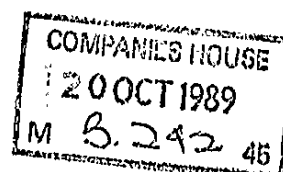


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GUY SALMON SERVICE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988



GUY SALMON SERVICE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988

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GUY SALMON SERVICE LIMITED

REPORT OF THE DIRECTORS

CHAIRMAN	E W Morley
DIRECTORS	M C Baylis (Managing) C R Brightwell A E Wilding J E Yardley
SECRETARY	C R Brightwell
REGISTERED OFFICE	Number One, Genesis Business Park, Albert Drive, Woking, Surrey, GU21 5SG.

FINANCIAL STATEMENTS

The directors submit their report and the audited financial statements of the company for the year ended 31 December 1988.

DIVIDENDS

The directors do not recommend the payment of a dividend. The loss for the year is to be deducted from reserves.

REVIEW OF THE BUSINESS

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

On 4 February 1988 Guy Salmon Limited acquired the entire share capital of Town and Country Car Rental Limited and on 1 July 1988 the trading net liabilities and business of Town and Country Car Rental Limited were transferred to Guy Salmon Service Limited.

The loss before tax and extraordinary item for the year amounted to £2,344,004 compared with a profit of £2,784,258 for the previous seventeen months.

OBLIGATIONS OF THE COMPANY

The directors have received written confirmation that Mercantile Services Limited, the immediate holding company of Guy Salmon Limited, will provide sufficient funds to meet all obligations of Guy Salmon Limited and its subsidiaries as they fall due, whilst Guy Salmon Limited is a subsidiary of Mercantile Services Limited.

Guy Salmon Service Limited is a subsidiary of Guy Salmon Limited

FIXED ASSETS

The movements in fixed assets are as shown in note 2 to the financial statements.

GUY SALMON SERVICE LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The present directors of the company are as set out above. Appointments and resignations from 1 January 1988 to the date of this report are detailed below:

	Appointed	Resigned
D H Barnes	11 January 1988	20 March 1989
M C Baylis	13 February 1989	
C R Brightwell	20 March 1989	
J L Budd	1 January 1988	5 May 1989
W M Buckingham		31 January 1989
D N Tregarthen		23 March 1989
G F Salmon		19 September 1989
W A Gamble		19 September 1989
J E Yardley	19 September 1989	

DIRECTORS' INTERESTS

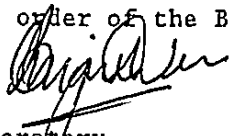
None of the directors has, or has had, a direct interest in the shares of the company.

None of the directors who held office at 31 December 1988 had an interest in the share capital of the ultimate holding company except E W Morley whose interests are shown in the financial statements of Guy Salmon Limited.

AUDITORS

Deloitte Haskins & Sells 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 re-appointment will be submitted to the next general meeting at which accounts are presented to the members.

By order of the Board



Secretary
6th October 1989

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

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1988 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dorothy Worsley Bell

Chartered Accountants
London
6 October 1989

GUY SALMON SERVICE LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 1988

		1988		1987	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible	2		24,387		11,597
CURRENT ASSETS					
Debtors	3	12,633		3,374	
Bank balances and cash		285		106	
		<u>12,918</u>		<u>3,480</u>	
CREDITORS: amounts falling due within one year	4	<u>40,279</u>		<u>8,742</u>	
NET CURRENT LIABILITIES			<u>(27,361)</u>		<u>(5,262)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(2,974)		6,335
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	5		<u>(1,907)</u>		<u>(1,833)</u>
			<u>(4,881)</u>		<u>4,502</u>
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	6		250		250
Profit and loss account	7		<u>(5,131)</u>		<u>4,252</u>
			<u>(4,881)</u>		<u>4,502</u>
			=====		=====

The financial statements on pages 4 to 14 were approved by the Board of Directors on 6th October 1989 and signed on its behalf by:

[Signature]
[Signature]

)
) Directors
)

GUY SALMON SERVICE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1988

		Year ended 31 December 1988	Seventeen months ended 31 December 1987
	Note	£'000	£'000
TURNOVER		34,610	20,168
Cost of sales		25,018	11,435
GROSS PROFIT		9,592	8,733
Administrative expenses		9,103	5,362
OPERATING PROFIT		489	3,371
Interest receivable		20	39
Interest payable	8	(2,853)	(626)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9	(2,344)	2,784
Taxation on loss/profit on ordinary activities:			
Credit/(charge)	10	362	(2,891)
		(1,982)	(107)
EXTRAORDINARY ITEM	13	(7,401)	-
(LOSS) FOR THE PERIOD	7	(9,383)	(107)
		=====	=====

