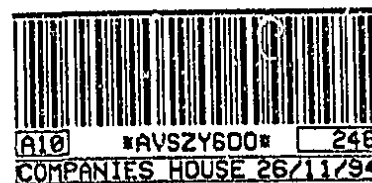


SAGA GROUP LIMITED
ANNUAL REPORT AND ACCOUNTS
31 JANUARY 1994

Company Registration Number: 638891



SAGA GROUP LIMITED

Directors' Report

Directors R M De Haan (Chairman)
 T B Bull
 A R Deacon
 P C De Haan
 M E Hatch

Secretary P C De Haan

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

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

Principal activities and review of business developments

The Group's principal activity consists of the provision of services, to people in or approaching retirement, primarily in the form of inclusive holidays and financial services.

The past year has been an excellent one for the group. The financial services division has performed particularly strongly and has made a significant contribution to the group result.

In January 1994 the United Kingdom tour operating companies introduced a system of Trust Accounting to protect monies received from customers. Under the system all monies are held in trust until the company has fulfilled its obligations to the customer.

The current year is already promising to deliver strong growth in group profitability.

Subsequent events and future developments

The directors anticipate that 1994/95 will see a continuation of the Group's long term strategy of developing its core tour operating and financial services businesses.

Results and dividends

The profit for the year before taxation amounts to £8,680,000. A dividend totalling £3,800,000 been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £2,061,000 has been added to reserves.

Directors

The directors of the company during the year were those listed above. T B Bull and R M De Haan retire by rotation and, being eligible, offer themselves for re-election.

Directors' Interests

As Messrs R M De Haan, A R Deacon, P C De Haan and M E Hatch are directors of the ultimate holding company, their interests are set out in the accounts of that company. T B Bull has no interest in the shares of the company or the ultimate holding company.

It is the company's policy to maintain indemnity insurance for directors and officers.

SAGA GROUP LIMITED

Donations

During the year charitable donations in the UK amounted to £33,211. 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 enable disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Group. We shall retain in employment, whenever practicable, employees who become disabled and in line with our general Group policy we shall give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential within the Group.

Auditors

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

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 Group and of the profit 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.

The Saga Building
Middelburg Square
Folkestone, Kent
CT20 1AZ

By Order of the Board

Peter De Haan
Secretary

5th May 1994

SAGA GROUP LIMITED

Consolidated profit and loss account

For the year ended 31 January 1994

	Note	1994 £'000	1993 £'000
Turnover	2	137,507	130,240
Cost of sales		(98,508)	(98,952)
Gross profit		<u>38,999</u>	<u>31,288</u>
Administrative and marketing expenses		(33,139)	(29,017)
Net investment income	4	2,820	3,069
Profit on ordinary activities before taxation	5	<u>8,680</u>	<u>5,340</u>
Taxation	9	(2,819)	(1,743)
Profit on ordinary activities after taxation	10	5,861	3,597
Dividend		(3,800)	(4,200)
Retained profit/(loss) for the year	23	<u><u>2,061</u></u>	<u><u>(603)</u></u>

SAGA GROUP LIMITED
Consolidated Balance Sheet

As at 31 January 1994

	Note	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	11	10,895	8,871
Current assets			
Investments	13	43,276	36,043
Stock	15	1,364	1,987
Debtors	16	11,091	11,966
Deferred expenditure		6,526	5,529
Cash at bank and in hand	14	1,755	504
		<u>64,012</u>	<u>56,029</u>
Creditors			
- amounts falling due within one year	17	57,764	49,929
Net current assets		<u>6,248</u>	<u>6,100</u>
Total assets less current liabilities		<u>17,143</u>	<u>14,971</u>
Creditors			
- amounts falling due after more than one year	18	902	686
Provisions for liabilities and charges	20	<u>177</u>	<u>335</u>
		<u>16,064</u>	<u>13,950</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	3,783	3,865
Currency equalisation account	23	317	264
Profit and loss account	23	8,263	6,120
		<u>16,064</u>	<u>13,950</u>

R M De Haan

) Directors

P C De Haan)

