

SAGA GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 JANUARY 1999



Company Registration Number: 638891

SAGA GROUP LIMITED

Directors' Report

Directors: R M De Haan (Chairman)
H F Anthony
T B Bull
A R Deacon
P C De Haan
J A Goodsell
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 1999.

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 and publishing.

The past year has been an excellent one for the Group with profitability achieving record levels. The directors anticipate further growth in profits in the year to 31 January 2000.

As at the date of this report, the Group's new headquarters building in Folkestone was at the final stages of completion. The contracted expenditure commitments in respect of the building as at 31 January 1999 are set out in note 11 to these accounts.

Subsequent events and future developments

The directors anticipate that 1999/2000 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 £20,650,000. A dividend totalling £12,500,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £494,000 has been added to reserves.

Directors

The directors of the company during the year to 31 January 1999 were those listed above, K E L Coyne who resigned on 21 January 1999 and Dr O McDonald who resigned on 7 October 1998.

R M De Haan and T B Bull retire by rotation and, being eligible, offer themselves for re-election. J A Goodsell was appointed on 7 October 1998; he retires and, being eligible, offers himself for election.

SAGA GROUP LIMITED

Directors' Report continued

Directors' Interests

As Messrs R M De Haan and P C De Haan are directors of the ultimate parent undertaking, their interests are set out in the accounts of that company. A R Deacon and M E Hatch are directors of the ultimate parent undertaking and have no interest in the shares of the company or the ultimate parent undertaking. T B Bull, J A Goodsell and H F Anthony have no interest in the shares of the company or the ultimate parent undertaking.

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

Donations

During the year the group made UK charitable donations amounting to £182,000. In addition, a charitable trust controlled by the principal shareholders of the ultimate parent undertaking made UK charitable donations amounting to £257,000 in the year to 31 January 1999. 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. 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 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.

SAGA GROUP LIMITED

Directors' Report continued

YEAR 2000 COMPLIANCE

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 ("Y2K") and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

Whilst the Y2K risk cannot be eliminated entirely, the Group has invested considerable time and resources in ensuring that associated risks are kept to an acceptable minimum. A central database of equipment, hardware, software and applications including non-IT systems was compiled and assessed for compliance. The next stage was to address any cases of non-compliance by replacement, conversion or modification and, as of the date of this report, this process was substantially complete. Similar assurances have been sought from suppliers which are critical to the Group's operations.

We made no separate estimate of the cost of implementing the action plans as much of them are subsumed into the recurring activities of the departments involved.

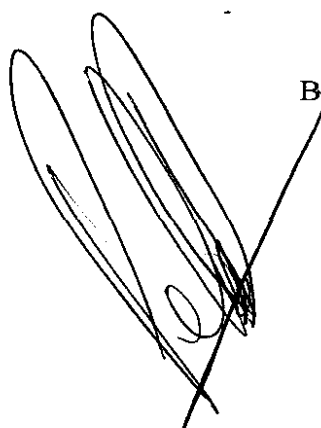
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

The Saga Building
Middelburg Square
Folkestone, Kent
CT20 1AZ



By order of the Board

Peter De Haan
Secretary
13 May 1999

SAGA GROUP LIMITED

Consolidated profit and loss account For the year ended 31 January 1999

	Note	1999 £'000	1998 £'000
Turnover	3	276,086	257,696
Cost of sales		<u>(166,638)</u>	<u>(166,755)</u>
Gross profit		109,448	90,941
Administrative and marketing expenses		(93,183)	(77,501)
Net investment income	4	<u>4,385</u>	<u>3,875</u>
Profit on ordinary activities before taxation	5	<u>20,650</u>	<u>17,315</u>
Taxation	9	<u>(7,656)</u>	<u>(5,697)</u>
Profit on ordinary activities after taxation		12,994	11,618
Dividend		<u>(12,500)</u>	<u>(10,750)</u>
Retained profit for the year	23	<u><u>494</u></u>	<u><u>868</u></u>

