

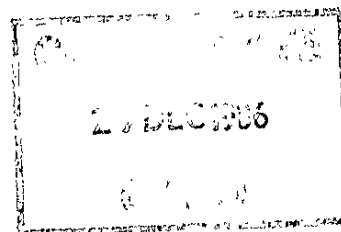
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GUY SALMON SERVICE LIMITED

REPORT AND FINANCIAL STATEMENTS

31 JULY 1986

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4	Balance sheet
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GUY SALMON SERVICE LIMITED

REPORT OF THE DIRECTORS

CHAIRMAN	G.F. Salmon
DIRECTORS	R.G. Salmon M. Buckingham A. Wilding D.N. Tregarthen
SECRETARY	J.L. Budd
REGISTERED OFFICE	Portsmouth Road, Thames Ditton, Surrey.
REGISTERED NUMBER	915008

FINANCIAL STATEMENTS

The directors submit their report and the audited financial statements of the company for the year ended 31 July 1986.

DIVIDENDS

The directors do not recommend the payment of a dividend. The balance of profit is to be transferred to reserves.

REVIEW OF THE BUSINESS

The principal activity of the company during the year was that of self-drive and chauffeur drive car rental.

The directors are pleased to report that the heavy investment in staff and facilities in recent years is now making a significant contribution to the company's results and has laid the grounds for future expansion.

The profit before tax for the year amounted to £1,257,145 compared with £700,523 for the previous year.

FUTURE DEVELOPMENTS

The directors continue to look forward to the future with great confidence.

FIXED ASSETS

The movements in fixed assets are as shown in the notes to the financial statements.

DIRECTORS

The directors of the company at 31 July 1986 were as detailed above. All served on the board throughout the year.

DIRECTORS' INTERESTS

No director had any beneficial interest in any shares of the company.

The directors' interests in the share capital of the holding company, Guy Salmon Limited, are disclosed in those financial statements.

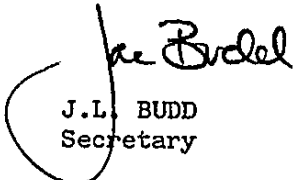
GUY SALMON SERVICE LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

Messrs. Menzies Middleton Hawkins & Co. have expressed their willingness to continue in office as auditors and in accordance with Section 384(1) of the Companies Act 1985 a resolution proposing their re-appointment will be submitted to the annual general meeting.

By order of the Board


J.L. BUDD
Secretary

1 December 1986

REPORT OF THE AUDITORS TO THE MEMBERS OF
GUY SALMON SERVICE LIMITED

We have audited the financial statements set out on pages four to twelve in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company at 31 July 1986 and of the profit and source and application of funds for the year ended on that date, and comply with the Companies Act 1985.

Menzies Middleton Hawkins 

Woking
Surrey

MENZIES MIDDLETON HAWKINS & CO.
Chartered Accountants

1 December 1986

GUY SALMON SERVICE LIMITED

BALANCE SHEET

31 JULY 1986

	Note	£	1986	£	£	1985	£
FIXED ASSETS							
Tangible	2		7,723,690			6,577,394	
CURRENT ASSETS							
Debtors	3	2,919,059			2,358,684		
Bank balances and cash		76,305			72,933		
		2,995,364			2,431,617		
CREDITORS: amounts falling due within one year	4	6,110,295			5,657,397		
NET CURRENT LIABILITIES			3,114,931			3,225,780	
TOTAL ASSETS LESS CURRENT LIABILITIES							
			4,608,759			3,351,614	
PROVISION FOR LIABILITIES AND CHARGES							
Deferred taxation	5		-			1,525,000	
			4,608,759			1,826,614	
CAPITAL AND RESERVES							
Called up share capital	6		250,000			250,000	
Profit and loss account	7		4,358,759			1,576,614	
			4,608,759			1,826,614	

The financial statements were approved by the Board of Directors on 1 December 1986.

DIRECTORS

G.F. SALMON

R.G. SALMON

GUY SALMON SERVICE LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 JULY 1986

	Note	1986 £	1985 £
TURNOVER	8	8,108,730	7,625,874
Cost of sales		4,033,075	4,235,026
		<hr/>	<hr/>
GROSS PROFIT		4,075,655	3,390,848
Administrative expenses		2,584,629	2,322,538
		<hr/>	<hr/>
OPERATING PROFIT		1,491,026	1,068,310
Interest payable	9	233,881	367,787
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	1,257,145	700,523
Tax on profit on ordinary activities	10	(1,525,000)	125,000
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	7	2,782,145	575,523
		<hr/>	<hr/>

GUY SALMON SERVICE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31 JULY 1986

