

SAGA GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 JANUARY 2003



Company Registration Number: 638891

SAGA GROUP LIMITED

Directors' report

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

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 2003.

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 and UK turnover increasing by 7.8%. The directors anticipate further growth in profits in the year to 31 January 2004.

Subsequent events and future developments

The directors anticipate that 2003/2004 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 £54,895,000. A dividend of £14,000,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £25,892,000 has been added to reserves.

Directors

The directors of the company during the year ended 31 January 2003 were those listed above and Maurice Hatch and Tom Wright who retired from the board on 15 January 2003 and 31 May 2002 respectively. Maurice Hatch was first appointed as a group director back in 1980 although his association with Saga began many years before that date. The board would like to place on record their appreciation of the significant contribution made by Maurice during his time at Saga.

R M De Haan and J A Goodsell 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 Limited, and his interest in shares is set out in the accounts of that company. No other director has an interest in the shares of the company, immediate parent undertaking, 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 £793,000 (2002 - £729,000). This included £455,000 of donations and £33,000 of payments in kind to UK charitable organisations and further payments of £305,000 to sponsor charitable and other non-profit making organisations and events. No political donations were made.

Employee involvement

During the year the Group has maintained the practice of keeping employees informed about current activities and progress by various methods including a regular staff newsletter. Employee participation and involvement is encouraged.

Employment of disabled persons

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

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

SAGA GROUP LIMITED

Directors' report continued

Statement of directors' responsibilities

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

The Directors confirm that the accounting policies are appropriate to the Group's business and have been applied consistently. In preparing the accounts for the year, the Directors have made reasonable and prudent judgements, have ensured that applicable accounting standards have been followed and confirm that it is appropriate to prepare the accounts on a going concern basis.

The Directors are responsible for maintaining proper accounting records, for safeguarding the Group's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



R J Fraser
Secretary

24 April 2003

The Saga Building
Enbrook Park
Folkestone
Kent
CT20 3SE

SAGA GROUP LIMITED

Consolidated profit and loss account for the year ended 31 January 2003

	Note	2003 £'000	2002 £'000
Turnover			
Turnover: group and share of joint venture turnover		341,010	344,103
Less: share of joint venture turnover		-	(369)
Group turnover	3	341,010	343,734
Cost of sales		(169,189)	(188,640)
Gross profit		171,821	155,094
Administrative and marketing expenses		(121,127)	(121,116)
Investment income	4	4,776	5,626
Operating profit		55,470	39,604
Share of operating loss in joint venture		(2)	(168)
Profit before finance costs		55,468	39,436
Finance costs	5	(573)	(668)
Profit on ordinary activities before taxation	6	54,895	38,768
Taxation	10	(15,003)	(12,014)
Profit on ordinary activities after taxation		39,892	26,754
Dividend		(14,000)	(24,000)
Retained profit for the year	24	25,892	2,754

SAGA GROUP LIMITED
Year ended 31 January 2003

Statement of total recognised gains and losses

	2003 £'000	2002 £'000
Profit for the year after taxation	39,892	26,754
Exchange differences arising on foreign currency net investments in overseas subsidiaries	708	(106)
Total recognised gains and losses relating to the year	40,600	26,648
Prior year adjustment	-	(5,473)
Total recognised gains and losses since last report	40,600	21,175

Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Total recognised gains and losses relating to the year	40,600	26,648
Dividends	(14,000)	(24,000)
	26,600	2,648
Shareholders' funds brought forward	26,406	23,758
Shareholders' funds carried forward	53,006	26,406