5th May 1994

SAGA GROUP LIMITED
Company Balance Sheet
As at 31 January 1994

	Note	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	11	8,868	7,180
Investment in subsidiaries	12	11,052	9,238
		<u>19,920</u>	<u>16,418</u>
Current assets			
Investments	13	8,250	7,500
Debtors	16	366	3,321
Deferred expenditure		<u>1,108</u>	<u>974</u>
		9,724	11,795
Creditors			
- amounts falling due within one year	17	<u>13,124</u>	<u>13,528</u>
Net current liabilities		<u>(3,400)</u>	<u>(1,733)</u>
Total assets less current liabilities		<u>16,520</u>	<u>14,685</u>
Creditors			
- amounts falling due after more than one year	18	456	607
Provisions for liabilities and charges	20	-	128
		<u>16,064</u>	<u>13,950</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	11,834	9,895
Currency equalisation account	23	317	264
Profit and loss account	23	<u>212</u>	<u>90</u>
		<u>16,064</u>	<u>13,950</u>

R M De Haan

Directors

P C De Haan

5th May 1994

SAGA GROUP LIMITED
Additional Information
For the year ended 31 January 1994

Statement of total recognised gains and losses

	1994 £'000	1993 £'000
Profit for the year after taxation	5,861	3,597
Exchange differences arising on foreign currency net investments in overseas subsidiaries	<u>53</u>	<u>204</u>
Total recognised gains	<u>5,914</u>	<u>3,801</u>

Note of historical cost profits and losses

Profit for the year before taxation	8,680	5,340
Difference between historical cost depreciation charge and actual charge	<u>82</u>	<u>82</u>
Historical cost profit on ordinary activities before taxation	<u>8,762</u>	<u>5,422</u>
Historical cost profit/(loss) retained after taxation and dividends	<u>2,143</u>	<u>(521)</u>

Reconciliation of movement in shareholders' funds

Total recognised gains	5,914	3,801
Dividends paid	<u>3,800</u>	<u>4,200</u>
	<u>2,114</u>	<u>(399)</u>
Shareholders' funds brought forward	13,950	14,349
Shareholders' funds carried forward	<u>16,064</u>	<u>13,950</u>

SAGA GROUP LIMITED

Notes on the Accounts

I 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, 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 1994.

c Accounting for subsidiary companies

The Company adopts the equity method of accounting for the results of its subsidiaries.

d Turnover

Turnover from tour operations is recognised upon departure date. Commission income from insurers is recognised at the commencement of the period of risk.

e 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
Plant and 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

f Leased assets

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

g Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises land purchases, building costs and a portion of applicable overhead costs and interest on external borrowings.

Notes on the Accounts continued

h 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.

i 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.

j 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.

k 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 where the contract rate is used.

The accounts of overseas subsidiaries have been translated using the net investment method. Under the net investment method the balance sheets have been translated at year end rates and the profit and loss accounts at weighted average rates for the year except where the net results are covered by forward exchange contracts. Resultant translation differences are taken to reserves and are matched with realised profits or losses arising from forward foreign currency contracts entered into to provide a currency hedge against the effect of changes in the rates of exchange on the value of the net investment in the overseas subsidiaries.

l 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.

m Pension benefits

Annual 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 costs of providing these benefits are charged to the profit and loss account on a regular basis. Overseas subsidiaries make provisions for pensions in accordance with local law and practice.

2 Turnover

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

Notes on the Accounts continued

3 Analysis of turnover and profits

	Turnover		Contributions to profit	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Tour operations and other services	<u>137,507</u>	<u>130,240</u>	<u>8,680</u>	<u>5,340</u>
United Kingdom	90,530	84,847		
United States	44,928	42,673		
Australia	<u>2,049</u>	<u>2,720</u>		
	<u>137,507</u>	<u>130,240</u>		

The accounts do not contain details of profits and net assets by geographical area as, in the opinion of the Directors, disclosure of such information would be seriously prejudicial to the interests of the Group. The Group's turnover and profits are derived from the provision of services, mainly to people aged over sixty.

