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# SAGA HOLIDAYS PLC

ANNUAL REPORT  
& ACCOUNTS  
31 OCTOBER 1986

SAGA



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## Summary of Results

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	1986 £000	1985 £000
Turnover	72,705	69,923
Operating profit before taxation	278	4,068
Profit after taxation	252	2,126
Shareholders' funds	8,500	9,215
Earnings per ordinary share	1.40p	11.81p
Dividends per ordinary share	4.60p	4.60p
Net assets per ordinary share	47.21p	51.18p

# Chairman's Statement

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In my half year statement I indicated that shareholders could expect a significant reduction in profitability this year due to special factors affecting our tour operations. These included the bombing raid on Libya and the Chernobyl nuclear disaster. The resulting dramatic effect on the sales of European holidays had a rather greater impact on profits than was anticipated at that time.

Although Group turnover increased by 4%, profit before tax fell from £4,068,000 to £278,000 – clearly a most disappointing result after our successes in the year to 31 October, 1985. Group liquidity remains very strong with investments standing at £20,937,000.

Despite the greater than expected downturn in profit, the Board has decided that, because of the exceptional nature of the downturn, it remains appropriate to maintain the annual dividend. Accordingly the Board recommends a final dividend of 3p, which will be paid to shareholders on 30 April, 1987, for those on the register at the close of business on 3 April, 1987.

## **Tour operations**

In the year under review further growth had been planned in the Company's tour operations, both in the UK and the USA. We had therefore geared up promotional and administrative expenditure to achieve this. However this plan was severely disrupted by terrorist activity in Europe culminating in the Libyan bombing raid which had a dramatic effect on sales to our American customers. The Chernobyl disaster which occurred just eleven days later compounded this and had a significant depressive effect on sales of European holidays to British customers. Both these events caused substantial late cancellations at the time and reduced bookings thereafter.

## **United Kingdom**

In the UK tour operating turnover increased by 4.6% and the company experienced sales growth in every product sector except in Europe. Gross margins reduced by 2% because of a failure to achieve costed load factors and a deviation from the expected mix of sales. During the year we also experienced a continuation of the trend of the last few years towards later booking.

The reduction in load factor resulted from the events mentioned above. Late cancellations reduced loads unpredictably and during the post-Chernobyl period it was decided to operate some departures on lower than normal loads in order to maintain the goodwill of our customers. In addition, a further charge against profit was the high cost of evacuating our passengers from the USSR and Poland immediately after the Chernobyl accident, and the cancellation of subsequent tours.

The UK division incurred higher promotional and administrative costs to meet the planned, but not achieved, growth in turnover both in the UK and the USA. Overhead increases also arose from our extensive new computerisation programme. The year under review, whilst being the first to bear a significant charge for this, did not benefit from the savings which will flow from the new systems when they begin to become operational later this year.

# Chairman's Statement continued

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Shareholders will be aware that during the year the Company purchased a 77,000 square feet office building in Folkestone. We have, therefore, borne the extra costs of owning two offices for part of the year. The Company is currently formulating a proposal for the development of the former office site and its surrounding 27 acres and it will in due course be offered for sale.

## United States

In America Saga International increased its US dollar turnover by 8.2%, but this was achieved against a background of promotional and administrative costs geared to a far greater increase in turnover than was actually achieved.

We had anticipated that 80% of sales would be for European holidays, as in previous years. However, the impact of terrorist acts aimed at Americans and, most significantly, the Libyan bombing raid and Chernobyl disaster, resulted in a radical alteration in the sales mix, such that only 40% of sales were to European holidays. Cancellations soared to over 50% for European destinations, and these cancellations often came very late, as passengers waited and hoped for an improvement in the travel environment. This resulted in devastated load factors and considerable cancellation charges which could not be passed on to passengers.

It is, however, very encouraging to note that as European sales declined, sales for American and other non-European holidays increased at such a rate as to achieve a small overall increase in turnover.

Whilst Saga International's profit was much reduced it was a year in which the Company showed the strength of its customer base in the USA. Its clients showed their loyalty in transferring to domestic Saga tours whilst management demonstrated its ability to act quickly to change market direction and reinforce the product lines in demand.

These changes have transformed Saga International from a company selling principally tours operated by the UK parent to a fully-fledged tour operator in its own right not only feeding into the UK operation but also packaging and marketing its own tours and cruises both in North and South America.

## Australia

Shareholders will recall that a new tour operation was set up in Sydney, Australia in 1985. During the year under review, sales from this division were negligible and start-up losses were incurred of £250,000, which was approximately on budget.