SAGA GROUP LIMITED
Consolidated balance sheet as at 31 January 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	12	64,063	62,238
Investment in joint venture:			
Share of gross assets		8	132
Share of gross liabilities		(4)	(77)
	13	4	55
		<u>64,067</u>	<u>62,293</u>
Current assets			
Investments	14	139,805	127,089
Stock	16	1,362	841
Debtors – including amounts due after more than one year	17	84,324	68,302
Cash at bank and in hand	15	8,273	10,435
		<u>233,764</u>	<u>206,667</u>
Creditors			
- amounts falling due within one year	18	(219,454)	(216,469)
Net current assets/(liabilities)		<u>14,310</u>	<u>(9,802)</u>
Total assets less current liabilities		<u>78,377</u>	<u>52,491</u>
Creditors			
- amounts falling due after more than one year	19	(24,063)	(25,230)
Provisions for liabilities and charges	21	(1,308)	(855)
		<u>53,006</u>	<u>26,406</u>
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Currency equalisation account	24	913	205
Profit and loss account	24	48,392	22,500
Equity shareholders' funds		<u>53,006</u>	<u>26,406</u>

R M De Haan

} 
} Directors

S M Howard

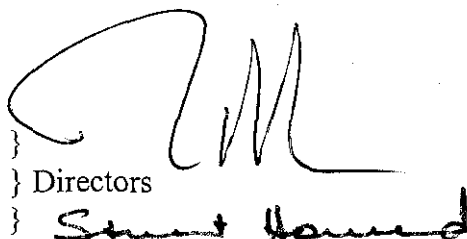
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24 April 2003

SAGA GROUP LIMITED
Company balance sheet as at 31 January 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	12	38,950	35,223
Investments	13	28,517	26,018
		<u>67,467</u>	<u>61,241</u>
Current assets			
Investments	14	2,037	1,743
Stock	16	7	-
Debtors – including amounts due after more than one year	17	9,255	9,067
Cash at bank and in hand	15	3	2
		<u>11,302</u>	<u>10,812</u>
Creditors			
- amounts falling due within one year	18	(36,234)	(38,254)
Net current liabilities		<u>(24,932)</u>	<u>(27,442)</u>
Total assets less current liabilities		42,535	33,799
Creditors			
- amounts falling due after more than one year	19	(9,232)	(8,904)
Provisions for liabilities and charges	21	(319)	(1,232)
		<u>32,984</u>	<u>23,663</u>
Capital and reserves			
Called up share capital	23	3,617	3,617
Share premium account	24	84	84
Profit and loss account	24	29,283	19,962
Equity shareholders' funds		<u>32,984</u>	<u>23,663</u>

R M De Haan



} Directors

S M Howard

} 

24 April 2003

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 2003. Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

c Turnover

Turnover from tour operations is recognised upon departure date with the exception of cruises where turnover is recognised on a daily basis if the cruise ship is owned by the group. Commission income from insurers is recognised at the commencement of the period of risk. Additional commissions from insurers may be earned dependent upon the underwriting results of the business insured. This income is recognised when the results of this business can be determined reasonably. Income received in advance relating to long term commercial agreements is recognised over the period of the agreement. All other income is recognised as earned.

d Tangible fixed assets

Tangible fixed assets are stated at cost less amounts written off. The cost of fixed assets less their expected residual value is depreciated by equal instalments over the following periods:

Land and buildings

Land	nil
Buildings	50 years
Related fittings	various up to a maximum of 10 years
Leasehold properties	over the period of the lease

Cruise ship	various up to a maximum of 13 years
Computers	various up to a maximum of 3 years
Plant and other equipment	various up to a maximum of 10 years

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

e Leased assets and hire purchase commitments

Assets held under finance lease and hire purchase arrangements are capitalised and depreciated over their useful lives. The capital element of the related rental obligation is included in creditors. The interest element of rental obligations is charged to profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of operating leases are charged to profit as incurred.

f Stocks

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

SAGA GROUP LIMITED
Notes to the accounts continued

g Advance receipts

All booking fees and balance payments for holidays with starting dates after the year end and insurance premiums received which relate to insurance policies issued after the year end, are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

h Deferred expenditure

Expenditure on holiday brochures, which relates to next year's trading is carried forward at the balance sheet date and charged against profits in the following accounting period.

i Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

j Foreign currencies

Exchange differences arising in respect of revenue transactions for the year are included in the profit and loss account. Assets and liabilities existing at the balance sheet date are translated at year-end rates except where covered by forward contracts where the contract rate is applied.