SAGA GROUP LIMITED

For the year ended 31 January 1999

Statement of total recognised gains and losses

	1999 £'000	1998 £'000
Profit for the year after taxation	12,994	11,618
Exchange differences arising on foreign currency net investments in overseas subsidiaries	70	43
Total recognised gains relating to the year	13,064	11,661
Prior year adjustment	-	(3,537)
Total gains recognised since last report	13,064	8,124

Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the year after taxation	12,994	11,618
Exchange differences arising on foreign currency net investment in overseas subsidiaries	70	43
Dividends paid	(12,500)	(10,750)
	564	911
Shareholders' funds brought forward	19,469	18,558
Shareholders' funds carried forward	20,033	19,469

SAGA GROUP LIMITED
Consolidated Balance Sheet
As at 31 January 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	11	66,929	52,594
Current assets			
Investments	13	134,787	101,644
Stock	15	752	325
Debtors	16	44,840	40,876
Cash at bank and in hand	14	4,391	2,939
		<u>184,770</u>	<u>145,784</u>
Creditors			
- amounts falling due within one year	17	<u>208,626</u>	<u>152,883</u>
Net current liabilities		(23,856)	(7,099)
Total assets less current liabilities		<u>43,073</u>	<u>45,495</u>
Creditors			
- amounts falling due after more than one year	18	21,000	25,526
Provisions for liabilities and charges			
	20	<u>2,040</u>	<u>500</u>
		<u>20,033</u>	<u>19,469</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Currency equalisation account	23	578	508
Profit and loss account	23	<u>15,754</u>	<u>15,260</u>
Equity shareholders' funds		<u>20,033</u>	<u>19,469</u>

R M De Haan

P C De Haan
13 May 1999

Directors

SAGA GROUP LIMITED
Company Balance Sheet
As at 31 January 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	11	36,830	19,869
Investment in subsidiaries	12	23,930	23,930
		<u>60,760</u>	<u>43,799</u>
Current assets			
Investments	13	5,000	-
Debtors - including amounts due after one year	16	10,271	25,778
Cash at bank and in hand	14	5	3
		<u>15,276</u>	<u>25,781</u>
Creditors			
- amounts falling due within one year	17	52,261	31,690
Net current liabilities		<u>(36,985)</u>	<u>(5,909)</u>
Total assets less current liabilities		<u>23,775</u>	<u>37,890</u>
Creditors			
- amounts falling due after more than one year	18	8,849	25,236
Provision for liabilities and charges	20	200	-
		<u>- 14,726</u>	<u>12,654</u>
Capital and reserves			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Currency equalisation account	23	-	788
Profit and loss account	23	11,025	8,165
Equity shareholders' funds		<u>14,726</u>	<u>12,654</u>

R M De Haan

Directors

P C De Haan
13 May 1999

SAGA GROUP LIMITED

Notes on 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 1999.

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. The income is recognised when the results of this business can be determined reasonably. 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
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Computers	various up to a maximum of 3 years
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Plant and other equipment	various up to a maximum of 10 years
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Computer development costs are capitalised and are depreciated over 3 years from the time that the particular development becomes fully functional.

e 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.

f Stocks

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

SAGA GROUP LIMITED
Notes on 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 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.

i 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.

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 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.

k Goodwill

Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10.

l 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.

m Government grants

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

SAGA GROUP LIMITED
Notes on the Accounts continued

2 Turnover

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

3 Analysis of turnover by geographical area

	1999 £'000	1998 £'000
United Kingdom	231,792	209,596
United States	44,294	48,100
	<u>276,086</u>	<u>257,696</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 single activity of providing services to people aged fifty and over.

4 Net investment income

	1999 £'000	1998 £'000
Interest on deposits	8,441	5,858
Other interest receivable	10	103
	<u>8,451</u>	<u>5,961</u>
Intercompany interest	(3,055)	(1,865)
Loan interest	(892)	-
Other interest payable	(18)	(48)
Finance lease interest	(101)	(173)
	<u>4,385</u>	<u>3,875</u>

5 Profit before taxation is stated after charging

	1999 £'000	1998 £'000
Depreciation of tangible fixed assets	4,746	2,776
Auditors' remuneration - for audit services	128	120
- for non-audit services	115	51
Property lease charges	864	890
Hire of plant and machinery	<u>1,101</u>	<u>1,117</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