## Investments

Net income from investments increased by £249,000 to £2,374,000 during the year, the result of a lower level of prompt payment discounts being allowed to our customers and some increase in the level of funds held during the year. There was a slight fall in average interest rates earned. Customers advance receipts continue to be held in first class medium and long term deposits.

# Chairman's Statement continued

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## Other activities

Development of Saga Magazine has continued with publication increasing from 4 to 6 issues per year during 1985/86. Subscription and advertising revenue both increased significantly during the year. We also further developed our marketing of insurance products.

## Current trading

In the UK the trend to later booking continues. This has meant that until the beginning of February bookings have been at a lower level than last year but thereafter levels have been significantly higher. It is therefore difficult at this stage to forecast the eventual outcome for the year in the UK.

Bookings in the USA are currently substantially ahead of the comparable position last year and within this there is a strong resurgence in demand for European holidays. Demand for domestic holidays is also well ahead of last year. It is clear that the Company is now seeing the benefit in sales of the substantial promotional expenditure borne in 1986.

We are expecting good results from our trading in the USA. In the UK the relatively static sales position together with the significant continuing cost of the major computerisation programme will mean that the results will be less impressive. Overall we are anticipating a recovery in profits but not, in the current year, to the level achieved in the year ended October 1985.

The changes being made in the UK division are extensive, and will have a significant effect on the Group, particularly in the reduction and control of overheads. We look forward to experiencing these benefits in the years to follow.

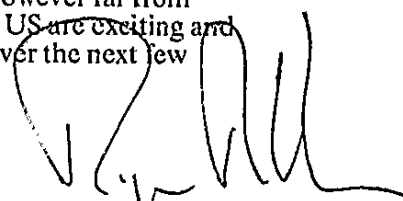
We recently decided to appoint a Managing Director for the UK tour operating division in the same way as Saga International has its own Chief Executive. Previously this role has been included within my responsibilities as Executive Group Chairman. Anthony Max has just taken up this new position and has also become a director of the Group Board. He has considerable experience of general management in marketing-oriented companies and I am delighted to welcome him.

Roger Crick, who has been a non-executive director of the Company since the date of its incorporation, is retiring in April and we thank him for all his past efforts on behalf of the Company and wish him a pleasant retirement.

This has been a trying year for the staff and I should like to thank them for their dedication and hard work.

1986 was a difficult year and unproductive in terms of profit. It was however far from unproductive in terms of the Group's development. Prospects in the US are exciting and the foundations have been laid for a resurgence in profit in the UK over the next few years.

23 March 1987



Chairman

# Directors' Report

The directors submit their report together with the audited accounts of the Group for the year ended 31 October 1986.

## Review of business and principal activities

The principal activities of the Group consist of providing inclusive holidays in the United Kingdom and overseas to British and American customers.

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

Saga International and Saga Australia our overseas subsidiaries have contributed 31% of Group turnover.

## Results and dividends

The profit of the Group before taxation for the year was £278,000 (1985 £4,068,000) and the profit available for distribution is £252,000 (1985 £3,106,000).

The recommended final dividend on the Ordinary Shares is 3.0p per share. Taken together with the interim dividend of 1.6p per share, a total of 4.6p per share will have been paid for the year. This year's dividend compares with a total of 4.6p paid for the year ended 31 October 1985.

If the recommended dividend is approved, warrants will be posted on 29 April 1987 to shareholders on the register at the close of business on 3 April 1987.

## Fixed assets

On 25 March 1986 the Company acquired a new head office for £1,250,000 and thereafter an extensive refurbishment programme was undertaken and was substantially completed by 31 December when the company moved into the new building.

It is the company's intention to sell Enbrook House, the office previously occupied, and in the opinion of the directors the amount to be realised on the sale, after taxation, will be in excess of the current book value.

## Directors

A R Max was appointed as a director on 4 March 1987. In accordance with the Articles he retires and, being eligible, offers himself for election. P C De Haan and A R Deacon retire by rotation and, being eligible, offer themselves for re-election. R D Crick will retire from the Board at the conclusion of the Annual General Meeting.

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

	31 October 1986		31 October 1985	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R M De Haan	2,123,600	2,253,502	2,123,600	2,253,502
P Carr	—	—	—	—
R D Crick	52,503	—	52,503	—
A R Deacon	6,000	—	—	—
P C De Haan	1,969,424	2,313,502	1,969,424	2,313,502
J Foster	49,176	—	49,176	—
M E Hatch	5,000	—	5,000	—
A R Max	—	—	—	—
P V Taylor	—	—	—	—

The above non-beneficial interests apply to a total of 2,313,502 (1985 2,313,502) shares.