The accounts of overseas subsidiaries have been translated using the net investment method. Under the net investment method the balance sheets have been translated at year-end rates and the profit and loss accounts at weighted average rates for the year. Resultant translation differences are taken to reserves.

k Pension benefits

Contributions are made to the UK defined benefit pension scheme on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement. The cost of providing these benefits is charged to the profit and loss account on a regular basis. Overseas subsidiaries make provisions for pensions in accordance with local law and practice.

l Government grants

Government grants received in respect of capital expenditure are released into the profit and loss account in equal instalments over the expected useful life of the relevant assets.

2 Turnover

Turnover, which all arises from continuing businesses, comprises sales to third parties, net of value added tax, and commissions receivable from insurers.

SAGA GROUP LIMITED
Notes to the accounts continued

3 Analysis of turnover by geographical area

	2003	2002
	£'000	£'000
United Kingdom	336,079	311,777
United States	4,931	31,957
	<u>341,010</u>	<u>343,734</u>

The Group's turnover and profits are derived from the single activity of providing services to people aged fifty and over.

4 Investment income

	2003	2002
	£'000	£'000
Interest on deposits	5,232	6,819
Intercompany interest	(467)	(1,196)
Other interest receivable	11	3
	<u>4,776</u>	<u>5,626</u>

5 Finance costs

	2003	2002
	£'000	£'000
Loan interest	479	631
Finance lease and hire purchase interest	72	29
Other interest payable	22	8
	<u>573</u>	<u>668</u>

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

	2003	2002
	£'000	£'000
Depreciation of tangible fixed assets	6,375	6,274
Deferred government grant release	(65)	(52)
Auditors' remuneration - for audit services	105	127
- for non-audit services	121	98
Property lease charges	650	1,314
Hire of plant and machinery	<u>1,390</u>	<u>1,764</u>

SAGA GROUP LIMITED
Notes to the accounts continued

7 Directors' emoluments	2003	2002
	£'000	£'000
Emoluments	1,889	2,156
Compensation for loss of office	-	110
Pensions to former directors	6	87
	<u>1,895</u>	<u>2,353</u>

	2003	2002
Members of defined benefit pension scheme	<u>4</u>	<u>5</u>

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

	2003	2002
	£'000	£'000
Emoluments	<u>548</u>	<u>635</u>

The amount of accrued pension for those directors was as follows:

	2003	2002
	£'000	£'000
Defined benefit pension scheme:		
Accrued pension at end of year	<u>303</u>	<u>15</u>

8 Staff costs	2003	2002
	£'000	£'000
Wages and salaries	50,158	45,879
Social security costs	3,469	3,428
Other pension costs	3,416	2,307
	<u>57,043</u>	<u>51,614</u>
Average number of persons employees	<u>2,608</u>	<u>2,545</u>

9 Pension costs

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

In the past year contributions of £45,000 were paid to the UK defined contribution section of the scheme.

In the past year contributions of £3,371,000 were paid to the defined benefit section of the scheme. The Company contributed at a rate of 12% and Members contributed at the rate of 5% of Pensionable Salary. Included in debtors is a pension contribution prepayment of £1,520,000 (2002 – £1,687,000).

In view of the deficit in the scheme, the directors have recently approved an increase in the employer's contribution rate from 12% to 15% of Pensionable Salaries with effect from 1 February 2003. The Scheme's Actuary has calculated that, based on latest financial information and on financial assumptions updated from the valuation as at 30 November 2001, the revised contribution rate will be sufficient to make good the actuarial deficit over a period of approximately 15 years, which is equivalent to the average expected future working lifetime of the scheme members.

