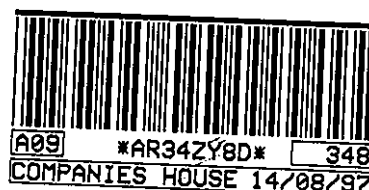


EuroDollar (Holdings) plc

Directors and Advisors	2
Chairman's Report	3
Directors' Report	5
Corporate Governance	9
Report of the Remuneration and Nominations Committee	11
Directors' Responsibility Statement	13
Reports by the Auditors	14
Consolidated Profit and Loss Account	16
Consolidated Balance Sheet	17
Consolidated Cash Flow Statement	18
Group Statement of Total Recognised Gains and Losses	19
Reconciliation of Movements in Shareholders' Funds	19
Company Balance Sheet	20
Accounting Policies	21
Notes to the Accounts	23
Five Year Summary	36
Notice of Meeting	37
Financial Calendar	38
Branch Network	39



DIRECTORS AND ADVISORS

DIRECTORS

F H Aldous* (Chairman)
I C Mosley, FCA (Chief Executive)
S C Westoby, FCA
J S Leigh
P R M Batchelor*
W H Fryer*
J E V Rose*

*Non-Executive

SECRETARY AND REGISTERED OFFICE

J M Colton, BA, Solicitor
Beasley Court
Warwick Place
Uxbridge UB8 1PE
Tel: 0990-565656

REGISTERED NUMBER

2779999

REGISTRARS AND TRANSFER OFFICE

The Royal Bank of Scotland plc
Security Services – Registrars
PO Box 82
Caxton House
Redcliffe Way
Bristol BS99 7NH
Tel: 0117-930-6666

AUDITORS

Price Waterhouse

PRINCIPAL BANKERS

National Westminster Bank Plc

MERCHANT BANKERS

J Henry Schroder & Co. Limited

SOLICITORS

Clifford Chance
Harvey Ingram Owston

BROKERS

SBC Warburg

CHAIRMAN'S REPORT

FINANCIAL RESULTS

The results for the full year reflect a continuation of the recovery in profitability highlighted at the interim results stage. Turnover increased by 11.6 per cent. to £107.4m (1996 £96.2m) with operating profit growing by 32.6 per cent. to £17.0m (1996 £12.9m) generating a pre-tax profit of £8.25m (1996 £4.01m before exceptional losses). Earnings per share were 12.67p (1996 6.15p).

TRADING REVIEW

A year on year comparison of turnover shows an underlying growth of 13 per cent. after adjusting for the impact of the deconsolidation of EuroDollar International Limited in 1995. This is largely through a strong performance in the U.K. where EuroDollar is now the established market leader. The Company continues to operate in three sectors; corporate, domestic personal and incoming overseas rental. Significant overall improvements were made in both the corporate and domestic personal business. On the other hand, incoming overseas reservations continued to be disappointing in terms of volume although the policy of being selective in the choice of business has resulted in a marked improvement in yield. The Company has continued to be predominately focused on the corporate sector and although there have been material increases in yield within this segment it has been difficult to improve overall margins.

Cost of sales were £46.1m (1996 £40.6m) with vehicle holding costs behaving very much as anticipated for most of the year. The costs of reconditioning vehicles at the end of their holding period have increased disproportionately, both as a result of the extension of vehicle lives, and an increase in the mix of vehicles covered by residual value guarantee which typically involves the Company in a higher level of refurbishment.

The marginal dilution in gross percentage was caused by the deconsolidation of EuroDollar International mentioned above. There was little change to the underlying U.K. figure.

Both Distribution and Administration expenses have been tightly controlled, with substantial productivity gains achieved throughout the Company.

Interest costs were unchanged at £9m with a reduction in the cost of funds offsetting additional fleet borrowing to support an increased fleet size.

In terms of performance from a profit perspective the Company has continued on its recovery path and a significant improvement in cash generation has been achieved, with internally generated funds growing by 26.8 per cent. to £33.6m (1996 £26.5m).

Once again, the Company has won the Fleet News award for being the "Best Daily Rental Company", reflecting its high quality of service.

The overall tax rate of 25 per cent. has been arrived at by writing back certain over-provisions made in previous years. It is anticipated that a similar tax rate will apply to the current year. A significant proportion of the tax charge relates to deferred tax which continues to be fully provided for under the liability method. The deferred tax provision stood at £9.4m at the year end.

