

SAGA SERVICES LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 JANUARY 2000



Company Registration Number: 732602

SAGA SERVICES LIMITED DIRECTORS' REPORT

Directors: R M De Haan (Chairman)
J A Goodsell (Managing Director)
K Brennan
T B Bull
J D Cameron
M Cutbill
A R Deacon
W A Donaldson
M E Hatch

Secretary: R J Fraser

Registered Office: The Saga Building, Enbrook Park, Folkestone, Kent CT20 3SE

The directors present their report for the year ended 31 January 2000.

Principal activities

The Group's principal activity is the provision of insurance and financial services to people aged fifty and over. The Group has completed a very satisfactory year during which *significant resources were invested in strengthening Saga's position as a key player in its chosen market.* This process will continue during the course of the coming year with further growth anticipated throughout the Group's product lines.

Results and dividends

The profit before taxation for the year amounted to £29,307,000. A dividend of £20,000,000 has been paid to Saga Group Limited. After taxation and dividend a profit of £366,000 has been transferred to reserves.

Directors

The directors of the company during the year ended 31 January 2000 were those listed above and P C De Haan who resigned on 18th August 1999. J D Cameron, M Cutbill and W A Donaldson were appointed as directors on 1st March 1999, 7th June 1999 and 16th August 1999 respectively.

Year 2000

The company has not encountered any problems associated with Year 2000 matters and the directors do not foresee any difficulties arising in the future.

Directors' interests

As R M De Haan is a director of the ultimate parent undertaking, his interest is 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 interests in the shares of the Company or the ultimate parent undertaking. No other director has any interest in the shares of the company or the ultimate parent undertaking.

SAGA SERVICES LIMITED DIRECTORS' REPORT CONTINUED

Employee involvement

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

Employment of disabled persons

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

Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

By order of the Board



R J Fraser
Secretary

3rd May 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF SAGA SERVICES LIMITED

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group'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 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London

3rd May 2000

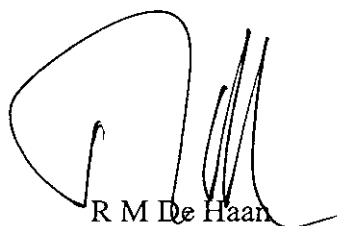
SAGA SERVICES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2000

	Note	2000 £'000	1999 £'000
Turnover	2	58,200	52,133
Staff costs	6	(11,709)	(9,401)
Depreciation of fixed assets	11	(48)	(281)
Other operating charges		(19,893)	(20,756)
Operating profit	4	26,550	21,695
Net investment income	3	2,757	3,205
Profit on ordinary activities before taxation		29,307	24,900
Taxation	8	(8,941)	(7,648)
Profit on ordinary activities after taxation		20,366	17,252
Dividend	9	(20,000)	(17,200)
Retained profit for the year		366	52

There were no recognised gains or losses other than the amounts included above.

SAGA SERVICES LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2000

	Note	2000 £'000	1999 £'000
Fixed Assets			
Tangible assets	11	-	48
Current assets			
Investments	13	17,206	35,396
Debtors	14	38,268	26,662
Cash at bank and in hand		1,987	2,509
		<u>57,461</u>	<u>64,567</u>
Creditors - amounts falling due within one year	15	<u>54,863</u>	<u>62,232</u>
Net current assets		<u>2,598</u>	<u>2,335</u>
Total assets less current liabilities		2,598	2,383
Creditors - amounts falling due after more than one year	16	-	151
		<u>2,598</u>	<u>2,232</u>
Capital and reserves			
Called up share capital	18	2,100	2,100
Profit and loss account	19	498	132
Equity shareholders' funds		<u>2,598</u>	<u>2,232</u>


R M De Haan
Director

3rd May 2000

SAGA SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2000

Reconciliation of movement in shareholders' funds

	2000 £'000	1999 £'000
Profit after taxation	20,366	17,252
Dividends paid	(20,000)	(17,200)
Net increase in shareholders' funds	366	52
Shareholders' funds brought forward	2,232	2,180
Shareholders' funds carried forward	2,598	2,232

SAGA SERVICES LIMITED
COMPANY BALANCE SHEET AS AT 31 JANUARY 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	-	48
Investment in subsidiary undertaking	12	-	-
		<u>-</u>	<u>48</u>
Current assets			
Investments	13	17,206	35,396
Debtors	14	38,402	26,511
Cash at bank and in hand		<u>1,987</u>	<u>2,509</u>
		57,595	64,416
Creditors - amounts falling due within one year	15	<u>54,681</u>	<u>61,914</u>
Net current assets		<u>2,914</u>	<u>2,502</u>
Total assets less current liabilities		2,914	2,550
Creditors - amount falling due after more than one year	16	<u>-</u>	<u>27</u>
		<u>2,914</u>	<u>2,523</u>
Capital and reserves			
Called up share capital	18	2,100	2,100
Profit and loss account	19	<u>814</u>	<u>423</u>
Equity shareholders' funds		<u>2,914</u>	<u>2,523</u>


R. M. De Maar
Director

3rd May 2000

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS 31 JANUARY 2000

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 for the Company and its subsidiary for the year ended 31 January 2000.

c) Commissions

Commissions are recognised at the commencement of the period of risk. Additional commissions from insurers may be earned dependent upon the underwriting results of the business insured. This income is recognised when the results of this business can be determined reasonably.

d) Advance receipts

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.

e) 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.

f) Deferred expenditure

Expenditure on 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.

g) Tangible fixed assets

Tangible fixed assets are stated at cost less amounts written off. The cost of fixed assets is depreciated over the following periods.

Computers	Various up to a maximum of 3 years
Other equipment	Various up to a maximum of 10 years

h) 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.

