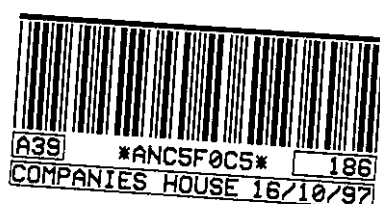


Alamo Rent A Car (UK) Limited

Directors' report and financial statements

31 December 1996

Registered number 915008



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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 1996.

Review of the business

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

The loss for the year retained in the company is £2,951,000 (1995: loss £2,177,000).

Post balance sheet event

On 20 March 1997 Republic Guy Salmon Partner Inc. made a capital contribution to the company of £22,406,000. Details of this contribution are given in note 15 to the financial statements.

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:

FA Armstrong	
RV Bledsoe	(resigned 11 April 1997)
D Keith Cobb	(resigned 18 December 1996)
RL Handley	(appointed 18 December 1996)
TW Hawkins	(appointed 18 December 1996)
N Maria Menendez	(resigned 17 March 1997)

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

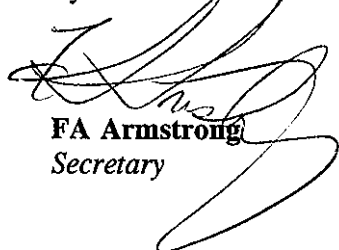
The company has continued its policy to hold "family member" meetings with all employees. These meetings are designed to allow employees to freely express points of concern or interest. All such points are followed up and detailed reports made.

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.

By order of the board



FA Armstrong
Secretary

17 Queen Square
London
WC1N 3RN

29th May, 1997



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 4 to 14.

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

3rd June, 1997

Alamo Rent A Car (UK) Limited

Profit and loss account for the year ended 31 December 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	<i>1</i>	71,898	61,870
Cost of sales		(52,326)	(47,279)
Gross profit		19,572	14,591
Administrative expenses		(16,877)	(12,276)
Operating profit		2,695	2,315
Interest receivable and similar income	<i>5</i>	358	100
Interest payable and similar charges	<i>6</i>	(6,004)	(4,592)
Retained (loss) on ordinary activities before and after taxation	<i>2</i>	(2,951)	(2,177)
Retained loss brought forward		(8,341)	(6,164)
Retained loss carried forward		(11,292)	(8,341)

The company had no recognised gains or losses other than the loss 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.

All of the above amounts derive from continuing operations.

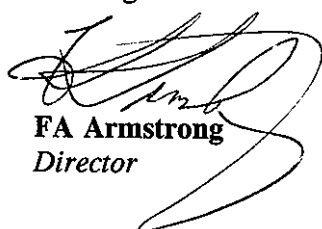
The notes on pages 6 to 14 form part of these financial statements.

Alamo Rent A Car (UK) Limited

Balance sheet at 31 December 1996

	Note	1996		1995 Restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		82,412		81,257
Current assets					
Stocks of consumables		211		150	
Debtors	9	24,004		40,333	
Cash at bank and in hand		3,262		1,787	
			27,477		42,270
Creditors: amounts falling due within one year	10	(115,188)		(125,233)	
Net current liabilities			(87,711)		(82,963)
Total assets less current liabilities			(5,299)		(1,706)
Creditors: amounts falling due after more than one year	11		2,791		3,433
Capital and reserves					
Called up share capital - attributable to equity interests	12	3,202		3,202	
Profit and loss account		(11,292)		(8,341)	
Shareholders' funds	14		(8,090)		(5,139)
			(5,299)		(1,706)

These financial statements were approved by the board of directors on 29th May, 1997 and were signed on its behalf by:


FA Armstrong
Director

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. On 20 March 1997 Republic Guy Salmon Partner Inc. made a capital contribution, detailed in note 15, which enabled the company to repay outstanding balances due to other group companies on 20 March 1997.

The company has decided to adopt FRS-1 Cash Flow Statements (Revised) and is accordingly not required to prepare a cash flow statement as it is a wholly owned, fully consolidated subsidiary.

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.

Hire vehicles, which comprise motor vehicles for hire to the public, are included under the heading "motor vehicles" within tangible fixed assets. In previous years, these assets were disclosed as a current asset; the 1995 balance sheet has been restated. These vehicles are normally held for a period of less than one year.

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.

Alamo Rent A Car (UK) Limited

Notes (continued)

1 Accounting policies (continued)

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.

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.

2 Profit on ordinary activities before taxation

	1996	1995
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	65	79
Other services	84	62
Depreciation and other amounts written off tangible fixed assets:		
Owned	416	398
Leased	15,968	13,701
Rentals payable under operating leases:		
Land and buildings	1,226	1,313
Other leased assets	1,454	2,800
(Loss) on disposal of fixed assets	(1,406)	(809)

Alamo Rent A Car (UK) Limited

Notes (continued)

3 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
As executives	-	156

The emoluments, excluding pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £nil (1995: £156,000).