	1986		1985	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		1,257,145		700,523
Items not involving the movement of funds				
Depreciation etc.		765,792		1,223,106
TOTAL GENERATED FROM OPERATIONS		<u>2,022,937</u>		<u>1,928,629</u>
FUNDS FROM OTHER SOURCES				
Sale of tangible assets		6,223,057		4,069,742
		<u>8,245,994</u>		<u>5,998,371</u>
APPLICATION OF FUNDS				
Purchase of tangible assets		8,135,145		7,030,364
		<u>110,849</u>		<u>(1,031,993)</u>
INCREASE(DECREASE) IN WORKING CAPITAL				
Debtors	462,534		993,107	
Intra group balances	(77,656)		473,037	
Loans	2,364,091		(860,571)	
Creditors	(917,634)		(602,980)	
	<u>1,831,335</u>		<u>2,593</u>	
MOVEMENT IN NET LIQUID FUNDS				
Net cash and bank balances	3,372		(675,481)	
Bank overdraft	(1,723,858)		(359,105)	
	<u>(1,720,486)</u>		<u>(1,034,586)</u>	
	<u>110,849</u>		<u>(1,031,993)</u>	

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1986

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

Goodwill

Goodwill is written off against distributable reserves in the year in which it arises.

Deferred taxation

Provision is made on the liability method for taxation deferred by way of accelerated capital allowances and short-term timing differences in so far as the directors consider that a tax liability may crystallise in the foreseeable future. The tax liability is calculated at the corporation tax rate expected to be in force when the liability crystallises.

Depreciation

Depreciation is charged on the tangible assets other than freehold land and buildings at the following rates, which are expected to reduce the assets to their net realisable values over their estimated useful lives

Leasehold premises	25% per annum on net book value
Plant, fixtures and fittings	20% per annum on net book value
Motor vehicles for hire to the public	At such a rate that will write the assets down to their net realisable values by the end of their useful lives

Turnover

Turnover is calculated net of value added tax and trade discounts and represents the invoiced value of goods sold and services supplied during the year.

Finance leases

Amounts paid in respect of finance leases less estimated commissions receivable on disposal of motor vehicles are charged in the financial statements over the useful lives of the vehicles.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

2. TANGIBLE ASSETS

	Freehold Land and Buildings £	Leasehold Property £	Plant, Fixtures and Fittings £	Motor Vehicles £	Total £
COST					
1 August 1985	34,600	118,177	250,436	7,097,261	7,500,474
Additions	-	15,807	97,587	8,021,751	8,135,145
Disposals	(34,600)	-	(7,354)	(6,941,439)	(6,983,393)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 July 1986	-	133,984	340,669	8,177,573	8,652,226
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
1 August 1985	-	67,936	124,023	731,121	923,080
Charged	-	16,512	43,623	703,451	763,586
Released on disposals	-	-	(1,471)	(756,659)	(758,130)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 July 1986	-	84,448	166,175	677,913	928,536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
31 July 1985	34,600	50,241	126,413	6,366,140	6,577,394
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 July 1986	-	49,536	174,494	7,499,660	7,723,690
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The estimated lives and residual values of motor vehicles for hire to the public are reviewed by the directors on a regular basis and adjustments are made to the charge for depreciation when considered appropriate.

The proceeds received on the disposal of motor vehicles have been higher than anticipated. The directors are of the opinion that the charges for depreciation could, therefore, have been reduced. The extent of the reduction in the charge which could have resulted in respect of the year ended 31 July 1985 was greater than that which resulted for the year ended 31 July 1986 by approximately £100,000. This reduction would reduce the profits for the year ended 31 July 1986 by £100,000 and increase the profits of the previous period by a similar amount.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

3. DEBTORS

	1986 £	1985 £
Trade debtors	1,670,293	1,657,958
Reimbursement from vehicle lessors	-	507,166
Lease payments in advance	750,238	-
Other debtors	197,337	120,292
Prepayments and accrued income	203,350	73,268
Amounts owed by fellow subsidiary company	97,841	-
	<u>2,919,059</u>	<u>2,358,684</u>

All amounts included above are receivable within one year of the balance sheet date.

4. CREDITORS: amounts falling due within one year

	1986 £	1985 £
Loan	1,492,470	3,856,561
Bank overdraft	2,082,963	359,105
Trade creditors	794,670	328,681
Other taxes and social security costs	95,513	181,607
Other creditors	384,519	296,682
Motor vehicle lease settlements	828,714	383,567
Accruals	35,275	30,520
Amounts owed to fellow subsidiary company	-	38,965
Amounts owed to holding company	396,171	181,709
	<u>6,110,295</u>	<u>5,657,397</u>

The loan is secured by floating charges over the company's assets and is repayable on demand.

