

**SAGA GROUP LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**31 JANUARY 1996**



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	
	Dr. O McDonald	(appointed 24.6.95)
	S J Waugh	

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 1996.

### **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 with profitability achieving record levels. Significant sales growth has been achieved in the group's core businesses and the directors anticipate further strong growth in the year to 31 January 1997.

### **Subsequent events and future developments**

The directors anticipate that 1996/97 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 £10,818,000. A dividend totalling £5,750,000 has been paid to Saga Leisure Limited. After taxation and dividend the retained profit of £1,248,000 has been added to reserves.

### **Directors**

The directors of the company during the year were those listed above. Messrs M E Hatch and T B Bull retire by rotation and, being eligible, offer themselves for re-election. Dr. O McDonald was appointed to the board on the 24 June 1995; she retires and, being eligible, offers herself for election.

### **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, Dr. O McDonald and S J Waugh 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.

**SAGA GROUP LIMITED**  
**Directors' report continued**

**Donations**

During the year charitable donations in the UK amounted to £125,000. 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 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**

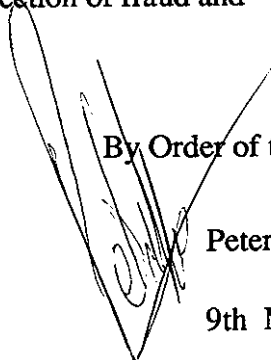
The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit of the Group for the year.

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  
9th May 1996

**SAGA GROUP LIMITED****Consolidated profit and loss account****For the year ended 31 January 1996**

	Note	1996 £'000	1995 £'000
<b>Turnover</b>	2	188,728	153,645
<b>Cost of sales</b>		<u>(123,790)</u>	<u>(102,636)</u>
<b>Gross profit</b>		64,938	51,009
<b>Administrative and marketing expenses</b>		(58,160)	(44,290)
<b>Net investment income</b>	4	<u>4,040</u>	<u>2,897</u>
<b>Profit on ordinary activities before taxation</b>	5	10,818	9,616
<b>Taxation</b>	9	<u>(3,820)</u>	<u>(3,060)</u>
<b>Profit on ordinary activities after taxation</b>	10	6,998	6,556
<b>Dividend</b>		<u>(5,750)</u>	<u>(5,450)</u>
<b>Retained profit for the year</b>	23	<u><u>1,248</u></u>	<u><u>1,106</u></u>

**SAGA GROUP LIMITED**  
**Consolidated Balance Sheet**

**As at 31 January 1996**

	Note	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	11	13,483	12,661
<b>Current assets</b>			
Investments	13	64,179	49,816
Stock	15	960	1,186
Debtors	16	30,245	23,731
Cash at bank and in hand	14	2,078	2,066
		<u>97,462</u>	<u>76,799</u>
<b>Creditors</b>			
- amounts falling due within one year	17	90,985	70,827
<b>Net current assets</b>		<u>6,477</u>	<u>5,972</u>
<b>Total assets less current liabilities</b>		<u>19,960</u>	<u>18,633</u>
<b>Creditors</b>			
- amounts falling due after more than one year	18	1,175	1,262
<b>Provisions for liabilities and charges</b>	20	<u>293</u>	<u>116</u>
		<u>18,492</u>	<u>17,255</u>
<b>Capital and reserves</b>			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	3,619	3,701
Currency equalisation account	23	391	402
Profit and loss account	23	10,781	9,451
<b>Equity shareholders' funds</b>		<u>18,492</u>	<u>17,255</u>

R M De Haan

Directors

P C De Haan

9th May 1996

**SAGA GROUP LIMITED**  
**Company Balance Sheet**  
**As at 31 January 1996**

	Note	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	11	10,844	9,719
Investment in subsidiaries	12	16,496	14,011
		<u>27,340</u>	<u>23,730</u>
<b>Current assets</b>			
Debtors	16	2,453	1,583
<b>Creditors</b>			
- amounts falling due within one year	17	<u>10,605</u>	<u>7,565</u>
<b>Net current liabilities</b>		<u>(8,152)</u>	<u>(5,982)</u>
<b>Total assets less current liabilities</b>		<u>19,188</u>	<u>17,748</u>
<b>Creditors</b>			
- amounts falling due after more than one year	18	805	583
		<u>18,383</u>	<u>17,165</u>
<b>Capital and reserves</b>			
Called up share capital	22	3,617	3,617
Share premium account	23	84	84
Revaluation reserve	23	13,931	12,862
Currency equalisation account	23	391	402
Profit and loss account	23	360	200
<b>Equity shareholders' funds</b>		<u>18,383</u>	<u>17,165</u>