GUY SALMON SERVICE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1988

	Year ended 31 December 1988		Seventeen Months ended 31 December 1987	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
(Loss)/Profit on ordinary activities before taxation and extraordinary item		(2,344)		2,784
Extraordinary item		(7,401)		-
		(9,745)		2,784
Items not involving the movement of funds:				
Depreciation	1,912		1,408	
Loss on disposal of fixed assets	329		12	
		2,241		1,420
TOTAL (ABSORBED BY)/ GENERATED FROM OPERATIONS		(7,504)		4,204
FUNDS FROM OTHER SOURCES				
Sale of tangible assets		48,742		27,422
		41,238		31,626
APPLICATION OF FUNDS				
Corporation tax paid	276		-	
Purchase of tangible assets	63,773		31,259	
		64,049		31,259
		(22,811)		367
INCREASE/(DECREASE) IN WORKING CAPITAL				
Debtors	5,543		1,114	
Intra group balances	5,585		(1,381)	
Loans	-		1,492	
Creditors	(27,255)		(569)	
		(16,127)		656
MOVEMENT IN NET LIQUID FUNDS				
Net cash and bank balances	179		29	
Bank overdraft	(6,863)		(318)	
		(6,684)		(289)
		(22,811)		367

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 1988

1. ACCOUNTING POLICIES

a) Accounting convention

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

b) Deferred taxation

Deferred taxation is provided at the estimated rates at which future taxation will become payable on all timing differences between the accounting and taxation treatment of income and expenses, except where, in the opinion of the directors no liability to taxation is expected to arise in the foreseeable future.

c) Depreciation

Depreciation is charged on the tangible assets at the following rates, which are expected to reduce the assets to their net realisable values over their estimated useful lives.

Leasehold property (under 50 years)	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.
--	--

Computer equipment	20% per annum on net book value.
--------------------	----------------------------------

d) 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 period.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

1. ACCOUNTING POLICIES (continued)

e) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the asset which approximates to the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the following method. The company enters into flexible leases and so the minimum lease payments payable during the lease term are estimated, based on expected sale dates, for the purpose of calculating interest to be charged to the profit and loss account using the annuity method.

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

2. TANGIBLE ASSETS

	Leasehold Property £'000	Computer Equipment £'000	Plant Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
COST					
1 January 1988	282	420	320	11,960	12,982
Transfer from fellow subsidiary	-	434	208	4,491	5,133
Additions	454	148	340	58,800	59,742
Disposals	(69)	(461)	(284)	(50,176)	(50,990)
Transfer to holding company	(11)	-	-	-	(11)
Re-classification	(4)	-	4	-	-
31 December 1988	652	541	588	25,075	26,856
DEPRECIATION					
1 January 1988	120	76	162	1,027	1,385
Transfer from fellow subsidiary	-	258	52	792	1,102
Charged	150	115	115	1,532	1,912
Released on disposal	(60)	(297)	(140)	(1,430)	(1,927)
Transfer to holding company	(3)	-	-	-	(3)
31 December 1988	207	152	189	1,921	2,469
NET BOOK VALUE					
31 December 1988	445	389	399	23,154	24,387
31 December 1987	162	344	158	10,933	11,597

The net book value of motor vehicles includes £15,590,483 (1987: £1,363,840) in respect of vehicles hired under finance leases. The amounts charged to the profit and loss account in respect of sums payable for the hire of motor vehicles under finance leases are shown separately under the headings of depreciation £232,388 and finance charges £1,730,735 - total £1,963,123 (1987: depreciation £276,655 and finance charges £436,016). (See note 8)

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 1988 (continued)

3. DEBTORS

	1988 £'000	1987 £'000
Trade debtors	5,371	2,145
Other debtors	3,036	861
Prepayments and accrued income	321	179
Amounts owed by fellow subsidiary companies	269	189
Amounts owed by holding company	3,636	-
	<u>12,633</u>	<u>3,374</u>
	=====	=====

4. CREDITORS: amounts falling due within one year

Bank overdraft	9,265	2,402
Obligations under finance leases	26,599	2,298
Trade creditors	2,479	484
Other taxes and social security costs	127	150
Other creditors	759	409
Corporation tax	346	1,058
Accruals	704	72
Amounts owed to holding company	-	1,869
	<u>40,279</u>	<u>8,742</u>
	=====	=====

5. DEFERRED TAXATION

Deferred taxation provided in the financial statements is the full potential liability.