If the loan repayable of £1,492,470 (facility £4 million) is called in, the terms allow for repayment to be spread evenly over a period of eighteen months.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

5. DEFERRED TAXATION

Deferred tax on accelerated capital allowances less available losses is provided as follow:-

	1986 £	1985 £
1 August 1985	1,525,000	1,400,000
Transfer (to) from profit and loss account	(1,525,000)	125,000
	<hr/>	<hr/>
31 July 1986	-	1,525,000
	<hr/>	<hr/>

The full potential liability is as follows:

	1986 £	1985 £
Full potential liability	1,957,000	1,525,000
	<hr/>	<hr/>

No provision for deferred taxation is considered necessary at 31 July 1986 (1985 - £1,525,000) as in the opinion of the directors no liability to corporation tax in respect of the reversal of accelerated capital allowances will crystallise in the foreseeable future. This opinion is based on the continuance of existing policies with regard to the purchase of the hire fleet and on the assumption of a reasonable increase in growth in both profits and the size of the fleet. Based on this assumption the forecast over the next five years indicates that capital allowances will exceed depreciation charged in the profit and loss account.

6. SHARE CAPITAL

	1986 £	1985 £
Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid 250,000 ordinary shares of £1 each	250,000	250,000
	<hr/>	<hr/>

7. PROFIT AND LOSS ACCOUNT

	1986 £	1985 £
Balance at beginning of year	1,576,614	1,001,091
Retained profit for the financial year	2,782,145	575,523
	<hr/>	<hr/>
Balance at end of year	4,358,759	1,576,614
	<hr/>	<hr/>

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

8. TURNOVER AND PROFIT

Turnover and profit is derived from the activity of the company as car rental operators.

	1986 £	1985 £
Profit is stated after charging:		
Auditors' remuneration	10,000	7,000
Depreciation etc.	765,792	1,228,106
Directors' emoluments (Note 11)	136,638	154,387
Hire of motor vehicles	2,256,902	1,767,079
and after crediting:		
Commission on disposal of leased vehicles	<u>1,667,903</u>	<u>1,456,542</u>

9. INTEREST PAYABLE

	1986 £	1985 £
Payable on bank overdrafts and other loans repayable within 5 years, otherwise than by instalments	<u>233,881</u>	<u>367,787</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1986 £	1985 £
Transfer (from) to deferred taxation	<u>(1,525,000)</u>	<u>125,000</u>

No liability to corporation tax arises on the results of the year due to the utilisation of losses brought forward and accelerated capital allowances.

In the opinion of the directors the company is a 'close' company under the Income and Corporation Taxes Act 1970.

11. DIRECTORS' EMOLUMENTS (Excluding pension contributions)

The emoluments of the chairman amounted to £Nil (1985 - £Nil).

The emoluments of the highest paid director amounted to £40,694 (1985 - £75,037).

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

11. DIRECTORS' EMOLUMENTS (Excluding pension contributions) - (Continued)

The emoluments of the other directors fell within the ranges:

	1986 No.	1985 No.
£20,001 to £25,000	-	1
£25,001 to £30,000	1	1
£30,001 to £35,000	2	-
£35,001 to £40,000	-	1
	<u> </u>	<u> </u>

12. EMPLOYEES

The average weekly number of employees during the year was as follows:-

	1986 No.	1985 No.
Operational	82	84
Administration	42	42
Selling	19	19
	<u> </u>	<u> </u>
	143	145
	<u> </u>	<u> </u>
	£	£
Staff costs amounted to		
Wages and salaries	1,445,565	1,449,734
Social security costs	129,267	122,888
Other pension costs	14,716	4,890
	<u> </u>	<u> </u>
	1,589,548	1,577,512
	<u> </u>	<u> </u>

13. CONTINGENT LIABILITIES

The company has guaranteed the bank overdrafts and other loans of certain Group companies. At 31 July 1986 the total contingent liability amounted to £2,018,290 (1985 - £1,556,442).

14. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Guy Salmon Limited, a company incorporated in the United Kingdom.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 JULY 1986

15. CAPITAL COMMITMENTS

At 31 July 1986 the directors had authorised capital expenditure as follows

	1986 £	1985 £
Motor vehicles contracted for but not provided in these financial statements	<u>6,557,728</u>	<u>1,263,653</u>

16. OTHER COMMITMENTS

Under the terms of certain leases for the hire of motor vehicles an amount of £782,819 (1985 - £972,716) is payable after the balance sheet date over a period not exceeding four years. However, in the opinion of the directors rebates of leasing payments receivable when the vehicles are sold will materially offset the total commitment noted above.