SAGA GROUP LIMITED
Notes on the accounts continued

9 Pension costs (continued)

A full actuarial valuation was carried out as at 30 November 2001 and updated to 31 January 2003 by a qualified independent actuary. No benefit improvements were made during the year. The major assumptions used by the actuary were:

	At 31 Jan 2003	At 31 Jan 2002
Rate of increase in salaries	4.6%	4.6%
Rate of increase in pensions in payment	2.4%	2.4%
Discount rate	5.3%	5.6%
Inflation assumption	2.4%	2.4%

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

	At 31 Jan 2003		At 31 Jan 2002	
	Rate of return expected	Market Value £'000	Rate of return expected	Market Value £'000
Equities	6.40%	20,186	7.10%	22,234
Bonds	4.40%	5,445	5.10%	4,449
Cash	3.15%	691	4.00%	1,554
Total market value of assets		26,322		28,237
Actuarial value of scheme liabilities		(57,323)		(45,264)
FRS17 deficit in the scheme		(31,001)		(17,027)
Related deferred tax asset		9,300		5,108
FRS17 Net pension liability		(21,701)		(11,919)

Analysis of the amount that would have been charged to operating profit if FRS17 had been adopted in full:-

	Year to 31 January 2003 £'000
Service cost	2,519
Past service cost	-
Total operating charge	2,519

Analysis of net return on pension scheme:-

	Year to 31 January 2003 £'000
Expected return on pension scheme assets	2,010
Interest on pension liabilities	(2,631)
Net return	(621)

If FRS17 had been adopted in full the net returns would have been charged as an expense in the profit and loss account.

SAGA GROUP LIMITED**Notes to the accounts continued****9 Pension costs (continued)**

Analysis of the amount that would have been recognised in the Statement of Total Recognised Gains and Losses (STRGL):-

	Year to 31 January 2003 £'000
Actual return less expected return on assets	(8,221)
Experience gains and losses on liabilities	(1,388)
Changes in assumptions	(4,596)
Actuarial loss recognised in STRGL	<u>(14,205)</u>

Movement in surplus during the year:-

	Year to 31 January 2003 £'000
Deficit in scheme at beginning of year	(17,027)
Movement in year:-	
Current service cost	(2,519)
Contributions	3,371
Past service cost	-
Net return on assets/(interest cost)	(621)
Actuarial loss	(14,205)
Deficit in scheme at end of year	<u>(31,001)</u>

The actuarial valuation at 31 January 2003 showed an increase in the deficit from £17,027,000 to £31,001,000.

History of experience gains and losses:-

	Year to 31 January 2003 £'000	Year to 31 January 2003 %
Difference between expected and actual return on scheme assets:-		
- Amount	(8,221)	
- Percentage of scheme assets		-31%
Experience gains and losses on scheme liabilities:-		
- Amount	(1,388)	
- Percentage of scheme liabilities		-2%
Total amount that would have been recognised in STRGL:-		
- Amount	(14,205)	
- Percentage of scheme liabilities		-25%

SAGA GROUP LIMITED
Notes to the accounts continued

9 Pension costs (continued)

Additional disclosures required under SSAP24 (Pension costs):-

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 30 November 2001 at which date the actuarial valuation of the Scheme assets was £28.2m. This valuation was prepared using the projected unit funding method and showed that the level of funding was 76% allowing for salaries projected to retirement or earlier withdrawal. The main financial assumptions used in the valuation were that the rate of return on investments is 7% per annum, the rate of salary growth is 4.5% per annum and the rate of price inflation is 2.25% per annum.

10 Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
The charge based on the profit for the year comprises:		
UK corporation tax @ 19.16% (2002 – 20%)	16	20
UK corporation tax @ 30%	14,663	11,300
Group relief @ 30%	2,021	855
Current tax	16,700	12,175
Adjustments relating to prior years	45	(161)
Overseas taxes relating to prior years	(378)	-
	16,367	12,014
Deferred tax – current year	(1,194)	-
Deferred tax – prior years	(170)	-
	<u>15,003</u>	<u>12,014</u>

	2003	2002
	£'000	£'000
Reconciliation of Current Tax Charge:-		
Pre-tax profits at 30%	16,468	11,628
Capital allowances in excess of depreciation	(15)	26
Permanent differences	566	545
Other timing differences	1,076	(75)
Tonnage tax adjustment	(1,617)	(1,571)
Unrelieved losses of overseas subsidiary	29	1,159
Other items	193	463
	<u>16,700</u>	<u>12,175</u>

11 Profit for the financial year

Of the profit after taxation for the financial year, £9,321,000 (2002 – £2,078,000) 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.