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

	31 October 1986	31 October 1985
A R Max	5,365	5,365
P Carr	4,629	3,508

No other change in any of these interests had been notified to the Company by 23 March 1987.

J Foster has a service contract with the Company which expires in November 1988.

# Directors' Report continued

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## Substantial shareholders

So far as the Board is aware no person or corporation held 5% or more of the ordinary share capital of the Company at 23 March 1987 except the directors and the following:

	Number of shares	Percentage held
Wakari Investments Limited	1,351,238	7.50%
S De Haan	1,278,204	7.09%
DDH Investments Limited	1,256,922	6.98%

## Taxation status

The Company is not a close company as defined by the Income and Corporation Taxes Act 1970.

## Donations

During the year charitable donations in the UK amounted to £50,874. No political donations were made during the year.

## Employee involvement

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

## Employees share saving scheme

All full-time United Kingdom employees (including directors) of the Group who have completed at least two years' continuous service are eligible to participate in the Scheme. During the year savings contracts for a five year period to the value of £19,244 have been entered into which at the option price of £1.98 per share would finance the issue of a total of 9,719 shares at the end of such period. Total savings contracts at 31 October 1986 at the various option prices will finance the issue of a total of 118,240 shares.

## Employment of disabled persons

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

## Auditors

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

Bouverie House,  
Middelburg Square,  
Folkestone, Kent.

23 March 1987

By Order of the Board

Secretary



# Consolidated Profit and Loss Account

For the year ended 31 October 1986

	Note	1986 £000	1985 £000
Turnover	2	72,705	69,923
Cost of sales		(59,657)	(55,171)
Gross profit		13,048	14,752
Administrative and marketing expenses		(15,467)	(12,563)
Other operating income		323	—
Net investment income	4	2,374	2,125
Operating profit on ordinary activities		278	4,314
Operating loss on discontinued business — Heritage Hotels		—	(246)
Operating profit before taxation		278	4,068
Taxation on operating profit	8	(26)	(1,942)
Profit on ordinary activities after taxation		252	2,126
Extraordinary item	10	—	980
Profit for the financial year		252	3,106
Dividends	11	(828)	(828)
Retained (loss) profit for the year		(576)	2,278
Earnings per share	12	1.40p	11.81p
Dividend per share	11	4.60p	4.60p

# Consolidated Balance Sheet

As at 31 October 1986

	Note	1986 £000	1985 £000
<b>Fixed assets</b>			
Tangible assets	13	5,541	3,161
<b>Current assets</b>			
Investments	15	20,937	21,876
Debtors	16	5,695	5,981
Deferred expenditure		2,550	2,156
Cash at bank and in hand		284	153
		<u>29,466</u>	<u>30,166</u>
<b>Creditors — amounts falling due within one year</b>	17	25,590	23,098
<b>Net current assets</b>		<u>3,876</u>	<u>7,068</u>
<b>Total assets less current liabilities</b>		<u>9,417</u>	<u>10,229</u>
<b>Provisions for liabilities and charges</b>	18	917	1,014
		<u>8,500</u>	<u>9,215</u>
<b>Capital and reserves</b>			
Called-up share capital	20	3,601	3,601
Share premium account	21	5	5
Profit and loss account	22	4,894	5,609
		<u>8,500</u>	<u>9,215</u>

Directors

23 March 1987

# Source and Application of Funds

For the year ended 31 October 1986

	£000	1986 £000	£000	1985 £000
<b>Source of funds</b>				
Profit for the year before taxation		278		4,068
Depreciation		412		420
Generated from operations		<u>690</u>		<u>4,488</u>
Issue of shares	—		6	
Proceeds from sale of fixed assets	<u>33</u>		<u>3,620</u>	
		33		3,626
		<u>723</u>		<u>8,114</u>
<b>Application of funds</b>				
Acquisition of tangible fixed assets	3,825		1,307	
Purchase of goodwill on the acquisition of subsidiary — Renaissance Travel Inc.	139		—	
Dividends paid	828		774	
Taxation paid	<u>1,313</u>		<u>863</u>	
		5,105		2,944
(Decrease) increase in working capital		<u>(4,382)</u>		<u>5,170</u>
<b>Movement in working capital</b>				
Investments — (decrease) increase	(939)		4,948	
Debtors — decrease	(1,054)		(1,196)	
Deferred expenditure — increase	394		559	
Advance holiday receipts — (increase) decrease	(1,454)		2,387	
Creditors — increase	<u>(1,029)</u>		<u>(1,011)</u>	
		(4,082)		5,687
Net liquid funds — decrease		<u>(300)</u>		<u>(517)</u>
		<u>(4,382)</u>		<u>5,170</u>

