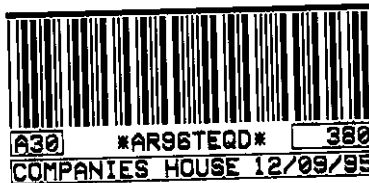


Alamo Rent A Car (UK) Limited

Directors' report and financial statements

31 December 1994

Registered number 915008



Alamo Rent A Car (UK) Limited

Directors' report and financial statements

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Alamo Rent A Car (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

Review of the business

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

The profit for the year retained in the company is £2,776,000 (1993:£3,000,000).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs and profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Proposed dividend

The directors do not recommend the payment of a dividend.

Fixed assets

The movements in fixed assets are as shown in note 8 to the financial statements.

Alamo Rent A Car (UK) Limited

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

W McDonald Clark	
EJ Morse	
CD Platt	(resigned 30 January 1995)
RV Bledsoe	
BS Cash	(resigned 26 January 1995)
FA Armstrong	(appointed 26 January 1995)

According to the register kept by the company, no director had any disclosable interest in the shares of the company or any group undertaking during the year.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group undertaking were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Employees

The company has continued its policy to hold "family member" meetings with all employees. These meetings are designed to allow employees to freely express points of concern or interest. All such points are followed up and detailed reports made.

The company gives full and fair consideration to applications for employment with the company made by disabled persons, having regard to their particular aptitudes and abilities. Where employees become disabled during a period when they have been employed by the company, it is the company's policy to continue their employment where appropriate and arrange for the necessary training.

Political and charitable contributions

The company made no political contributions during the year.

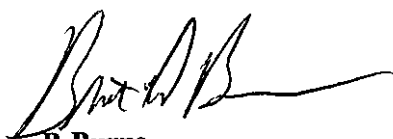
Alamo Rent A Car (UK) Limited

Directors' report *(continued)*

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



B Burns
Secretary

17 Queen Square
London
WC1N 3RN

10 February 1995



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Alamo Rent A Car (UK) Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

8th March 1995

Alamo Rent A Car (UK) Limited

Profit and loss account for the year ended 31 December 1994

	<i>Note</i>	1994 £000	1993 £000
Turnover	<i>1</i>	46,305	37,593
Cost of sales		(30,173)	(20,621)
		<hr/>	<hr/>
Gross profit		16,132	16,972
Administrative expenses		(10,245)	(10,114)
		<hr/>	<hr/>
Operating profit		5,887	6,858
Interest receivable and similar income	<i>5</i>	119	12
Interest payable and similar charges	<i>6</i>	(3,230)	(3,870)
		<hr/>	<hr/>
Retained profit on ordinary activities before and after taxation	<i>2</i>	2,776	3,000
Retained loss brought forward		(8,940)	(11,940)
		<hr/>	<hr/>
Retained loss carried forward		(6,164)	(8,940)
		<hr/>	<hr/>

The company had no recognised gains or losses other than the profit for the financial year. Accordingly a statement of total recognised gains and losses has not been prepared.

A note on historical cost profits and losses has not been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

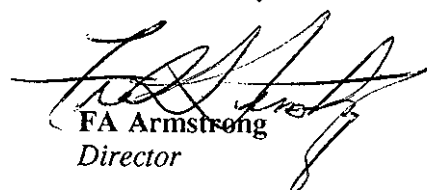
The notes on pages 8 to 18 form part of these financial statements.

Alamo Rent A Car (UK) Limited

Balance sheet at 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		1,812		1,505
Current assets					
Hire vehicles	9	49,162		35,282	
Stocks of consumables		63		125	
Debtors	10	14,899		9,758	
Cash at bank and in hand		3,379		-	
		<u>67,503</u>		<u>45,165</u>	
Creditors: amounts falling due within one year	11	<u>(67,555)</u>		<u>(46,808)</u>	
Net current liabilities			<u>(52)</u>		<u>(1,643)</u>
Total assets less current liabilities			<u>1,760</u>		<u>(138)</u>
Creditors: amounts falling due after more than one year	12		4,722		5,600
Capital and reserves					
Called up share capital	13	3,202		3,202	
Profit and loss account		<u>(6,164)</u>		<u>(8,940)</u>	
Shareholders' funds	16		<u>(2,962)</u>		<u>(5,738)</u>
			<u>1,760</u>		<u>(138)</u>

These financial statements were approved by the board of directors on 10 February 1995 and were signed on its behalf by:


FA Armstrong
Director

Alamo Rent A Car (UK) Limited

Cash flow statement

for the year ended 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
Net cash (outflow)/inflow from operating activities	17		(8,413)		1,066
Return on investments and servicing of finance					
Interest received		119		12	
Interest paid		(447)		(908)	
Interest element of finance lease rental payments		(2,783)		(2,962)	
Net cash outflow from returns on investment and servicing of finance			(3,111)		(3,858)
Investing activities					
Purchase of tangible fixed assets		(897)		(238)	
Sale of tangible fixed assets		58		383	
Net cash (outflow)/inflow from investing activities			(839)		145
Net cash (outflow) before financing			(12,363)		(2,647)
Financing					
Inception of new finance leases and similar hire purchase contracts	19	109,413		98,387	
Capital repaid under lease agreements	19	(92,733)		(99,217)	
Capital repaid to group companies	19	(1,200)		(1,000)	
Net cash inflow/(outflow) from financing			15,480		(1,830)
Increase/(decrease) in cash and cash equivalents	18		3,117		(4,477)

Alamo Rent A Car (UK) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis which assumes that the company will continue to trade. Alamo Rent A Car Inc, an affiliate of the holding company, has indicated that it will make sufficient funds available to ensure that the company will be able to trade for the foreseeable future.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings (under 50 years)	-	10 % per annum
Computer equipment	-	25 % per annum
Plant, fixtures and fittings	-	20 % per annum
Motor vehicles	-	at such a rate that will write the assets down to their net realisable values by the end of their useful lives.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet within tangible fixed assets or hire vehicles and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Alamo Rent A Car (UK) Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Hire vehicles

These comprise motor vehicles for hire to the public which are normally held for a period of less than one year. They are included in the accounts at cost less depreciation at such a rate that will write the assets down to their net realisable values by the end of their useful lives.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Profits and losses on disposal of vehicles are treated as forming part of the cost of sales.

Alamo Rent A Car (UK) Limited

Notes (continued)

2	Profit on ordinary activities before taxation	1994	1993
		£000	£000
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
	Auditors' remuneration:		
	Audit	50	54
	Other services	68	86
	Depreciation and other amounts written off tangible fixed assets:		
	Owned	393	364
	Leased	175	231
	Rentals payable under operating leases:		
	Land and buildings	1,156	1,117
	Other leased assets	2,719	1,246
	Profit/(loss) on disposal of fixed assets	36	(34)
3	Remuneration of directors	1994	1993
		£000	£000
	Directors' emoluments:		
	As executives	197	195
	Compensation for loss of office as executive	-	30
		<hr/>	<hr/>
		197	225
		<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman were £Nil (1993:£nil) and those of the highest paid director were £197,000 (1993:£173,000).

The emoluments, excluding pension contributions, of all directors were within the following ranges:

	Number of directors	
	1994	1993
£0 - £ 5,000	4	3
£50,001 - £55,000	-	1
£170,001 - £175,000	-	1
£195,001 - £200,000	1	-
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

Alamo Rent A Car (UK) Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1994	1993
Management	66	51
Clerical	76	62
Other	589	493
	<u>731</u>	<u>606</u>

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£000	£000
Wages and salaries	9,120	7,448
Social security costs	821	775
Other pension costs	4	4
	<u>9,945</u>	<u>8,227</u>

Other pension costs represent contributions made to employees' personal pension plans.

5 Interest receivable and similar income

	1994	1993
	£000	£000
Bank interest receivable	<u>119</u>	<u>12</u>

Alamo Rent A Car (UK) Limited

Notes (continued)

6 Interest payable and similar charges

	1994 £000	1993 £000
On bank loans, overdrafts and other loans wholly repayable within five years	66	288
Finance charges payable in respect of finance leases and hire purchase contracts	2,783	2,962
Interest payable to parent and fellow subsidiary undertakings	381	620
	<u>3,230</u>	<u>3,870</u>

7 Taxation

The corporation tax charge for the year is *£nil (1993:£nil)*. As at 31 December 1994 the company had trading losses for tax purposes available for offset against future trading profits.

Alamo Rent A Car (UK) Limited

Notes (continued)

8 Tangible fixed assets

	Short leasehold property	Computer equipment	Plant fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	1,444	788	842	389	3,463
Additions	122	121	61	593	897
Disposals	-	-	-	(239)	(239)
At end of year	1,566	909	903	743	4,121
Depreciation and diminution in value					
At beginning of year	533	589	580	256	1,958
Charge for year	147	151	95	175	568
On disposals	-	-	-	(217)	(217)
At end of year	680	740	675	214	2,309
Net book value					
At 31 December 1994	886	169	228	529	1,812
At 31 December 1993	911	199	262	133	1,505

Included in the total net book value of motor vehicles is £528,784 (1993: £133,000) in respect of assets held under finance leases and similar hire purchase agreements. The net book value of computer equipment includes £nil (1993: £53,000) in respect of assets held under finance leases.

9 Hire vehicles

Hire vehicles represents cars held for rental to customers and includes £44,185,000 (1993: £30,279,000) in respect of assets held under finance leases and similar hire purchase agreements.