SAGA GROUP LIMITED
Notes to the accounts continued

12 Tangible fixed assets	Land and Buildings	Cruise Ship	Other Assets	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 1 February 2002	38,410	31,830	22,265	92,505
Exchange adjustments	-	-	(231)	(231)
Additions	5,062	(97)	3,235	8,200
Disposals	-	-	(1,278)	(1,278)
At 31 January 2003	<u>43,472</u>	<u>31,733</u>	<u>23,991</u>	<u>99,196</u>
Depreciation				
At 1 February 2002	4,848	9,354	16,065	30,267
Exchange adjustments	-	-	(231)	(231)
Charge for year	1,130	3,099	2,146	6,375
Disposals	-	-	(1,278)	(1,278)
At 31 January 2003	<u>5,978</u>	<u>12,453</u>	<u>16,702</u>	<u>35,133</u>
Net book amounts				
At 31 January 2003	<u>37,494</u>	<u>19,280</u>	<u>7,289</u>	<u>64,063</u>
Net book amounts				
At 1 February 2002	<u>33,562</u>	<u>22,476</u>	<u>6,200</u>	<u>62,238</u>
Company				
Cost				
At 1 February 2002	38,082		13,886	51,968
Additions	4,704		732	5,436
At 31 January 2003	<u>42,786</u>		<u>14,618</u>	<u>57,404</u>
Depreciation				
At 1 February 2002	4,838		11,907	16,745
Charge for year	1,100		609	1,709
At 31 January 2003	<u>5,938</u>		<u>12,516</u>	<u>18,454</u>
Net book amounts				
At 31 January 2003	<u>36,848</u>		<u>2,102</u>	<u>38,950</u>
At 1 February 2002	<u>33,244</u>		<u>1,979</u>	<u>35,223</u>

Included in land and buildings are amounts in respect of land, with an original cost of £2,597,000 (2002 : £2,597,000) which have not been depreciated. All tangible fixed assets are stated at historic cost.

The net book amount of tangible fixed assets includes £2,341,000 (2002 - £2,146,000) for the Group and £685,000 (2002 - £211,000) for the Company in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £1,032,000 (2002- £964,000) for the Group and £116,000 (2002 - £79,000) for the Company.

Included within land and buildings for the group are leasehold improvements with a cost of £5,389,000 (2002 - £327,000). Depreciation for the year on these assets was £30,000 (2002 - £9,000).

Included within land and buildings for the company are leasehold improvements with a cost of £4,704,000 (2002 - £nil). Depreciation for the year on these assets was £nil (2002 - £nil).

The Group had expenditure contracted for but not provided in the financial statements of £nil at 31 January 2003 (2002 - £444,000).

SAGA GROUP LIMITED
Notes to the accounts continued

13 Investments

Group – Investment in joint venture

£'000

At 1 February 2002	55
Share of loss retained by joint venture	(2)
Capital contribution repayment	(49)
At 31 January 2003	<u>4</u>

Company	Subsidiary Undertakings £'000	Joint Venture £'000	Total £'000
Cost			
At 1 February 2002	27,291	330	27,621
Additions	5,999	(49)	5,950
At 31 January 2003	<u>33,290</u>	<u>281</u>	<u>33,571</u>
Provision			
At 1 February 2002	1,273	330	1,603
Movement in year	3,500	(49)	3,451
At 31 January 2003	<u>4,773</u>	<u>281</u>	<u>5,054</u>
Net book value			
At 31 January 2003	<u>28,517</u>	<u>-</u>	<u>28,517</u>
Net book value			
At 1 February 2002	<u>26,018</u>	<u>-</u>	<u>26,018</u>

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

	Country of registration	Nature of Business
Saga Holidays Limited	England	Tour operating
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Financial services
Saga Investment Direct Limited	England	Regulated investment products
MetroMail Limited	England	Mail processing
Saga Shipping Company Limited	England	Cruising
Saga Digital Radio Limited	England	Radio broadcasting
Saga Radio Limited	England	Radio broadcasting
Saga Regional Digital Radio Limited	England	Radio broadcasting