# Company Balance Sheet

As at 31 October 1986

	Note	1986 £000	1985 £000
<b>Fixed assets</b>			
Tangible assets	13	5,117	2,687
Investment in subsidiaries	14	290	316
<b>Current assets</b>			
Investments	15	15,857	17,956
Debtors	16	3,980	5,399
Deferred expenditure		1,705	1,544
Cash at bank and in hand		75	110
		<hr/> 21,617	<hr/> 25,009
<b>Creditors — amounts falling due within one year</b>	17	19,554	19,288
		<hr/>	<hr/>
<b>Net current assets</b>		2,063	5,721
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,470	8,724
<b>Provisions for liabilities and charges</b>	18	591	900
		<hr/> 6,879	<hr/> 7,824
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	20	3,601	3,601
Share premium account	21	5	5
Profit and loss account	22	3,273	4,218
		<hr/> 6,879	<hr/> 7,824
		<hr/>	<hr/>

Directors

23 March 1987

# Notes on the Accounts

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## **1 Accounting Policies**

### **a Accounting convention**

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

### **b Basis of consolidation**

The consolidated accounts incorporate the accounts of the Company and each of its subsidiaries for the year ended 31 October 1986.

### **c Fixed assets**

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:

Freehold properties	2% per annum
Leaseholds	Over the period of the lease
Computer and other equipment	5% to 33⅓% per annum
Motor vehicles	27% per annum

Certain development costs incurred in bringing recent additions to computer hardware and software to a usable state have been capitalised but not depreciated. These capitalised costs will be depreciated at between 20% and 33⅓% per annum from the time that this computer hardware and software becomes fully functional.

### **d Leased assets**

The cost of leased assets is recovered by the rentals over the period of the lease. The finance charge, being the excess of rentals over acquisition cost, is taken to credit by apportionment on the basis of the net cash investment at quarterly rests.

### **e Advance holiday receipts**

All booking fees and balance payments, net of value added tax, for holidays with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

### **f Deferred expenditure**

Expenditure on brochures, advertising and promotional initiatives, which relates to the following year's holidays is carried forward at the balance sheet date so that this expenditure is matched with the relevant year's income.

### **g Deferred taxation**

Provision is made for deferred taxation, using the liability method on all timing differences which are not expected to continue in the foreseeable future.

### **h Foreign currencies**

Exchange differences arising in respect of revenue transactions for the year are included in the profit and loss account. Assets and liabilities existing at balance sheet date are translated at year-end rates except where covered by forward contracts. The accounts of overseas subsidiaries have been translated using the temporal method.

### **i 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.

### **j Pension benefits**

Pension benefits are funded over the employee's period of service. The company's contributions are based on the most recent actuarial valuation of the fund.

# Notes on the Accounts continued

## 2 Turnover

Turnover stated represents the sales value of holidays with starting dates in the accounting period, advertising, subscription income and commissions relating to financial services. Turnover excludes value added tax and sales between Group companies. Turnover arising from leasing activities, amounting to £819,000 (1985 £1,344,000) is not included.

## 3 Analysis of turnover and profits

	Turnover		Contributions to profit	
	1986 £000	1985 £000	1986 £000	1985 £000
Tour operations and related services	72,705	69,923	278	4,314
Discontinued business - Heritage Hotels	—	3,168	—	(246)
	<u>72,705</u>	<u>73,091</u>	<u>278</u>	<u>4,068</u>
United Kingdom	49,931	46,687		
United States	22,460	23,236		
Australia	314	—		
	<u>72,705</u>	<u>69,923</u>		

## 4 Net investment income

	1986 £000	1985 £000
Interest on deposits	2,544	2,548
Income from preference shares	77	62
Income from leased assets	4	34
	<u>2,625</u>	<u>2,644</u>
	(31)	(20)
Bank interest payable	(220)	(499)
Prompt payment discounts allowed to customers	<u>2,374</u>	<u>2,125</u>

## 5 Operating profit is stated after charging:

	1986 £000	Continuing Business 1985 £000	As Reported 1985 £000
Depreciation and amortisation	412	345	420
Hire of equipment	55	44	62
Auditors' remuneration	108	102	102
Emoluments of directors of the Company (note 6)	347	327	327
Lease payments	338	252	252

Trade creditor accruals no longer required for costs relating to earlier years amounting to £300,000 have been released to the profit and loss account during the year.