4 Net investment income

	1994 £'000	1993 £'000
Interest on deposits	2,887	3,574
Other investment income	6	8
Interest received from holding company	<u>399</u>	<u>620</u>
	3,292	4,202
Bank and other interest payable - Housing loans	(266)	(401)
- Other	61	(220)
Prompt payment discounts allowed to customers	(184)	(396)
Finance lease interest	<u>(83)</u>	<u>(116)</u>
	<u>2,820</u>	<u>3,069</u>

5 Profit before taxation is stated after charging

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	1,490	1,514
Loss on disposal of tangible fixed assets	19	63
Hire of equipment	451	267
Auditors' remuneration - audit	97	98
- other services (UK)	16	21
Emoluments of directors of the Company (Note 6)	638	520
Property lease charges	<u>784</u>	<u>527</u>

Notes on the Accounts continued

	1994 £'000	1993 £'000
6 Emoluments of directors	57	57
Fees	511	396
Remuneration	70	67
Pensions to former directors	<u>638</u>	<u>520</u>

The emoluments, excluding pension contributions, of directors of the Company were:

	1994 £	1993 £
Chairman and highest paid director	199,447	151,819

	Number	Number
Other directors in scale:	1	1
£ 20,001 to £ 25,000	1	1
£ 30,001 to £ 35,001	-	1
£ 90,001 to £ 95,000	1	-
£110,001 to £115,000	-	1
£115,001 to £120,000	1	-
£150,001 to £155,000	-	-

	1994 £'000	1993 £'000
7 Staff costs (excluding directors emoluments)	12,476	11,040
Wages and salaries	865	785
Social security costs	515	429
Other pension costs	<u>13,856</u>	<u>12,254</u>
Average number of persons employed	<u>995</u>	<u>996</u>

Notes on the Accounts continued

8 Pension costs

The Group operates a defined benefit pension scheme in the UK and a defined contribution scheme overseas. The pension cost in the UK was £503,000 and £56,000 overseas.

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 actuaries have confirmed that, on the basis of the actuarial assumptions and methods used, the scheme's assets at 1 December 1992 fully covered its liabilities based on the current salary levels and service to the valuation date.

The most recent valuation was conducted as at 1 December 1992 at which date the market value of the scheme assets was £4,005,000. This valuation was prepared using the projected unit credit method and showed that the level of funding was 86%. The actuaries recommended future contributions of 15% of pensionable salary of which 1.5% represents the amount expected to be necessary to achieve a funding level of 100%. The main financial assumptions used in the valuation were that the rate of return on the investments be 9% per annum, that the rate of salary growth be 7.5% per annum and that the guaranteed rate of pension increase be 5% per annum.

9 Tax on profit on ordinary activities

1994
£'000

1993
£'000

The charge/(credit) based on the profit for the year comprises:

UK corporation tax @ 33%

1,934

245

Group relief @33%

813

1,023

Overseas taxes

351

359

Adjustments relating to prior years

(123)

47

2,975

1,674

Deferred tax

(156)

69

2,819

1,743

10 Profit for the financial year

Of the profit after taxation for the financial year, £3,840,000 (1993 £3,733,000) has been dealt within 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.

Notes on the Accounts continued

11 Tangible fixed assets

Group	Land and buildings £'000	Computers £'000	Plant and other equipment £'000	Total £'000
Cost or valuation:				
At 31 January 1993	6,876	7,745	2,802	17,423
Exchange adjustments	-	(15)	(3)	(18)
Additions	1,597	1,332	600	3,529
Disposals	-	(332)	(84)	(416)
At 31 January 1994	8,473	8,730	3,315	20,518
Depreciation:				
At 31 January 1993	956	5,661	1,935	8,552
Exchange adjustments	-	(30)	(4)	(34)
Charge for year	194	1,022	274	1,490
Disposals	-	(309)	(76)	(385)
At 31 January 1994	1,150	6,344	2,129	9,623
Net book amounts				
At 31 January 1994	7,323	2,386	1,186	10,895
Net book amounts				
At 31 January 1993	5,920	2,084	867	8,871
Company				
Cost or valuation:				
At 31 January 1993	6,877	4,572	1,852	13,301
Additions	1,597	278	582	2,457
Disposals	-	-	-	-
At 31 January 1994	8,474	4,850	2,434	15,758
Depreciation:				
At 31 January 1993	957	3,764	1,400	6,121
Charge for year	194	415	160	769
Disposals	-	-	-	-
At 31 January 1994	1,151	4,179	1,560	6,890
Net book amounts				
At 31 January 1994	7,323	671	874	8,868
Net book amounts				
At 31 January 1993	5,920	808	452	7,180

Land and buildings consists of freehold properties and short leasehold properties. Short leasehold comprises cost of £75,000 and accumulated depreciation of £75,000 at 31 January 1994.