GUY SALMON SERVICE LIMITED

TRADING ACCOUNT

YEAR ENDED 31 JULY 1986

	Schedule	1986		1985	
		£	£	£	£
TURNOVER	1		8,108,730		7,625,874
COST OF SALES	2		4,033,075		4,235,026
			<hr/>		<hr/>
GROSS PROFIT			4,075,655		3,390,848
ADMINISTRATIVE EXPENSES					
Operational	3a	926,785		833,726	
Selling	3b	591,176		660,313	
Financial	3c	294,231		227,405	
Accounting	3d	282,869		227,254	
General	3e	529,568		433,840	
			<hr/>	<hr/>	
			2,624,629		2,382,538
Management charges received		(40,000)		(60,000)	
			<hr/>	<hr/>	
			2,584,629		2,322,538
			<hr/>	<hr/>	
OPERATING PROFIT			1,491,026		1,068,310
Interest payable			233,881		367,787
			<hr/>	<hr/>	
PROFIT BEFORE TAXATION			<u>1,257,145</u>		<u>700,523</u>

GUY SALMON SERVICE LIMITED

SCHEDULES TO THE TRADING ACCOUNT

YEAR ENDED 31 JULY 1986

	1986	1985
	£	£
1. TURNOVER		
Rentals receivable	7,128,924	6,801,893
Rental related income	956,231	797,190
Other income	23,575	26,791
	<hr/>	<hr/>
	8,108,730	7,625,874
	<hr/>	<hr/>
2. COST OF SALES		
Petrol	525,470	523,467
Insurance	116,583	98,488
Accident repair costs	301,773	367,562
Maintenance	272,640	269,477
Parking	115,207	81,245
Delivery and collection	58,860	63,278
Commissions paid	235,528	248,585
Drivers' wages	810,997	697,292
Sub-contract costs	232,456	212,245
Subsistence and expenses	21,069	17,047
Cleaning	153,745	164,356
Lease payments	2,256,902	1,767,079
Commission on leased motor vehicles	(136,340)	(60,000)
Commission on disposal of motor vehicles	(1,667,903)	(1,456,542)
Depreciation of motor vehicles	703,451	1,241,447
Fleet management salaries	32,637	-
	<hr/>	<hr/>
	4,033,075	4,235,026
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GUY SALMON SERVICE LIMITED

SCHEDULES TO THE TRADING ACCOUNT (Continued)

YEAR ENDED 31 JULY 1986

	1986 £	1985 £
3. ADMINISTRATIVE EXPENSES		
a) Operational expenses		
Management charge	-	10,000
Uniforms	16,691	21,915
Salaries	461,900	420,620
Rent and rates	213,475	168,966
Light and heat	19,621	17,954
Telephone	103,373	103,772
Insurances	35,252	17,362
Office cleaning	5,144	7,216
Maintenance of: buildings	3,671	14,981
equipment	5,317	4,281
Depreciation : fixtures and fittings	45,829	29,912
leasehold premises	16,512	16,747
	<u>926,785</u>	<u>833,726</u>
b) Selling expenses		
Salaries	170,893	144,238
Petrol and expenses	44,499	32,714
Selling aids	97,794	77,165
Advertising	257,108	392,098
Overseas selling expenses	20,882	14,098
	<u>591,176</u>	<u>660,313</u>
c) Financial expenses		
Credit card charges	134,543	135,816
Bad debts	150,748	83,932
Bank charges	8,940	7,657
	<u>294,231</u>	<u>227,405</u>

GUY SALMON SERVICE LIMITED

SCHEDULES TO THE TRADING ACCOUNT (Continued)

YEAR ENDED 31 JULY 1986

	1986 £	1985 £
3. ADMINISTRATIVE EXPENSES (Continued)		
d) Accounting expenses		
Computer lease	-	5,134
Postage	19,112	16,862
Salaries	226,281	166,437
Debt collection	28,657	7,614
Computer maintenance	8,819	31,207
	<hr/>	<hr/>
	282,869	227,254
	<hr/>	<hr/>
e) General expenses		
Directors' remuneration	124,670	140,645
Management salaries	46,002	-
Pensions	14,716	8,280
General expenses	23,290	35,329
Accident damage - staff	32,969	48,525
Staff advertising	32,853	14,374
Management expenses	81,618	73,967
Printing and stationery	112,345	68,347
Subscriptions	2,980	3,707
Audit and accountancy	38,175	16,000
Legal and professional	4,962	17,824
Training	14,988	6,842
	<hr/>	<hr/>
	529,568	433,840
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