Alamo Rent A Car (UK) Limited

Notes (continued)

10 Debtors due within one year

	1994 £000	1993 £000
Trade debtors	10,442	6,376
Other debtors	2,189	2,300
Prepayments and accrued income	2,268	1,082
	<u>14,899</u>	<u>9,758</u>

Other debtors include £23,000 (1993:£61,000) in respect of amounts owed by fellow subsidiary undertakings.

11 Creditors: amounts falling due within one year

	1994 £000	1993 £000
Bank loans and overdrafts	6,200	5,938
Obligations under finance leases and hire purchase contracts (see note 12)	46,838	30,480
Trade creditors	516	435
Amounts owed to parent and fellow subsidiary undertakings	612	2,979
Other creditors including taxation and social security:		
Other taxes and social security	237	170
Other creditors	<u>10,157</u>	<u>4,697</u>
	10,394	4,867
Accruals and deferred income	<u>2,995</u>	<u>2,109</u>
	<u>67,555</u>	<u>46,808</u>

The bank loans and overdrafts are secured by a floating charge over the assets of the company excluding the motor vehicles, leasehold property and bank balances.

Alamo Rent A Car (UK) Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1994 £000	1993 £000
Obligations under finance leases and hire purchase contracts	322	-
Amounts owed to parent and fellow subsidiary undertakings	4,400	5,600
	<u>4,722</u>	<u>5,600</u>

The maturity of obligations under finance leases and hire purchase contracts, net of future finance charges is as follows:

	1994 £000	1993 £000
Within one year	46,838	30,480
Within two to five years	322	-
	<u>47,160</u>	<u>30,480</u>

13 Called up share capital

	1994 £000	1993 £000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
3,201,868 ordinary shares of £1 each	3,202	3,202

Alamo Rent A Car (UK) Limited

Notes (continued)

14 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	1994 £000	1993 £000
Contracted	-	4
Authorised but not contracted	-	-
	<u>-</u>	<u>4</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1994		1993	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	68	514	72	42
In the second to fifth years inclusive	396	-	373	52
Over five years	329	-	535	-
	<u>793</u>	<u>514</u>	<u>980</u>	<u>94</u>

15 Contingent liabilities

The company has guaranteed loan facilities provided for its parent undertaking by the Bank of Boston. The guarantee is secured by a floating charge over the company's assets excluding the motor vehicles, leasehold property and bank balances.

16 Reconciliation of movement in shareholders funds

	1994 £'000	1993 £'000
Profit for the financial year	<u>2,776</u>	<u>3,000</u>
Opening shareholders' funds	<u>2,776</u> <u>(5,738)</u>	<u>3,000</u> <u>(8,738)</u>
Closing shareholders' funds	<u>(2,962)</u>	<u>(5,738)</u>

Alamo Rent A Car (UK) Limited

Notes (continued)

17 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1994 £000	1993 £000
Operating profit	5,887	6,858
Depreciation charge	568	595
(Profit) on sale of tangible fixed assets	(36)	(34)
Increase in hire vehicles	(13,880)	(5,796)
Decrease/(increase) in stocks	62	(88)
Increase in debtors	(5,141)	(324)
Increase/(decrease) in creditors	4,127	(145)
Net cash (outflow)/inflow from operating activities	<u>(8,413)</u>	<u>1,066</u>

18 Analysis of changes in cash and cash equivalents

	Cash £000	Overdraft £000	Net £000
Balance at 31 December 1992	659	(2,120)	(1,461)
Net cash inflow	<u>(659)</u>	<u>(3,818)</u>	<u>(4,477)</u>
Balance at 31 December 1993	-	(5,938)	(5,938)
Net cash inflow/(outflow)	<u>3,379</u>	<u>(262)</u>	<u>3,117</u>
Balance at 31 December 1994	<u>3,379</u>	<u>(6,200)</u>	<u>(2,821)</u>

Alamo Rent A Car (UK) Limited

Notes (continued)

19 Analysis of changes in financing during the year

	Share capital (including premium)	Loans from parent and fellow subsidiary undertakings	Finance lease obligations
	£000	£000	£000
Balance at 31 December 1992	3,202	6,600	31,310
Inception of finance lease contracts	-	-	98,387
Capital repaid under lease agreements	-	-	(99,217)
Capital repaid to group undertakings	-	(1,000)	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1993	3,202	5,600	30,480
Inception of finance lease and similar hire purchase contracts	-	-	109,413
Capital repaid under lease agreements	-	-	(92,733)
Capital repaid to group undertakings	-	(1,200)	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1994	<u>3,202</u>	<u>4,400</u>	<u>47,160</u>

20 Ultimate parent undertaking and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Guy Salmon USA Ltd, a limited partnership registered in the United States of America. Guy Salmon USA Ltd is also the ultimate parent undertaking.