESOLUTIONS	FOR	AGAINST
1 To adopt the Report and Accounts		
2 To declare a final dividend		
3 To re-elect Mr R M De Haan as a director		
4 To re-elect Mr J Foster as a director		
5 To re-elect Mr T Bull as a director		
6 To re-elect Mr I R Levine as a director		
7 To re-appoint the auditors		
8 To authorise the directors to determine the remuneration of the auditors		
9 To renew the powers of the directors to allot Equity Securities		
10 To amend the 1981 Savings-Related Share Option Scheme		
11 To amend the 1988 Unapproved Executive Share Option Scheme		

Notes

1 This form should be posted so as to arrive at the Company's Transfer Office, National Westminster Bank PLC, Registrar's Department, P O Box 32, Caxton House, Redcliffe Way, Bristol BS99 7NH not less than forty-eight hours before the time of the meeting.

2 If the appointer is a Corporation, this proxy must be either under its Common Seal or signed on its behalf by an attorney or a duly authorised officer.

3 In the case of joint holders, only one of such holders need sign. The vote of a senior who tenders a vote shall be accepted to the exclusion of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share.

4 *If it is desired to appoint a proxy other than those above stated, their names should be deleted and the name of the desired proxy or proxies substituted.

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Bristol BS99 7NH

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