Notes on the Accounts continued

As at 31 January 1994 the directors have contracted for £72,000 (1993 - £60,000) future capital expenditure and have authorised, but not contracted for, future capital expenditure amounting to £258,000 (1993 - £320,000)

On 5 April, 1990 The Saga Building, one of the company's freehold properties, was revalued at £5,300,000 by a firm of Chartered Surveyors on an open market existing use basis. Depreciation on the revaluation uplift amounted to £82,080 during the year. Included in land and buildings are amounts in respect of land, with an original cost of £2,547,000 which have not been depreciated.

With the exception of certain land and buildings, all tangible fixed assets are stated at historic cost. The historic cost of land and buildings is as follows:

	Group £'000	Company £'000
Cost	4,369	4,369
Aggregate depreciation	829	829
Net book amount 31 January 1994	3,540	3,540
Net book amount 31 January 1993	2,056	2,056

The net book amount of tangible fixed assets includes £1,198,000 (1993 - £338,000) for the Group and £402,000 for the Company (1993 - £261,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £321,761 (1993 - £353,000) for the Group and £184,608 for the Company (1993 - £313,000).

12 Investment in subsidiary undertakings

	1994 £'000	1993 £'000
Cost		
At 31 January 1993	5,681	5,281
Additions	280	400
	5,961	5,681
Revaluation		
Balance brought forward	3,557	3,404
Adjustments for the year	1,534	153
	5,091	3,557
Net book amount at 31 January 1994	11,052	9,238

The shares in all directly owned subsidiaries are subject to a legal charge in favour of the principal bankers of Saga Leisure Limited, the parent company.

Notes on the Accounts continued

Main operating subsidiary undertakings of Saga Group Limited all of which are wholly owned:

	Country of incorporation or registration	Nature of Business
Saga Holidays Limited	England	Tour operating
Inter-Church Travel Limited	England	Tour operating
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Financial services
MetroMail Limited	England	Mail processing
Saga International Holidays Limited	USA	Tour operating

13 Current asset investments

	31st January 1994		31st January 1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Deposits with financial institutions and local authorities -				
Held in trust	16,050	-	-	-
Other	7,226	8,250	36,043	7,500
	<u>7,276</u>	<u>8,250</u>	<u>36,043</u>	<u>7,500</u>

Holiday monies received by the group's U.K. 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.

Group deposits amounting to £9,068,000 (1993 - £9,365,000) 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.

14 Cash at bank and in hand

	31st January 1994		31st January 1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Held in trust (see note 13)	727	-	-	-
Other	1,028	-	504	-
	<u>1,755</u>	<u>-</u>	<u>504</u>	<u>-</u>

15 Stock

	1994	1993
	£'000	£'000
Stock	<u>1,364</u>	<u>1,987</u>

Stock comprises completed housing units held for resale and land held for development.

Notes on the Accounts continued

16 Debtors

	31st January 1994		31st January 1993	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	6,449	2	4,310	5
Due from parent undertaking	-	-	2,691	2,691
Other debtors	946	68	1,593	396
Prepayments	3,118	155	3,095	199
Taxation recoverable	578	141	277	30
	<u>11,091</u>	<u>366</u>	<u>11,966</u>	<u>3,321</u>

17 Creditors

- amounts falling due within one year

	31st January 1994		31st January 1993	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank overdraft	1,024	324	491	22
Advance receipts (see footnote below)	20,170	-	19,690	-
Trade creditors	23,660	1,033	19,709	1,133
Due to parent undertaking	378	378	-	-
Due to subsidiary undertakings	-	9,819	-	10,785
Corporate taxation	1,980	226	393	47
Other taxation and social security	492	9	417	-
Other creditors	384	229	190	110
Accruals and deferred income	9,008	715	4,696	1,128
Leasing	668	391	343	303
Bank loan	-	-	4,000	-
	<u>57,764</u>	<u>13,124</u>	<u>49,929</u>	<u>13,528</u>

Of the amount included in advance receipts, £12,288,000 relates to advance customer holiday deposits which are held in trust, as explained in note 13.