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.

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

2. Turnover

Turnover, which all relates to continuing business, comprises initial and renewal commissions receivable from insurers and other institutions.

3. Net investment income

	2000	1999
	£'000	£'000
Interest on deposits	1,357	1,251
Intercompany interest earned	1,394	1,983
Other interest receivable	29	8
Finance lease charges	(23)	(37)
	<u>2,757</u>	<u>3,205</u>

4. Operating profit is stated after charging:

	2000	1999
	£'000	£'000
Auditors' remuneration - audit services	40	48
- other services	1	4
Depreciation of owned fixed assets	48	281
	<u>93</u>	<u>333</u>

5. Emoluments of directors

	2000	1999
	£'000	£'000
Emoluments	613	504
Compensation for loss of office	-	132
	<u>613</u>	<u>636</u>
	2000	1999
Members of defined benefit pension scheme:	4	3

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

	2000	1999
	£'000	£'000
Emoluments	243	205
Defined benefit pension scheme:		
Accrued pension at end of year	11	1

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

6. Staff costs

	2000 £'000	1999 £'000
Wages and salaries	10,326	8,262
Social security costs	845	687
Other pension costs	538	452
	<u>11,709</u>	<u>9,401</u>
 Average number of employees	 <u>632</u>	 <u>520</u>

7. Pension benefits

The company is a member of the Saga Group Limited Pension and Life Assurance Scheme which is a defined benefit pension scheme. Contributions to the scheme are based on pension costs across the group as a whole. Details of the scheme can be found in the accounts of Saga Group Limited.

8. Taxation

	2000 £'000	1999 £'000
Corporation tax @ 30.2% (1999 - 31%)	6,712	4,747
Group relief @ 30.2% (1999 - 31%)	2,224	2,971
	<u>8,936</u>	<u>7,718</u>
Adjustments relating to prior years	5	(70)
	<u>8,941</u>	<u>7,648</u>

9. Dividend

A dividend of £9.524 per share (1999 - £8.190) has been paid at a cost of £20,000,000 (1999 - £17,200,000).

10. Profit for the financial year

Of the profit after taxation for the financial year, £20,391,000 (1999 - £17,213,000) 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 SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

11. Tangible fixed assets

GROUP	Computers	Other	Total
Cost	£'000	Equipment £'000	£'000
At 31 January 1999	3,277	107	3,384
Additions	-	-	-
At 31 January 2000	<u>3,277</u>	<u>107</u>	<u>3,384</u>
Depreciation			
At 31 January 1999	3,247	89	3,336
Charge for year	30	18	48
At 31 January 2000	<u>3,277</u>	<u>107</u>	<u>3,384</u>
Net book amounts			
At 31 January 2000	-	-	-
At 31 January 1999	<u>30</u>	<u>18</u>	<u>48</u>
COMPANY			
Cost			
At 31 January 1999	1,465	107	1,572
Additions	-	-	-
At 31 January 2000	<u>1,465</u>	<u>107</u>	<u>1,572</u>
Depreciation			
At 31 January 1999	1,435	89	1,524
Charge for year	30	18	48
At 31 January 2000	<u>1,465</u>	<u>107</u>	<u>1,572</u>
Net book amounts			
At 31 January 2000	-	-	-
At 31 January 1999	<u>30</u>	<u>18</u>	<u>48</u>

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

12. Investment in subsidiary undertaking

The activity of Saga Property Management Limited, the company's wholly owned subsidiary, is the provision of computer services within the Saga Services group of companies.

	Company 2000 £'000	Company 1999 £'000
Balance at beginning of year	1,000	1,000
Provision for permanent diminution in value	(1,000)	(1,000)
Balance at end of year	-	-

13. Investments

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Deposits with financial institutions	17,206	17,206	35,396	35,396

14. Debtors

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Trade debtors	20,529	20,502	18,144	18,103
Corporation tax recoverable	516	516	357	357
Other debtors	97	88	47	47
Prepayments and deferred expenditure	3,042	3,031	2,346	2,338
Amount owed by parent undertaking	14,084	14,265	5,768	5,666
	38,268	38,402	26,662	26,511

15. Creditors:- amounts falling due within one year

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Bank overdraft	-	-	777	777
Advance receipts	1,531	1,531	1,521	1,521
Trade creditors	44,672	44,672	51,650	51,650
Corporation tax	4,787	4,787	4,747	4,747
Other tax and social security	32	32	49	38
Accruals and deferred income	3,729	3,632	3,344	3,139
Finance leasing (note 17)	112	27	144	42
	54,863	54,681	62,232	61,914

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

16. Creditors: - amounts falling due after more than one year

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Finance leases (note 17)	-	-	151	27

17. Obligations under finance leases

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

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Within one year	112	27	144	42
Within 2 to 5 years	-	-	151	27
	112	27	295	69

18. Called up share capital

	2000 £'000	1999 £'000
Authorised 2,100,000 Ordinary shares of £1 each	2,100	2,100
Allotted, called up and fully paid 2,100,000 Ordinary shares of £1 each	2,100	2,100

19. Profit and loss account

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Balance brought forward	132	423	80	411
Profit for the year	366	391	52	12
Balance carried forward	498	814	132	423

SAGA SERVICES LIMITED
NOTES TO THE ACCOUNTS CONTINUED

20. Related party transactions

The company has taken advantage of the exemption afforded by FRS8 in not disclosing transactions with other entities in the Saga group of companies.

21. Ultimate parent undertaking

The accounts of the company have been consolidated in the group accounts of Saga Leisure Limited (the ultimate parent undertaking) and Saga Group Limited, both of which are registered in England.

22. Contingent liabilities

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 2000 was £60 million (1999 - £50 million).