INTERNATIONAL TRADING

EuroDollar International has continued to secure increased volumes of intra network reservations throughout Europe, the Middle East and Africa. However, inbound reservations to the system from North America, generated via the Company's rental partner Dollar Rent A Car Inc., have been disappointing. The low level of business generated from this extremely important market is undoubtedly affected by continuing uncertainty regarding the future ownership of Dollar and its recent change of emphasis to focus all efforts in its domestic market.

CHAIRMAN'S REPORT

continued

As a consequence of this change EuroDollar, in conjunction with its joint venture partner the PSA Group, is currently reviewing the economic rationale of continuing its franchise agreement with Dollar and examining alternative courses of action open to the Company.

DIVIDENDS

The Board has given due regard to the level of post tax profits, the current outlook and the level of dividend cover and it has taken the view that it should recommend a final dividend of 4.5p per share. An interim dividend of 2p per share was paid during the year and this, together with the final, will provide an overall dividend of 6.5p per share compared to 4.12p for 1996. The final dividend, if approved, is payable on 5 August 1997 to shareholders on the register at close of business on 27 June 1997.

FINANCE

Net borrowings on asset finance rose in the year from £90.1m to £118.2m in March 1997. This reflects the continuing increase in fleet investment as a result of greater business activity, together with a £6.7m increase in on balance sheet funding, the result of a reduction in the number of vehicles taken on operating leases from manufacturers.

Interest cover has increased to 1.9 times from a level of 1.5 times in the previous year. Gearing stood at 368 per cent.

OUTLOOK

Overall, the Company continues to make significant progress, particularly in the U.K. corporate sector, where further volume gains will provide the impetus for improved profitability despite adverse vehicle holding cost factors.

As previously reported, the Company expected a continued weakening of used car values expressed as a percentage of cost new but the recent reduction has been more sudden than anticipated and will increase vehicle holding costs. To mitigate the effect, the Company has taken rapid action to reduce its exposure to the vehicles in question and it is believed the cost impact will be contained to manageable proportions.

The causes of these lower values appear twofold, firstly action by the major manufacturers to stimulate retail demand for new cars has narrowed the gap between the cost new and the cost of an equivalent six to seven month old car. Secondly, given supply restraints imposed last year, all car rental companies have extended the lives of the cars in use, and the used car generated at the end of its rental life is now some two months older and, typically, has covered 14,000 miles. Both these factors impinge on the buyers perception of an ex-rental vehicle as an attractive alternative to a new car.

The Company's turnover in the domestic market shows strong growth and it is expected that this encouraging trend will continue, particularly in the corporate sector which is the cornerstone of EuroDollar's business. Similarly, the business climate is such that the Company expects to continue the trend of improving yields in line with recent achievements. A strong domestic leisure market in the holiday periods will more than offset any weakness in overseas incoming leisure.

The continuing emphasis on capitalising on the investment in facilities and management quality in the key city locations will yield disproportionate volume gains and profitability growth in these major conurbations and will consolidate EuroDollar's overall market leadership position.

The Company is well structured and on course to continue its progressive recovery in profitability in a market with a strong demand for its quality of service.

F H ALDOUS

Chairman

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding Company for the EuroDollar Group of companies.

The principal activities of the Group are the short term rental of motor vehicles, related motor insurance and through its associate, the franchising of the EuroDollar vehicle rental system in Europe, the Middle East and Africa.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business is contained in the Chairman's Report on pages 3 and 4.

RESULTS AND DIVIDENDS

The results of the year's trading are as shown on page 16. The Directors recommend a final dividend of 4.5p per share, bringing the total dividend for the year to 6.5p per share.

DIRECTORS

The current Directors who have served throughout the year are listed on page 2.

In accordance with the Articles of Association Mr J S Leigh and Mr P R M Batchelor retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Leigh has a service agreement with the Company terminable upon 12 months notice. Mr Batchelor's term of appointment is a fixed period of 12 months terminating on 2 June 1998.

NON-EXECUTIVE DIRECTORS

Freddie Aldous, aged 68, is the Chairman. He joined the UDT Group in 1966 to run its motor dealership interests, was responsible for founding the current car rental operations in 1973 and became Chairman of the Group in 1989. He continued as Chairman following the flotation of the Company in 1994 and became a non-executive on 1 November 1996. He has been President of the European Car and Truck Rental Association since 1984 and is also currently President of the British Vehicle Rental and Leasing Association.