# Notes on the Accounts continued

6 Emoluments of directors	1986 £000	1985 £000
Fees	44	26
Remuneration	263	263
Pensions to former directors	40	38
	<u>347</u>	<u>327</u>

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

	1986 £57,686	1985 £49,790
Chairman	Number	Number
Other directors in scale:		
£5,001 to £10,000	1	2
£10,001 to £15,000	3	1
£15,001 to £20,000	—	1
£20,001 to £25,000	1	—
£25,001 to £30,000	—	1
£30,001 to £35,000	—	—
£35,001 to £40,000	1	—
£40,001 to £45,000	<u>—</u>	<u>—</u>

7 Staff costs	Continuing Business	As Reported
	1986 £000	1985 £000
Wages and salaries	4,797	5,363
Social security costs	380	482
Other pension costs	241	266
	<u>5,418</u>	<u>6,111</u>
Average number of persons employed	<u>639</u>	<u>912</u>

# Notes on the Accounts continued

## 8 Tax on profit on ordinary activities

The charge based on the profit for the period comprises:

	1986	1985
	£000	£000
UK corporation tax @ 37% (1985 42%)	168	1,621
Tax on franked investment income	23	17
Overseas taxes	22	273
Adjustments relating to prior years	(90)	—
	<u>123</u>	<u>1,911</u>
Deferred tax (note 18)	(97)	31
	<u>26</u>	<u>1,942</u>

## 9 Profit on ordinary activities after taxation

Of the profit on ordinary activities after taxation a loss of £117,000 (1985 profit £2,505,000) has been dealt with in the accounts of the Company. The directors have taken advantage of the exemption given by the Companies Act 1985 Section 228 (7) in not separately publishing a Company Profit and Loss Account.

## 10 Extraordinary item

	1986	1985
	£000	£000
Profit on disposal of Heritage Hotels division	—	1,103
Less attributable taxation	—	123
Extraordinary profit	<u>—</u>	<u>980</u>

## 11 Dividends

	1986	1985	1986	1985
	Pence per share	Pence per share	£000	£000
Interim	1.60	1.60	288	288
Final	3.00	3.00	540	540
	<u>4.60p</u>	<u>4.60p</u>	<u>828</u>	<u>828</u>

## 12 Earnings per share

The calculation of earnings per share is based upon the profit after taxation of £252,000 (1985 £2,126,000) and on the 18,005,356 shares in issue (1985 18,004,917).



# Notes on the Accounts continued

## 13 Tangible fixed assets

	Land and Buildings £000	Computers £000	Other Equipment £000	Motor Vehicles £000	Total £000
<b>Group</b>					
Cost or valuation:					
At 31 October 1985	1,780	1,501	706	268	4,255
Additions	1,473	513	666	173	2,825
Disposals	17	30	—	52	99
At 31 October 1986	3,236	1,984	1,372	389	6,981
Depreciation:					
At 31 October 1985	273	511	208	102	1,094
Charge for period	10	197	137	68	412
Disposals	1	26	—	39	66
At 31 October 1986	282	682	345	131	1,440
Net book amounts at 31 October 1986	2,954	1,302	1,027	258	5,541
Net book amounts at 31 October 1985	1,507	990	498	166	3,161
<b>Company</b>					
Cost or valuation:					
At 31 October 1985	1,780	1,090	448	250	3,568
Additions	1,473	430	636	150	2,689
Disposals	17	30	—	48	95
At 31 October 1986	3,236	1,490	1,084	352	6,162
Depreciation:					
At 31 October 1985	273	377	129	102	881
Charge for period	10	91	73	54	228
Disposals	1	26	—	37	64
At 31 October 1986	282	442	202	119	1,045
Net book amounts at 31 October 1986	2,954	1,048	882	233	5,117
Net book amounts at 31 October 1985	1,507	713	319	148	2,687

Land and buildings consists of freehold properties with the exception of a short leasehold property costing £75,000 which is fully amortised.

In 1979 a freehold property of the Company was revalued at £1,643,000 on an open market existing use basis. If the property had not been revalued the comparable amounts based on historic cost would have been:

	Group £000	Company £000
Cost	270	270
Depreciation	21	21
Net book value at 31 October 1986	249	249
Net book value at 31 October 1985	252	252

# Notes on the Accounts continued

As at 31 October 1986 the directors have contracted for future capital expenditure amounting to £1,400,000 (1985 £80,000) and have authorised, but not contracted for, future capital expenditure amounting to £160,000 (1985 £1,104,000).