18 Creditors

- amounts falling due after more than one year

	31st January 1994		31st January 1993	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Leasing	<u>902</u>	<u>456</u>	<u>686</u>	<u>607</u>

Notes on the Accounts continued

19 Obligations under finance leases

The capital amounts due under finance lease obligations are as follows:

	31st January 1994		31st January 1993	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Within one year	668	391	343	303
Within two to five years	902	456	686	607
	<u>1,570</u>	<u>847</u>	<u>1,029</u>	<u>910</u>

20 Provision for liabilities and charges

	31st January 1994	
	Group	Company
	£'000	£'000
Deferred taxation		
Balance at 31 January 1993	335	128
Charge for the year	(156)	(128)
Exchange adjustment	(2)	-
Balance at 31 January 1994	<u>177</u>	<u>-</u>

The major components of the provision for deferred taxation are:

	31st January 1994		31st January 1993	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Accelerated capital allowances	177	-	291	127
Short term timing differences	-	-	44	1
	<u>177</u>	<u>-</u>	<u>335</u>	<u>128</u>

At 31 January 1994 the full potential liability for deferred tax of the Group was £177,000 (1993 - £689,000) and of the Company £NIL (1993 - £161,000).

The above figures exclude deferred tax on capital gains which would arise if freehold properties or investments in subsidiaries were sold at their revalued amounts as it is the intention that such assets will be retained for use in the business.

Notes on the Accounts continued

21 Lease commitments

Operating leases

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

	31st January 1994		31st January 1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Land and buildings				
Leases expiring:				
Within 1 year	-	-	-	-
Within 2 to 5 years	43	-	133	-
Thereafter	701	52	625	52
	<u>744</u>	<u>52</u>	<u>758</u>	<u>52</u>
Plant & machinery				
Leases expiring:-				
Within 1 year	118	118	122	97
Within 2 to 5 years	300	189	181	135
Thereafter	5	-	-	-
	<u>423</u>	<u>307</u>	<u>303</u>	<u>232</u>

22 Called up share capital

	1994 £'000	1993 £'000
Authorised		
27,000,000 Ordinary shares of 20p each	<u>5,400</u>	<u>5,400</u>
Allotted and fully paid		
18,086,076 Ordinary shares of 20p each	<u>3,617</u>	<u>3,617</u>

23 Reserves

Group	Share Premium Account £'000	Revaluation Reserve £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
At 31 January 1993	84	3,865	264	6,120
Currency fluctuations	-	-	53	-
Depreciation transfer	-	(82)	-	82
Retained profit	-	-	-	2,061
At 31 January 1994	<u>84</u>	<u>3,783</u>	<u>317</u>	<u>8,263</u>
Company				
At 31 January 1993	84	9,895	264	90
Currency fluctuations	-	-	53	-
Depreciation transfer	-	(82)	-	82
Revaluation of investment in subsidiaries	-	2,021	-	-
Retained profit	-	-	-	40
At 31 January 1994	<u>84</u>	<u>11,834</u>	<u>317</u>	<u>212</u>

Notes on the Accounts continued

24 Contingent liabilities

At 31 January 1994 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £4,500,750 (1993 - £9,003,000).

25 Ultimate parent undertaking

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

Report of the Auditors to the Members of Saga Group Limited

We have audited the accounts on pages 3 to 18 which have been prepared under the historical cost convention, modified by the revaluation of certain freehold properties and investments in subsidiaries, and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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

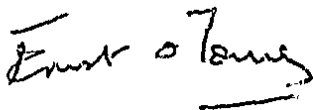
Basis of opinion

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

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

Opinion

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



Ernst & Young
Chartered Accountants
Registered Auditor
London

5th May 1994