Peter Batchelor, aged 59, was appointed a non-executive Director in June 1994 and is currently non-executive at a number of other companies. He retired as Vice Chairman, Commercial Operations of Vauxhall Motors Limited in March 1994, having spent nearly 40 years working for General Motors in a variety of sales, distribution and marketing positions.

Harry Fryer, aged 65, was appointed a non-executive Director in June 1994. He was Managing Director of UK operations at Sema Group plc until June 1994 and is now a non-executive Director of that Company. Prior to the formation of Sema in 1988, he was a Director of Cap plc and Managing Director of Yarrow plc. His early career was spent at Lucas Industries plc where he was Managing Director of Electronics and Systems.

John Rose, aged 44, was appointed a non-executive Director in June 1994. He is currently Chief Executive of Rolls-Royce plc. Prior to joining Rolls-Royce in 1984, he worked for Security Pacific National Bank and First National Bank of Chicago. He is a non-executive Director of Reckitt & Colman plc.

DIRECTORS' REPORT

continued

DIRECTORS' INTERESTS

The Directors' beneficial interests (as defined by the Companies Act 1985 and according to the register maintained thereunder) in Ordinary shares of 5p each in the Company are shown below.

	As at 31 March 1997 Ordinary shares of 5p	As at 31 March 1996 Ordinary shares of 5p
F H Aldous	1,615,225	1,625,225
P R M Batchelor	9,100	9,100
W H Fryer	4,800	4,800
J S Leigh	1,400,000	1,400,000
I C Mosley	2,089,575	2,089,575
J E V Rose	1,500	1,500
S C Westoby	1,625,225	1,625,225

The following Directors had options outstanding for Ordinary shares under the terms of the EuroDollar Sharesave Scheme.

	As at 31 March 1997	As at 31 March 1996	Exercise price	Date from which exercisable
J S Leigh	21,835	21,835	79p	1 May 2001
S C Westoby	8,734	8,734	79p	1 May 2001

Full details of the EuroDollar Sharesave Scheme are set out in the Notes to the Accounts on page 30.

The Directors have no beneficial interests in any other company within the Group at 31 March 1997 and as at 31 March 1996.

There has been no change in the Directors' interests since 31 March 1997.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the following interests of 3% or more in its share capital as at 5 June 1997 excluding those of the Directors which are set out above.

Name	Number	% of issued share capital
Schroder Investment Management Limited	9,962,000	20.31%
Mercury Asset Management plc	6,291,348	12.83%
National Westminster Bank Plc	6,190,478	12.62%

DIRECTORS' REPORT

continued

SPECIAL BUSINESS

At the Annual General Meeting, a special resolution will be proposed to amend the current Articles of Association of the Company to increase the limit on the aggregate fees (other than salary) payable to the Directors in any one year. The limit is currently £100,000 per annum and the proposal is to increase this to £150,000 per annum. When the Articles were adopted in 1994 the Company had three non-executive Directors whose aggregate fees totalled £60,000. With the change in status of the Chairman to non-executive that total is now £100,000. There have been no increases to fee levels since 1994 and the Directors find the current limit restrictive and therefore seek to increase this limit by proposing Resolution number 6, set out in the Notice of Meeting on page 37. The Directors do not have any present intention of increasing the amount of fees payable to the non-executive Directors.

The Articles of Association give the Directors limited authority to allot shares and other securities of the Company. It is proposed to seek renewal of these authorities at the Annual General Meeting as follows:

Resolution number 7, set out in the Notice of Meeting on page 37, will be proposed to renew the authority of the Directors for the purposes of section 80 of the Companies Act 1985 to allot and issue relevant securities having an aggregate nominal amount not exceeding £817,360 representing approximately 33.33% of the issued share capital of the Company. The authority, if renewed, will expire 15 months from the date of the passing of this resolution. The Directors do not have any present intention of issuing such shares.

Resolution number 8 will be proposed to renew the authority of the Directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. The authority is limited (otherwise than in respect of a rights issue) to £122,605 nominal amount of equity representing approximately 5% of the issued share capital of the Company. The authority, if renewed, will expire 15 months from the date of the passing of this resolution.

CHARITABLE DONATIONS

The Group made charitable donations of £230 during the year.

DISABLED PEOPLE

It is Group policy that each company gives full consideration to disabled people who make application for employment and equal opportunity for training and career development is given. Each company also endeavours to give continued employment to recently disabled employees.