14 Investment in subsidiaries	1986 £000	1985 £000
Shares in subsidiaries at cost		
At 31 October 1985	516	490
Additions	—	26
At 31 October 1986	516	516
Provision for diminution in value		
At 31 October 1985	200	229
Movement in year	26	(29)
	226	200
Net book amount at 31 October 1986	290	316

The main operating subsidiary companies, all wholly owned, are as follows: Saga International Holidays Limited, incorporated in the USA, Saga Holidays (Australasia) Pty. Limited, incorporated in Australia and Saga Services Limited, incorporated in England.

15 Current Asset Investments	Group £000	1986 Company £000	Group £000	1985 Company £000
Redeemable preference shares listed in UK (market value £676,000 – 1985 £685,000)	742	742	742	742
Deposits with banks and local authorities	20,195	15,115	21,134	17,214
	20,937	15,857	21,876	17,956

Deposits and redeemable preference shares amounting to £12,991,000 (1985 £13,077,000) 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.

16 Debtors	Group £000	1986 Company £000	Group £000	1985 Company £000
Leased assets	687	627	1,616	1,616
Other trade debts	736	519	1,028	820
Amounts owed by subsidiaries	—	—	—	36
Other debtors	1,587	1,148	1,476	1,315
Prepayments	1,709	664	1,653	1,404
Taxation recoverable	976	962	208	208
	5,695	3,980	5,981	5,399

With the exception of leased assets £111,000 (1985 £760,000) all other debtors fall due within one year.

# Notes on the Accounts continued

## 17 Creditors

	1986		1985	
	Group	Company	Group	Company
	£000	£000	£000	£000
Bank overdraft	1,037	540	606	197
Advance holiday receipts	11,744	7,452	10,290	8,064
Trade creditors	6,786	5,904	7,354	6,758
Amount owed to subsidiaries	—	1,427	—	37
Corporate taxation	1,808	1,722	2,230	2,035
Other taxation and social security	134	126	143	138
Other creditors	1,609	1,603	1,455	1,379
Accruals and deferred income	1,932	240	480	140
Dividends	540	540	540	540
	<u>25,590</u>	<u>19,554</u>	<u>23,098</u>	<u>19,288</u>

## 18 Provisions for liabilities and charges

	Group	Company
	£000	£000
Deferred taxation		
Balance at 31 October 1985	1,014	900
Released to profit and loss account	(97)	(309)
Balance at 31 October 1986	<u>917</u>	<u>591</u>

The major components of the provision for deferred taxation are:

	1986		1985	
	Group	Company	Group	Company
	£000	£000	£000	£000
Accelerated capital allowances	828	806	1,157	1,140
Short term timing differences	304	—	82	(15)
	<u>1,132</u>	<u>806</u>	<u>1,239</u>	<u>1,125</u>
Advance Corporation Tax	(215)	(215)	(225)	(225)
	<u>917</u>	<u>591</u>	<u>1,014</u>	<u>900</u>

No provision has been made for the potential capital gains tax liability of £300,000 which would arise on the sale of the revalued freehold property. At 31 October 1986 the full potential liability of the Group for deferred tax was £1,322,000 (1985 £1,384,000).

## 19 Lease commitments

### Operating leases

The annual commitment to non-cancellable operating leases was as follows:

	1986		1985	
	Group	Company	Group	Company
	£000	£000	£000	£000
Land and buildings				
Leases expiring within one year	12	2	8	8
Within 2 to 5 years	381	35	544	40
Thereafter	95	94	70	69
	<u>488</u>	<u>131</u>	<u>622</u>	<u>117</u>
Plant and machinery				
Leases expiring within one year	3	—	—	—
Within 2 to 5 years	21	—	11	—
Thereafter	22	—	32	—
	<u>46</u>	<u>—</u>	<u>43</u>	<u>—</u>

# Notes on the Accounts continued

## 20 Called-up share capital

	1986 £000	1985 £000
Authorised 22,500,000 Ordinary Shares of 20p each	4,500	4,500
Allotted and fully paid 18,005,356 Ordinary Shares of 20p each (1985 18,004,917)	3,601	3,601

## 21 Share premium account

	1986 £000	1985 £000
Premium on shares issued	5	5

During the year 439 ordinary shares of 20p each were allotted and fully paid through the 1981 Savings-Related Share Option Scheme.