Saga 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 -

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Held in trust	68,020	58,982	2,037	1,743
Other	71,785	68,107	-	-
	<u>139,805</u>	<u>127,089</u>	<u>2,037</u>	<u>1,743</u>

Monies received in respect of holiday packages sold by the group's UK tour operating businesses from customers in advance of holiday departure dates, are paid directly into independently controlled trusts. The monies remain in trust until the tour operating companies have fulfilled their obligations to the customer. (See also, the footnote to note 18). Monies held in trust also include amounts relating to payments made into an Employee Benefit Trust.

Group deposits amounting to £10,500,000 (2002 - £16,913,000) 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

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 14)	1,104	2,070	-	-
Other	7,169	8,365	3	2
	<u>8,273</u>	<u>10,435</u>	<u>3</u>	<u>2</u>

16 Stock

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Stock	<u>1,362</u>	<u>841</u>	<u>7</u>	<u>-</u>

17 Debtors

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Deferred taxation	1,364	-	-	-
Trade debtors	64,858	51,816	304	26
Other debtors	2,647	3,799	731	671
Prepayments and deferred expenditure	10,658	12,075	1,720	1,870
Amounts owed by group undertakings	4,226	-	6,500	6,500
Taxation recoverable	571	612	-	-
	<u>84,324</u>	<u>68,302</u>	<u>9,255</u>	<u>9,067</u>

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

Included within prepayments are amounts paid in respect of pensions by the Group of £1,353,000 (2002 - £1,520,000) and by the Company £1,063,000 (2002 - £1,195,000) which are chargeable to profit and loss account after more than one year.

Deferred taxation comprises of short term timing differences of £1,297,000 and an excess of depreciation over capital allowances of £67,000.

SAGA GROUP LIMITED
Notes to the accounts continued

18	Creditors	2003	2002	2003	2002
	- amounts falling due within one year	Group	Group	Company	Company
		£'000	£'000	£'000	£'000
	Bank loan	2,667	2,667	-	-
	Bank overdraft	1,023	1,852	112	75
	Advance receipts (see footnote below)	54,450	52,702	-	-
	Trade creditors	108,607	97,050	10	164
	Due to group undertakings	-	22,163	22,758	29,001
	Corporate taxation	8,996	4,561	900	700
	Other taxation and social security	4,580	3,459	894	881
	Deferred government grants	71	60	52	52
	Other creditors	4,927	3,690	2,885	2,373
	Accruals and deferred income	33,702	28,097	8,482	5,008
	Leasing and hire purchase (see note 20)	431	168	141	-
		<u>219,454</u>	<u>216,469</u>	<u>36,234</u>	<u>38,254</u>

Of the amount included in advance receipts, £51,487,000 (2002 - £46,586,000) relates to advance customer holiday deposits which are held in trust, as explained in note 14.

19	Creditors	2003	2002	2003	2002
	- amounts falling due after more than one year	Group	Group	Company	Company
		£'000	£'000	£'000	£'000
	Bank loan	1,333	4,000	-	-
	Due to group undertaking	6,500	6,500	6,500	6,500
	Deferred income	12,635	11,750	-	-
	Deferred government grants	2,485	2,467	2,352	2,404
	Leasing and hire purchase (see note 20)	1,110	513	380	-
		<u>24,063</u>	<u>25,230</u>	<u>9,232</u>	<u>8,904</u>

The bank loan falls due for repayment:

Between one and two years	1,333	2,667
Between two and five years	-	1,333
After five years	-	-
	<u>1,333</u>	<u>4,000</u>

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

SAGA GROUP LIMITED
Notes to the accounts continued

20 Obligations under finance leases and hire purchase contracts

The capital amounts due under finance lease and hire purchase contracts are as follows:

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Within one year	431	168	141	-
Within two to five years	1,110	513	380	-
	<u>1,541</u>	<u>681</u>	<u>521</u>	<u>-</u>