6	Directors' emoluments	1999 £'000	1998 £'000
	Emoluments	1,401	1,240
	Compensation for loss of office	157	-
	Paid under long term incentive plan	-	125
	Pensions to former directors	70	65
		<u>1,628</u>	<u>1,430</u>
		1999	1998
	Members of defined benefit pension scheme	<u>5</u>	<u>4</u>
	The amounts in respect of the highest paid director are as follows:		
		1999 £'000	1998 £'000
	Emoluments	<u>519</u>	<u>512</u>
		1999	1998
	Defined benefit pension scheme:	£'000	£'000
	Accrued pension at end of year	<u>229</u>	<u>175</u>
7	Staff costs (excluding directors' emoluments)	1999 £'000	1998 £'000
	Wages and salaries	29,975	25,432
	Social security costs	2,398	1,930
	Other pension costs	2,561	1,662
		<u>34,934</u>	<u>29,024</u>
	Average number of persons employed	<u>1,777</u>	<u>1,638</u>

SAGA GROUP LIMITED
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 £2,416,000 (1998 - £1,609,000) and £203,000 (1998 - £116,000) overseas.

The increased pension cost in the year ended 31 January 1999 arose from increases in the number, and the average pensionable salaries, of scheme members. Included in debtors is a pension contribution prepayment of £1.96m (1998 - nil).

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 1 December 1995 at which date the market value of the scheme assets was £8,058,000. This valuation was prepared using the projected unit method and showed that the level of funding was 89% allowing for salaries projected to retirement or earlier withdrawal. The actuaries recommended future contributions of 15% of pensionable salary of which 1.1% represents the amount expected to be necessary to achieve a funding level of 100% over the average future working lifetime of the membership. The main financial assumptions used in the valuation were that the rate of return on the investments is 9% per annum, the rate of salary growth is 7.5% per annum, the rate of price inflation is 5% per annum and the guaranteed rate of pension increase is 5% per annum.

Preliminary results of the full valuation of the scheme at 1 December 1998 indicate that, using the basis underlying the Minimum Funding Requirement, there was a provisional deficit of £2,563,000. This shortfall has since been eliminated though additional payments made to the scheme.

9 Tax on profit on ordinary activities

	1999 £'000	1998 £'000
The charge based on the profit for the year comprises:		
UK corporation tax @ 31% (1998 - 31%)	5,856	3,946
Group relief @ 31% (1998 - 31%)	764	616
Overseas taxes	(464)	507
Adjustments relating to prior years	(40)	128
	<u>6,116</u>	<u>5,197</u>
Deferred tax	<u>1,540</u>	<u>500</u>
	<u>7,656</u>	<u>5,697</u>

10 Profit for the financial year

Of the profit after taxation for the financial year, £14,572,000 (1998 - £15,305,000) 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 on the Accounts continued

11 Tangible fixed assets

	Land and buildings £'000	Cruise ship £'000	Other fixed assets £'000	Total £'000
Group				
Cost or valuation				
At 1 February 1998	19,340	32,695	17,238	69,273
Exchange adjustments	-	-	(10)	(10)
Additions	15,952	730	2,396	19,078
Disposals	-	-	(762)	(762)
At 31 January 1999	<u>35,292</u>	<u>33,425</u>	<u>18,862</u>	<u>87,579</u>
Depreciation				
At 1 February 1998	1,336	762	14,581	16,679
Exchange adjustments	-	-	(13)	(13)
Charge for year	16	3,415	1,315	4,746
Disposals	-	-	(762)	(762)
At 31 January 1999	<u>1,352</u>	<u>4,177</u>	<u>15,121</u>	<u>20,650</u>
Net book amounts				
At 31 January 1999	<u>33,940</u>	<u>29,248</u>	<u>3,741</u>	<u>66,929</u>
Net book amounts				
At 1 February 1998	<u>18,004</u>	<u>31,933</u>	<u>2,657</u>	<u>52,594</u>
Company				
Cost or valuation				
At 1 February 1998	19,340	-	10,757	30,097
Additions	15,952	-	1,877	17,829
At 31 January 1999	<u>35,292</u>	-	<u>12,634</u>	<u>47,926</u>
Depreciation				
At 1 February 1998	1,336	-	8,892	10,228
Charge for year	16	-	852	868
At 31 January 1999	<u>1,352</u>	-	<u>9,744</u>	<u>11,096</u>
Net book amounts				
At 31 January 1999	<u>33,940</u>	-	<u>2,890</u>	<u>36,830</u>
Net book amounts				
At 1 February 1998	<u>18,004</u>	-	<u>1,865</u>	<u>19,869</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