## 22 Profit and loss account

	1986		1985	
	Group £000	Company £000	Group £000	Company £000
Reserves brought forward	5,609	4,218	3,331	2,541
Profit (loss) for the year	252	(117)	3,106	2,505
Goodwill written off	(139)	—	—	—
Dividends	(828)	(828)	(828)	(828)
Reserves carried forward	4,894	3,273	5,609	4,218

Goodwill being the excess of purchase price over the asset value arising on the acquisition of Renaissance Travel Inc. of Chicago USA on 1 July 1986 has been written off during the year.

## 23 Contingent liabilities

- At 31 October 1986 there were contingent liabilities under counter indemnities given to the Company's bankers in respect of the ABTA bond and other guarantees amounting to £5,328,000 (1985 £5,183,000).
- The company is involved in litigation relating to a claim by a hotel operator following termination by the company of a contract for hotel accommodation. The High Court gave judgement to the hotel operator but made a substantial deduction from the damages awarded, with the result that on a full assessment the damages on the main claim may be reduced to nothing. The Court of Appeal disallowed the deduction but the company has successfully petitioned for leave to appeal to the House of Lords. The company may have a further liability depending on the result of this appeal. Because of uncertainties as to final responsibilities and procedural complexities on the issue of costs it is not possible to determine that liability. It is estimated that it could range from nil to £407,000. The directors have concluded it is unnecessary to make any provision in respect of this possible further liability.

## Report of the Auditors

To the Members of Saga Holidays PLC

We have audited the accounts set out on pages 8 to 19 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained in note 1 (a).

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 October 1986 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

London  
23 March 1987

*Ernst & Young*

# Five Year Financial Summary

	1986 12 months £000	1985 12 months £000	1984 12 months £000	1983 16 months £000	1982 12 months £000
Turnover	72,705	73,091	65,756	90,767	49,350
Profit (loss) on ordinary activities before taxation	278	4,068	2,554	2,435	(136)
Taxation	26	1,942	894	1,000	—
Profit (loss) on ordinary activities after taxation	252	2,126	1,660	1,435	(136)
Extraordinary item	—	980	(2,073)	—	(182)
Dividends	828	828	720	900	488
Earnings per share	1.40p	11.81p	9.22p	7.97p	(0.76p)
Dividends per share	4.60p	4.60p	4.00p	5.00p	3.73p

	31 October 1986 £000	31 October 1985 £000	31 October 1984 £000	31 October 1983 £000	30 June 1982 £000
Tangible fixed assets	5,541	3,161	4,791	4,675	4,521
Investments	20,937	21,876	16,928	13,480	19,012
Other current assets	8,529	8,290	9,162	9,649	12,784
	29,466	30,166	26,090	23,129	31,796
Current liabilities	25,590	23,098	22,656	19,740	28,788
Net current assets	3,876	7,068	3,434	3,389	3,008
Provisions for liabilities and charges	917	1,014	1,294	—	—
Shareholders' funds	8,500	9,215	6,931	8,064	7,529

## Share Information

Analysis of Shareholders at 31 October 1986

	Shareholders	Ordinary shares held	%
The holdings of the De Haan family, family trusts and other directors	16	11,323,041	62.89
Other shareholdings of:			
150,001 and over	13	3,889,913	21.60
30,001 to 150,000	14	1,102,357	6.12
15,001 to 30,000	8	149,671	0.83
6,001 to 15,000	20	203,077	1.13
3,001 to 6,000	43	195,700	1.09
Up to 3,000	1,414	1,141,594	6.34
	1,528	18,005,356	100.00

# General Information

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**R M De Haan** *Chairman*

**Other Directors**

P Carr

R D Crick

P C De Haan

A R Deacon

J Foster

M E Hatch

A R Max

P V Taylor

**Secretary and Registered Office**

P C De Haan FCA

Bouverie House

Middelburg Square

Folkestone, Kent CT20 1AZ

**Registrars and Transfer Office**

National Westminster Bank PLC

Registrar's Department

PO Box 82, National Westminster Court

37 Broad Street

Bristol BS99 7NH

**Solicitors**

Lovell, White & King

London

**Auditors**

Ernst & Whinney

London

**Principal Bankers**

National Westminster Bank PLC

Folkestone

**Brokers**

James Capel & Co.