R M De Haan

Directors

P C De Haan

9th May 1996

# SAGA GROUP LIMITED

For the year ended 31 January 1996

## Statement of total recognised gains and losses

	1996 £'000	1995 £'000
Profit for the year after taxation	6,998	6,556
Exchange differences arising on foreign currency net investments in overseas subsidiaries	(11)	85
Total recognised gains	<u>6,987</u>	<u>6,641</u>

## Note of historical cost profits and losses

	1996 £'000	1995 £'000
Profit for the year before taxation	10,818	9,616
Difference between historical cost depreciation charge and actual charge	82	82
Historical cost profit on ordinary activities before taxation	<u>10,900</u>	<u>9,698</u>
Historical cost profit retained after taxation and dividends	<u>1,330</u>	<u>1,188</u>

## Reconciliation of movement in shareholders' funds

	1996 £'000	1995 £'000
Total recognised gains	6,987	6,641
Dividends paid	(5,750)	(5,450)
	<u>1,237</u>	<u>1,191</u>
Shareholders' funds brought forward	<u>17,255</u>	<u>16,064</u>
Shareholders' funds carried forward	<u>18,492</u>	<u>17,255</u>

**SAGA GROUP LIMITED**  
**Notes on the Accounts**

**1 Accounting Policies**

**a Accounting convention**

The accounts are prepared under the historical cost convention, modified by the revaluation of certain freehold properties and investments in subsidiaries, 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 1996.

**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. 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.

**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
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Plant and other equipment	10% to 20% per annum
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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.



**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.

# SAGA GROUP LIMITED

## Notes on the Accounts continued

### 3 Analysis of turnover and profits

	Turnover		Contributions to profit	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tour operations and other services	<u>188,728</u>	<u>153,645</u>	<u>10,818</u>	<u>9,616</u>
United Kingdom	142,214	110,695		
United States	<u>46,514</u>	<u>42,950</u>		
	<u>188,728</u>	<u>153,645</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 to people in or approaching retirement.

### 4 Net investment income

	1996 £'000	1995 £'000
Interest on deposits	4,408	3,022
Other investment income	8	4
Interest received from parent undertaking	<u>29</u>	<u>89</u>
	4,445	3,115
Bank and other interest payable	(11)	(3)
Prompt payment discounts allowed to customers	(249)	(131)
Finance lease interest	<u>(145)</u>	<u>(84)</u>
	<u>4,040</u>	<u>2,897</u>

### 5 Profit before taxation is stated after charging

	1996 £'000	1995 £'000
Depreciation of tangible fixed assets	2,247	1,574
Loss on disposal of tangible fixed assets	-	3
Hire of equipment	550	533
Auditors' remuneration - audit	102	110
- other services (UK)	60	14
Emoluments of directors of the Company (Note 6)	921	819
Property lease charges	<u>740</u>	<u>739</u>

# SAGA GROUP LIMITED

## Notes on the Accounts continued

6 Emoluments of directors	1996 £'000	1995 £'000
Fees	94	78
Remuneration	766	677
Pensions to former directors	61	64
	<u>921</u>	<u>819</u>

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

	1996 £	1995 £
Chairman and highest paid director	237,070	234,251

Other directors in scale:	Number	Number
£ 10,001 to £ 15,000	1	-
£ 30,001 to £ 35,000	-	1
£ 35,001 to £ 40,000	1	-
£ 40,001 to £ 45,001	-	1
£ 45,001 to £ 50,001	1	-
£ 95,001 to £100,000	-	1
£120,001 to £125,000	-	1
£135,001 to £140,000	1	-
£155,001 to £160,000	1	-
£160,001 to £165,000	-	1
£165,001 to £170,000	1	-

7 Staff costs (excluding directors emoluments)	1996 £'000	1995 £'000
Wages and salaries	18,775	14,822
Social security costs	1,357	1,072
Other pension costs	774	538
	<u>20,906</u>	<u>16,432</u>
Average number of persons employed	<u>1,399</u>	<u>1,238</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 £782,000 and £71,000 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 scheme's funds are held independently of the group's assets.