11 Tangible fixed assets cont'd.

As at 31 January 1999 the directors have contracted for £4,143,000 (1998 - £8,961,000) of future capital expenditure.

Included in land and buildings are amounts in respect of land, with an original cost of £2,547,000 which have not been depreciated.

All tangible fixed assets are stated at historic cost.

The net book amount of tangible fixed assets includes £706,000 (1998 - £1,041,000) for the Group and £691,000 for the Company (1998 - £1,006,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £347,000 (1998 - £850,000) for the Group and £327,000 for the Company (1998 - £329,000).

12 Investment in subsidiary undertakings	1999	1998
	£'000	£'000
Cost		
Balance brought forward	24,790	12,830
Additions	-	13,750
Disposals	-	(1,790)
At 31 January	24,790	24,790
Provision		
Balance brought forward	(860)	(2,492)
Disposals	-	1,632
At 31 January	(860)	(860)
Net book amount at 31 January	23,930	23,930

The shares in all directly owned subsidiaries are subject to a legal charge in favour of the group's principal bankers.

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
Saga Investment Direct Limited	England	Regulated investment products
MetroMail Limited	England	Mail processing
Saga Shipping Company Limited	England	Cruising
Saga International Holidays Limited	USA	Tour operating

SAGA GROUP LIMITED

Notes on the Accounts continued

13 Current asset investments

Deposits with financial institutions and local authorities -

	31st January 1999		31st January 1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Held in trust	79,550	-	45,366	-
Other	55,237	5,000	56,278	-
	<u>134,787</u>	<u>5,000</u>	<u>101,644</u>	<u>-</u>

Monies received in respect of holiday packages 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 17).

Group deposits amounting to £22,588,000 (1998 - £16,500,000) 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 1999		31st January 1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Held in trust (see note 13)	1,174	-	1,379	-
Other	3,217	5	1,560	3
	<u>4,391</u>	<u>5</u>	<u>2,939</u>	<u>3</u>

15 Stock

	1999	1998
	£'000	£'000
	Group	Group
Stock	<u>752</u>	<u>325</u>

16 Debtors

	31st January 1999		31st January 1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	20,809	7	20,135	13
Other debtors	4,053	1,391	4,094	840
Prepayments and deferred expenditure	19,062	2,225	16,436	2,425
Amounts owed by group undertaking	-	6,500	-	22,500
Taxation recoverable	916	148	211	-
	<u>44,840</u>	<u>10,271</u>	<u>40,876</u>	<u>25,778</u>

The amount owed by group undertaking is receivable after more than one year.

Included within prepayments are amounts paid in respect of pensions by the Group of £1,806,000, 1998 - £nil (Company - £1,517,000, 1998 - £nil) which are chargeable to profit and loss account after more than one year.

SAGA GROUP LIMITED
Notes on the Accounts continued

17 Creditors	31st January 1999		31st January 1998	
	Group	Company	Group	Company
- amounts falling due within one year	£'000	£'000	£'000	£'000
Bank loan	2,667	-	-	-
Bank overdraft	2,384	770	3,255	832
Advance receipts (see footnote below)	49,835	-	48,187	-
Trade creditors	69,870	830	44,646	894
Due to group undertakings	45,474	41,393	23,143	25,384
Corporate taxation	4,872	103	3,359	147
Other taxation and social security	1,772	627	1,830	482
Other creditors	7,035	256	7,882	205
Accruals and deferred income	24,131	7,860	19,678	3,165
Leasing (see note 19)	586	422	903	581
	<u>208,626</u>	<u>52,261</u>	<u>152,883</u>	<u>31,690</u>

Of the amount included in advance receipts, £38,856,000 (1998 - £35,905,000) relates to advance customer holiday deposits which are held in trust, as explained in note 13.