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

	Number of directors	
	1996	1995
£0 - £ 5,000	6	5
£155,001 - £160,000	-	1
	<u>6</u>	<u>6</u>

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	
	1996	1995
Management	91	73
Clerical	130	127
Other	1,166	864
	<u>1,387</u>	<u>1,064</u>

Alamo Rent A Car (UK) Limited

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	13,450	11,559
Social security costs	1,157	1,010
Other pension costs	12	6
	<u>14,619</u>	<u>12,575</u>

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

5 Interest receivable and similar income

	1996 £000	1995 £000
Interest receivable from group undertakings	272	42
Bank interest receivable	86	58
	<u>358</u>	<u>100</u>

6 Interest payable and similar charges

	1996 £000	1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	230	237
Finance charges payable in respect of finance leases and hire purchase contracts	5,296	3,987
Interest payable to parent and fellow subsidiary undertakings	478	368
	<u>6,004</u>	<u>4,592</u>

Alamo Rent A Car (UK) Limited

Notes (continued)

7 Tax

The corporation tax charge for the year is £nil (1995: £nil). As at 31 December 1996 the company had trading losses for tax purposes available for offset against future trading profits.

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	1,770	1,075	1,061	85,173	89,079
Additions	124	116	183	160,661	161,084
Disposals	-	-	-	(157,346)	(157,346)
At end of year	1,894	1,191	1,244	88,488	92,817
Depreciation and diminution in value					
At beginning of year	840	835	785	5,362	7,822
Charge for year	179	99	136	15,970	16,384
On disposals	-	-	-	(13,801)	(13,801)
At end of year	1,019	934	921	7,531	10,405
Net book value					
At 31 December 1996	875	257	323	80,957	82,412
At 31 December 1995	930	240	276	79,811	81,257

Included in the total net book value of motor vehicles is £75,663,801 (1995: £74,582,959) in respect of assets held under finance leases and similar hire purchase agreements. Depreciation charged on such leased assets was £15,968,000 (1995: £13,701,000).

Alamo Rent A Car (UK) Limited

Notes (continued)

9 Debtors due within one year

	1996 £000	1995 £000
Trade debtors	13,695	15,117
Amounts owed by fellow subsidiary undertakings	3,928	22,162
Other debtors	3,372	369
Prepayments and accrued income	3,009	2,685
	<u>24,004</u>	<u>40,333</u>

10 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Bank loans and overdrafts	4,301	6,609
Obligations under finance leases and hire purchase contracts (see note 11)	80,155	100,994
Trade creditors	99	579
Amounts owed to parent and fellow subsidiary undertakings	19,510	376
Other creditors including taxation and social security:		
Other taxes and social security	355	294
Other creditors	4,265	11,764
	<u>4,620</u>	<u>12,058</u>
Accruals and deferred income	6,503	4,617
	<u>115,188</u>	<u>125,233</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)

11 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Obligations under finance leases and hire purchase contracts	349	150
Amounts owed to parent and fellow subsidiary undertakings	2,442	3,283
	<u>2,791</u>	<u>3,433</u>

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

	1996 £000	1995 £000
Within one year	80,155	100,994
Within two to five years	349	150
	<u>80,504</u>	<u>101,144</u>

12 Called up share capital

	1996 £000	1995 £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)

13 Commitments

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

	1996 £000	1995 £000
Contracted	-	20
Authorised but not contracted	489	12
	<u>489</u>	<u>32</u>

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

	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	413	25	235	204
In the second to fifth years inclusive	1,256	-	1,317	-
Over five years	622	-	586	-
	<u>2,291</u>	<u>25</u>	<u>2,138</u>	<u>204</u>

14 Reconciliation of movement in shareholders' funds

	1996 £'000	1995 £'000
(Loss) for the financial year	(2,951)	(2,177)
Opening shareholders' funds	<u>(5,139)</u>	<u>(2,962)</u>
Closing shareholders' funds	<u>(8,090)</u>	<u>(5,139)</u>

Alamo Rent A Car (UK) Limited

Notes (continued)

15 Post balance sheet event

On 20 March 1997, Republic Guy Salmon Partner Inc. made a cash capital contribution to its subsidiary Alamo Rent A Car (UK) Limited of £22,406,000. The purpose of this additional equity was to strengthen the company's balance sheet and to enable it to replace existing sources of finance.

The Balance Sheet restated for the above transaction is as follows:

	Pro-forma balance sheet at 31 December 1996 £000
Fixed assets	82,412
Net current (liabilities)	(67,747)
	<hr/> 14,665 <hr/>
Creditors: amounts falling due after more than one year	349
Capital and reserves	
Called up share capital attributable to equity interests	3,202
Capital contribution reserve	22,406
Profit and loss account	(11,292)
	<hr/> 14,665 <hr/>

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

The company is a subsidiary undertaking of Republic Guy Salmon Partner Inc., a company registered in the United States of America. Republic Industries Inc, a public limited company incorporated in the United States of America is the ultimate parent undertaking.