The actuaries have confirmed that, on the basis of the actuarial assumptions and methods used, the scheme's assets at 1 December 1995 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 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%. 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%. 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**

1996	1995
£'000	£'000

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

UK corporation tax @ 33%	2,522	2,271
Group relief @33%	624	726
Overseas taxes	509	134
Adjustments relating to prior years	(10)	(16)
	<hr/> 3,645	<hr/> 3,115
Deferred tax	175	(55)
	<hr/> <hr/> 3,820	<hr/> <hr/> 3,060

**10 Profit for the financial year**

Of the profit after taxation for the financial year, £5,829,000 (1995 £5,356,000) 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**

Group	Land and buildings £'000	Computers £'000	Plant and other equipment £'000	Total £'000
Cost or valuation:				
At 31 January 1995	8,707	10,318	3,865	22,890
Exchange adjustments	-	101	31	132
Additions	737	1,036	1,273	3,046
Disposals	-	-	-	-
At 31 January 1996	<u>9,444</u>	<u>11,455</u>	<u>5,169</u>	<u>26,068</u>
Depreciation:				
At 31 January 1995	1,345	6,866	2,018	10,229
Exchange adjustments	-	90	19	109
Charge for year	194	1,480	573	2,247
Disposals	-	-	-	-
At 31 January 1996	<u>1,539</u>	<u>8,436</u>	<u>2,610</u>	<u>12,585</u>
Net book amounts				
At 31 January 1996	<u>7,905</u>	<u>3,019</u>	<u>2,559</u>	<u>13,483</u>
Net book amounts				
At 31 January 1995	<u>7,362</u>	<u>3,452</u>	<u>1,847</u>	<u>12,661</u>
Company				
Cost or valuation:				
At 31 January 1995	8,707	5,340	2,806	16,853
Additions	737	460	912	2,109
Disposals	-	-	-	-
At 31 January 1996	<u>9,444</u>	<u>5,800</u>	<u>3,718</u>	<u>18,962</u>
Depreciation:				
At 31 January 1995	1,345	4,397	1,392	7,134
Charge for year	194	353	437	984
Disposals	-	-	-	-
At 31 January 1996	<u>1,539</u>	<u>4,750</u>	<u>1,829</u>	<u>8,118</u>
Net book amounts				
At 31 January 1996	<u>7,905</u>	<u>1,050</u>	<u>1,889</u>	<u>10,844</u>
Net book amounts				
At 31 January 1995	<u>7,362</u>	<u>943</u>	<u>1,414</u>	<u>9,719</u>

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 1996.

**SAGA GROUP LIMITED**  
**Notes on the Accounts continued**

As at 31 January 1996 the directors have contracted for £NIL (1995 - £772,000 ) future capital expenditure and have authorised, but not contracted for, future capital expenditure amounting to £143,000 (1995 - £259,000)

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	5,339	5,339
Aggregate depreciation	<u>1,053</u>	<u>1,053</u>
Net book amount 31 January 1996	<u>4,286</u>	<u>4,286</u>
Net book amount 31 January 1995	<u>3,661</u>	<u>3,661</u>

The net book amount of tangible fixed assets includes £2,239,000 (1995 - £2,239,000) for the Group and £1,246,000 for the Company (1995 - £926,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £624,000 (1995 - £489,000) for the Group and £317,000 for the Company (1995 - £234,000).

**12 Investment in subsidiary undertakings**

	1996 £'000	1995 £'000
Cost		
At 31 January 1995	7,980	5,961
Additions	<u>1,100</u>	<u>2,019</u>
	9,080	7,980
Revaluation		
Balance brought forward	6,031	5,091
Adjustments for the year	<u>1,385</u>	<u>940</u>
	7,416	6,031
Net book amount at 31 January 1996	<u>16,496</u>	<u>14,011</u>

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 undertaking.

# SAGA GROUP LIMITED

## Notes on the Accounts continued

### 12 Investment in subsidiary undertakings 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 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Deposits with financial institutions and local authorities -				
Held in trust	32,200	-	21,842	-
Other	31,979	-	27,974	-
	<u>64,179</u>	<u>-</u>	<u>49,816</u>	<u>-</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. (See also, the footnote to note 17).