18 Creditors	31st January 1999		31st January 1998	
	Group	Company	Group	Company
- amounts falling due after more than one year	£'000	£'000	£'000	£'000
Bank loan	12,000	-	-	-
Due to group undertaking	6,500	6,500	22,500	22,500
Deferred government grants	2,208	2,208	2,173	2,173
Leasing (note 19)	292	141	853	563
	<u>21,000</u>	<u>8,849</u>	<u>25,526</u>	<u>25,236</u>
The bank loan falls due for repayment:				
Between 1 and 2 years	2,667	-		
Between 2 and 5 years	8,000			
After 5 years	1,333			
	<u>12,000</u>			

Interest rates on the bank loans are on a variable basis linked to LIBOR.

19 Obligations under finance leases

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

	31st January 1999		31st January 1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Within one year	586	422	903	581
Within two to five years	292	141	853	563
	<u>878</u>	<u>563</u>	<u>1,756</u>	<u>1,144</u>

SAGA GROUP LIMITED
Notes on the Accounts continued

20	Provision for liabilities and charges	31st January 1999		31st January 1998	
		Group	Company	Group	Company
		£'000	£'000	£'000	£'000
	Deferred taxation				
	Balance at beginning of year	500	-	-	-
	Charge for the year	1,540	200	500	-
	Balance at end of year	<u>2,040</u>	<u>200</u>	<u>500</u>	<u>-</u>

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

At 31 January 1999 the full potential liability for deferred tax of the Group was £2,040,000 (1998 - £500,000) and of the Company £200,000 (1998 - £nil).

21 Lease commitments

Operating leases

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

	31st January 1999		31st January 1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within 1 year	100	91	46	46
Within 2 to 5 years	836	71	769	151
Thereafter	-	-	88	-
	<u>936</u>	<u>162</u>	<u>903</u>	<u>197</u>
Plant & machinery				
Leases expiring:-				
Within 1 year	546	545	187	176
Within 2 to 5 years	578	547	584	536
	<u>1,124</u>	<u>1,092</u>	<u>771</u>	<u>712</u>

22	Called up share capital	1999	1998
		£'000	£'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>

SAGA GROUP LIMITED
Notes on the Accounts continued

23 Reserves

Group	Share Premium Account £'000	Currency Equalisation Account £'000	Profit and Loss Account £'000
At 1 February 1998	84	508	15,260
Currency fluctuations	-	70	-
Retained profit	-	-	494
At 31 January 1999	<u>84</u>	<u>578</u>	<u>15,754</u>

The cumulative amount of goodwill written off at 31 January 1999 is £271,000 (1998 - £271,000)

Company

At 1 February 1998	84	788	8,165
Other movements	-	(788)	788
Retained profit	-	-	2,072
At 31 January 1999	<u>84</u>	<u>-</u>	<u>11,025</u>

24 Contingent liabilities

At 31 January 1999 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £2,959,000 (1998 - £2,819,000). The company is party to a guarantee in favour of the principal bankers of Saga Leisure Limited, as security for the borrowings of that company. The amount subject to guarantee at 31 January 1999 was £50 million (1998 - £50 million). In addition, a bank holds a mortgage over the group's cruise ship, as security against borrowing by Saga Shipping Limited in the amount of £14,667,000.

25 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 directors RM De Haan and PC De Haan) as an overseas handling agent. All arrangements were on an "arms-length basis" and amounts paid during the year totalled £1,052,000 in respect of hotel and other direct costs incurred in New Zealand on behalf of the group's tour operating businesses. No material amounts were outstanding at the balance sheet date.

26 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 4 to 18 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, 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.

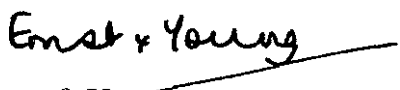
Basis of opinion

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 1999 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
Registered Auditor
London

12 May 1999