London

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**Representation in the USA: Saga International Holidays Limited**

J Foster *President*

**Other local Directors**

L Bragg III

M Galper

R Levine

**Office Address**

120 Boylston Street

Boston 02116

Massachusetts

**Lawyers**

Ropes & Gray

Boston

**Bankers**

The First National Bank of Boston

Boston

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**Representation in Australia: Saga Holidays (Australasia) Pty Limited**

T Bull *Managing Director*

**Local Director**

W D Lawrenson

**Office Address**

1st Floor, 20 Alfred Street

Milson Point

Sydney, NSW 2061

**Lawyers**

Turnbull McWilliam

Sydney

**Bankers**

Australia & New Zealand Banking

Group Limited

Sydney

## Financial Calendar

Ex-dividend date

Report and accounts posted to shareholders

Record date of final dividend

Annual General Meeting

Payment of final dividend

Announcement of interim figures and dividend

End of financial year

6 April 1987

1 April 1987

3 April 1987

24 April 1987

30 April 1987

July 1987

31 October 1987

# Notice of Annual General Meeting

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Notice is hereby given that the annual general meeting of Saga Holidays PLC will be held at Bouverie House, Middelburg Square, Folkestone, Kent at 2.30 p.m. on 24 April 1987 to transact the following business:

- 1 To receive and adopt the directors' report and audited accounts for the year ended 31 October 1986.
- 2 To declare a final dividend.
- 3 To elect a director: Mr A R Max.
- 4 To re-elect a director: Mr P C De Haan.
- 5 To re-elect a director: Mr A R Deacon.
- 6 To re-appoint the auditors.
- 7 To authorise the directors to determine the remuneration of the auditors.
- 8 As special business, to consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

## Special Resolution

That the power given to the Board of Directors of the Company under Article 8 of the Articles of Association of the Company to allot equity securities (as defined in Article 2 of the Articles of Association of the Company) as if section 89 (1) of the Companies Act 1985 did not apply to the allotment (which power is subject of the restrictions contained in the said Article 8) be and it is hereby renewed until the conclusion of the next Annual General Meeting of the Company.

By Order of the Board

Secretary

1 April 1987



## Notes

- 1 Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- 2 A copy of the service contract of Mr J Foster will be available for inspection at the registered office during usual business hours on any week day until 15 minutes prior to the start of the Annual General Meeting on 24 April 1987.
- 3 The purpose of Resolution 8 is as follows:  
The Companies Act, 1985 provides that, when Equity Securities are being issued wholly for cash, such securities must first be offered pro rata to all existing Ordinary Shareholders unless the Board is given authority to allot them without regard to that requirement. Resolution 8, if passed, will therefore empower the Board to allot for cash Equity Securities in connection with a rights issue and additionally, of a nominal amount not exceeding £225,000 without first offering such securities to existing shareholders, furthermore, securities may be allotted pursuant to any Employees' Share Scheme without counting towards the limit of £225,000. This Resolution renews the authority given to Directors in the Articles of Association, renewed at the Annual General Meeting on 15 April 1985 and extends it to the date of the 1988 Annual General Meeting. Thereafter Shareholders will be asked to renew this authority annually. Any issue of shares for cash, made otherwise than in connection with a rights issue, is no longer subject to the prior consent of The Stock Exchange.

# Form of Proxy – Saga Holidays PLC

I/We .....  
of .....

.....  
Member(s) of the Company, HEREBY APPOINT Roger De Haan;  
or failing him; Maurice Hatch (both directors of the Company);  
or failing him \*as my/our proxy to  
attend for me/us and on my/our behalf at the Annual General  
Meeting of the Company, to be held on Friday, 24 April 1987 and at  
every adjournment thereof.

Dated this ..... 1987

Signature(s) .....

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

RESOLUTIONS	FOR	AGAINST
1 To adopt the Report and Accounts		
2 To declare a final dividend		
3 To elect Mr A R Max as a director		
4 To re-elect Mr P C De Haan as a director		
5 To re-elect Mr A R Deacon as a director		
6 To re-appoint the auditors		
7 To authorise the directors to determine the remuneration of the auditors		
8 To renew the powers of the directors to allot Equity Securities		

## Notes

- 1 This form should be posted so as to arrive at the Transfer Office not less than forty-eight hours before the time of the meeting.
- 2 If the appointer is a Corporation, this proxy must be either under its Common Seal or signed on its behalf by an attorney or a duly authorised officer.
- 3 In the case of joint holders, only one of such holders need sign. The vote of a senior who tenders a vote shall be accepted to the exclusion of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share.
- 4 \*If it is desired to appoint a proxy other than those above stated, their names should be deleted and the name of the desired proxy or proxies substituted.



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