21 Provisions for liabilities and charges
Deferred Tax

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Balance at beginning of year	-	-	1,232	1,383
Charge/(credit) for the year	-	-	(913)	(151)
Balance at end of year	<u>-</u>	<u>-</u>	<u>319</u>	<u>1,232</u>

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

Other Provisions

	2003	2002
	Group	Group
	£'000	£'000
Balance at beginning of year	855	708
Charge for the year	453	147
Balance at end of year	<u>1,308</u>	<u>855</u>

The other provisions relate to property dilapidations and insurance policies that are expected to lapse after the year end.

22 Lease commitments

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

	2003	2002	2003	2002
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within one year	-	318	-	-
Within two to five years	288	266	178	74
After five years	1,359	460	795	35
	<u>1,647</u>	<u>1,044</u>	<u>973</u>	<u>109</u>
Plant & machinery				
Leases expiring:-				
Within one year	142	199	142	199
Within two to five years	715	1,027	715	986
After five years	-	-	-	-
	<u>857</u>	<u>1,226</u>	<u>857</u>	<u>1,185</u>

SAGA GROUP LIMITED
Notes to the accounts continued

23 Called up share capital

	2003	2002
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 2002	84	205	22,500
Currency fluctuations	-	708	-
Retained profit for the year	-	-	25,892
At 31 January 2003	84	913	48,392

The cumulative amount of goodwill written off at 31 January 2003 is £271,000 (2002 - £271,000)

Company	Share Premium Account £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
At 1 February 2002	84	-	19,962
Retained profit for the year	-	-	9,321
At 31 January 2003	84	-	29,283

25 Contingent liabilities

At 31 January 2003 there were contingent liabilities under counter indemnities given, in the normal course of business, to the Company's bankers in respect of financial bonds and other guarantees amounting to £3,102,000 (2002 - £3,606,000).

The group has been notified of a legal claim relating to the use of the services of Tour Directors by the group's U.S. based tour business. The information required by FRS12 is not disclosed on the grounds that to do so may prejudice seriously the outcome of litigation.

The company's cruise subsidiary benefits from a lower tax charge as a result of the Tonnage Tax regime. If the company were to opt out of Tonnage Tax, a deferred tax liability of £1,717,000 (2002 - £2,220,000) would arise.

The company is a guarantor of the borrowings of the ultimate parent undertaking. As at 31 January 2003, the amount subject to guarantee was £75,000,000 (2002 - £9,950,000). 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 £4,000,000 (2002 - £6,667,000).

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 £852,000 (2002 - £1,102,000) in respect of hotel and other direct costs incurred in New Zealand on behalf of the group's tour operating businesses. In addition, a further amount of £1,209,000 was owed to David De Haan Tours Limited as at 31 January 2003 in respect of such arrangements.

The Group has supplied management services to Saga Flights.com Limited in the amount of £nil (2002 - £213,000).

27 Ultimate parent undertaking

The ultimate parent undertaking is Saga Limited which is incorporated in England. The accounts of the company have been included in the consolidated accounts of Saga Leisure Limited and Saga Limited.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGA GROUP LIMITED

We have audited the company's and the group's financial statements for the year ended 31 January 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

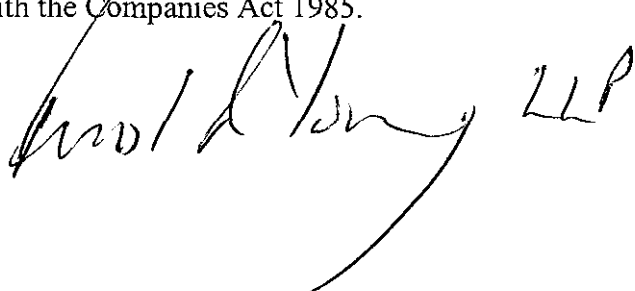
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 January 2003 and of profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

A large, stylized handwritten signature in black ink, likely representing the firm Ernst & Young LLP, is written over the printed name and extends across the bottom right of the page.

24 April 2003