Group deposits amounting to £22,906,000 (1995 - £5,665,000) 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 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Held in trust (see note 13)	1,074	-	1,067	-
Other	1,004	-	999	-
	<u>2,078</u>	<u>-</u>	<u>2,066</u>	<u>-</u>

### 15 Stock

	1996	1995
	£'000	£'000
Stock	<u>960</u>	<u>1,186</u>

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

**SAGA GROUP LIMITED**  
**Notes on the Accounts continued**

16 Debtors	31st January 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	10,944	808	8,812	68
Other debtors	2,324	242	1,846	214
Prepayments and deferred expenditure	16,835	1,403	12,795	1,301
Taxation recoverable	142	-	278	-
	<u>30,245</u>	<u>2,453</u>	<u>23,731</u>	<u>1,583</u>

17 Creditors - amounts falling due within one year	31st January 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft	2,852	408	467	142
Advance receipts (see footnote below)	39,462	-	25,181	-
Trade creditors	31,572	402	29,055	1,364
Due to parent undertaking	3,567	3,567	2,181	2,181
Due to subsidiary undertakings	-	3,970	-	2,180
Corporate taxation	2,216	-	2,270	-
Other taxation and social security	677	-	578	67
Other creditors	983	290	1,105	544
Accruals and deferred income	8,883	1,525	8,934	506
Leasing	773	443	1,056	581
	<u>90,985</u>	<u>10,605</u>	<u>70,827</u>	<u>7,565</u>

Of the amount included in advance receipts, £28,476,000 (1995 - £17,181,000) 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 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Leasing	<u>1,175</u>	<u>805</u>	<u>1,262</u>	<u>583</u>

**19 Obligations under finance leases**

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

	31st January 1996		31st January 1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Within one year	773	443	1,056	581
Within two to five years	1,175	805	1,262	583
	<u>1,948</u>	<u>1,248</u>	<u>2,318</u>	<u>1,164</u>



**SAGA GROUP LIMITED**  
**Notes on the Accounts continued**

**20 Provision for liabilities and charges**

	31st January 1996		31st January 1995	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Deferred taxation				
Balance at beginning of year	116	-	177	-
Charge/(credit) for the year	175	-	(55)	-
Exchange adjustment	2	-	(6)	-
Balance at end of year	<u>293</u>	<u>-</u>	<u>116</u>	<u>-</u>

The major components of the provision for deferred taxation are:

	31st January 1996		31st January 1995	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Accelerated capital allowances	43	-	116	-
Other short term timing differences	250	-	-	-
	<u>293</u>	<u>-</u>	<u>116</u>	<u>-</u>

At 31 January 1996 the full potential liability for deferred tax of the Group was £534,000 (1995 - £330,000) and of the Company £NIL (1995 - £NIL).

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.

**21 Lease commitments**

**Operating leases**

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

	31st January 1996		31st January 1995	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Land and buildings				
Leases expiring:				
Within 1 year	47	47	79	35
Within 2 to 5 years	183	183	118	118
Thereafter	747	51	727	72
	<u>977</u>	<u>281</u>	<u>924</u>	<u>225</u>
Plant & machinery				
Leases expiring:-				
Within 1 year	58	54	124	124
Within 2 to 5 years	399	385	425	285
Thereafter	5	-	-	-
	<u>462</u>	<u>439</u>	<u>549</u>	<u>409</u>

**SAGA GROUP LIMITED**  
**Notes on the Accounts continued**

<b>22 Called up share capital</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
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**

<b>Group</b>	<b>Share Premium Account £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Currency Equalisation Account £'000</b>	<b>Profit and Loss Account £'000</b>
At 31 January 1995	84	3,701	402	9,451
Currency fluctuations	-	-	(11)	-
Depreciation transfer	-	(82)	-	82
Retained profit	-	-	-	1,248
At 31 January 1996	<u>84</u>	<u>3,619</u>	<u>391</u>	<u>10,781</u>
<b>Company</b>				
At 31 January 1995	84	12,862	402	200
Currency fluctuations	-	-	(11)	-
Depreciation transfer	-	(82)	-	82
Revaluation of investment in subsidiaries	-	1,151	-	-
Retained profit	-	-	-	78
At 31 January 1996	<u>84</u>	<u>13,931</u>	<u>391</u>	<u>360</u>

**24 Contingent liabilities**

At 31 January 1996 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of financial bonds and other guarantees amounting to £1,743,000 (1995 - £1,757,400). 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 1996 was £15 million.

**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 17 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 1996 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*

Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

22 May 1996