	1988 £'000	1987 £'000
Tax effect of timing differences due to:		
Accelerated capital allowances	2,051	2,180
Short term timing differences	(144)	(347)
	<u>1,907</u>	<u>1,833</u>
	=====	=====

The movements on the provision for deferred taxation are as follows:

	£'000
Provision at 1 January 1988	1,833
Transfer to profit & loss account	(387)
Transfer from current corporation tax	461
	<u>1,907</u>
Provision at 31 December 1988	=====

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

6. SHARE CAPITAL

The authorised and issued share capital of the company consists of the following:-

	1988 £'000	1987 £'000
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

7. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 1988	4,252
Loss for the year	(9,383)
Deficit at 31 December 1988	<u>(5,131)</u>

8. INTEREST PAYABLE

	Year ended 31 December 1988 £'000	Seventeen Months ended 31 December 1987 £'000
Bank overdrafts and other loans repayable within five years, otherwise than by instalments	1,122	190
Finance leases	<u>1,731</u>	<u>436</u>
	<u>2,853</u>	<u>626</u>

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

9. LOSS/PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

	Year ended 31 December 1988 £'000	Seventeen Months ended 31 December 1987 £'000
Loss/profit is stated after charging:		
Auditors' remuneration	46	18
Depreciation		
Tangible owned fixed assets	1,680	1,131
Tangible fixed assets held under finance leases	232	277
Directors' emoluments (Note 11)	275	232
Loss on disposal of fixed assets	329	12
Hire of equipment	24	-
	=====	=====

10. TAXATION ON LOSS/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1988 £'000	Seventeen Months ended 31 December 1987 £'000
UK corporation tax at 35%		
- (Credit)/Charge		
Current - current year	-	1,058
- prior year transfer to deferred tax	461	-
- prior year charge	25	-
Deferred - current year	(387)	1,833
- prior year transfer from current tax	(461)	-
	=====	=====
	(362)	2,891

11. DIRECTORS' EMOLUMENTS (Excluding pension contributions)

The emoluments of E W Morley as chairman amounted to £6,210 (1987 £5,584)
The emoluments of the highest paid director amounted to £68,310 (1987:
£98,065).

The emoluments of the other directors fell within the ranges:

	Year ended 31 December 1988 Number	Seventeen months ended 31 December 1987 Number
£0 to £ 5,000	2	1
£35,001 to £40,000	1	-
£40,001 to £45,000	1	-
£50,001 to £55,000	1	-
£55,001 to £60,000	-	1
£60,001 to £65,000	1	-
£65,001 to £70,000	-	1

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

12. EMPLOYEES

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

	Year ended 31 December 1988 Number	Seventeen months ended 31 December 1987 Number
Operations	180	90
Administration	87	51
Sales	26	21
	<u>293</u>	<u>162</u>
	=====	=====
Staff costs amounted to	£'000	£'000
Wages and salaries	3,686	2,656
Social security costs	369	277
Other pension costs	30	25
	<u>4,085</u>	<u>2,958</u>
	=====	=====

Higher paid employees

The number of senior employees of the Company other than directors, received remuneration (excluding pension contributions) at an annual rate in the following ranges:

	Year ended 31 December 1988 £'000	Seventeen months ended 31 December 1987 £'000
£ 30,001 to £ 35,000	-	1
£115,001 to £120,000	1	-

13. EXTRAORDINARY ITEM

	Year ended 31 December 1988 £'000	Seventeen months ended 31 December 1988 £'000
Provision against amounts due from fellow subsidiary	7,401	-
	<u>=====</u>	<u>=====</u>

GUY SALMON SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

14. CAPITAL COMMITMENTS

At 31 December 1988 the directors had authorised capital expenditure as follows:

	1988 £'000	1987 £'000
Capital expenditure contracted for but not provided for in these financial statements	21,788	17,179
Capital expenditure authorised but not yet contracted for	882	185
Commitments under leases entered into but not yet provided for in these financial statements	827	1,978
	<u>23,497</u> =====	<u>19,342</u> =====

15. OBLIGATIONS OF THE COMPANY

The directors have received written confirmation that Mercantile Services Limited, the immediate holding company of Guy Salmon Limited, will provide sufficient funds to meet all obligations of Guy Salmon Limited and its subsidiaries as they fall due, whilst Guy Salmon Limited is a subsidiary of Mercantile Services Limited.

Guy Salmon Service Limited is a subsidiary of Guy Salmon Limited.

16. ULTIMATE HOLDING COMPANY

The ultimate holding company is Barclays Plc, which is incorporated in Great Britain.