STAFF INVOLVEMENT

The Group is committed to employee involvement and uses a variety of methods to inform, consult and involve its employees. A Sharesave Scheme has been introduced through which employees may save to buy shares in the Company at an advantageous price and so participate in the Company's growth.

Information is circulated by means of staff notices, bulletins and the periodic in-house magazine "Drive" to ensure staff are aware of the financial performance and objectives of the Group. A customer service initiative is operated to involve employees at every level in every department.

A system of regular performance appraisals is maintained and managers discuss with individual members of staff their work performance and career development. A full training programme is provided to meet the specific training needs of each job category.

TAXATION STATUS

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

DIRECTORS' REPORT

continued

PAYMENT TO SUPPLIERS

In the U.K., it is the Group's policy, in respect of the majority of suppliers to agree the terms of payment with those suppliers when finalising overall contract terms. The Group seeks to comply with the agreed payment terms whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed contracted terms and conditions.

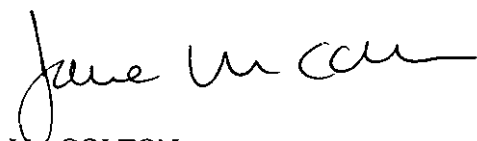
Overseas subsidiaries are encouraged to adopt similar policies.

The average number of days taken to pay suppliers, based on Group trade creditors as at 31 March 1997 was 19 including settlement of vehicle purchases.

AUDITORS

A resolution to re-appoint Price Waterhouse as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



J.M. COLTON
Secretary
12 June 1997

CORPORATE GOVERNANCE

The Company has a formal corporate governance code which was adopted immediately prior to the Company's flotation in 1994. This is subject to regular review and updated when necessary. It defines the responsibilities of the Board and of its Committees and the procedures relating to the operation and control of the business.

The Company has, throughout the year, complied fully with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance ("the Cadbury Code"). The Company's auditors, Price Waterhouse, have reviewed the Company's statement concerning its compliance with the Cadbury Code. Their report is included on pages 14 and 15.

COMMITTEES

The Board has established the following committees:

- (i) the Audit Committee comprises the non-executive Directors of the Company, chaired by Mr W H Fryer. The Committee usually meets three times a year and is attended by the Finance Director and the Company's external auditors. The Committee is responsible for ensuring that adequate financial policies and controls are in place and that the scope of both internal and external audit work is adequate. At least once a year the Committee meets with the external auditors without executive Board members present.
- (ii) the Remuneration and Nominations Committees were merged during the year and the new combined Committee comprises the non-executive Directors of the Company, chaired by Mr J E V Rose. The Committee is responsible for reviewing remuneration policy and the remuneration packages for the executive Directors and senior management and ensuring they are rewarded on a competitive basis. It is also responsible for nominating candidates, for the approval of the Board, to fill vacancies on the Board and making recommendations to the Board on its composition and balance.

PENSION SCHEME

The assets of the EuroDollar Pension Scheme ("the Scheme") are held separately from those of the Company by its corporate trustee, EuroDollar Pension Scheme Trustees Limited. The Board of Directors of that company comprises three employer representatives (Mr F H Aldous, Mr W H Fryer and Mr I J Penfold) and two employee representatives (Mrs J D Ivory and Mr J D Line). The assets of the Scheme are independently managed by Gartmore Fund Managers Limited. The Scheme's accounts are audited by Newby Castleman who do not audit any other Group company.

INTERNAL FINANCIAL CONTROL

The Board of Directors is responsible for the Group's system of internal financial control, the purpose of which is the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. It must be recognised that any such system can provide only reasonable and not absolute assurance against material misstatement or loss.

A team of seven directors, three of which are totally independent non-executive Directors, ensures a proper division of responsibilities and an appropriate diversity of business experience at Board level. The four non-executive Directors play an active role, and they alone form the Audit and Remuneration and Nominations Committees of the Board. However, the ultimate power and authority for decision making is vested in the collective responsibility of the Board.

CORPORATE GOVERNANCE

continued

The Board meets at least seven times a year and has responsibility for the following key functions:

- the review and approval of the Group's strategy and budgets;
- maintaining full control over investment policy and major capital expenditure;
- the adoption of and amendments to accounting policies; and
- the authorisation of material changes to revenue expenditure, other than those agreed in budgets.

In addition, it has a schedule of matters reserved to it for decision making and authorisation.

Financial control and implementation of Group strategy is delegated to the Chief Executive and other executive Directors. Clear lines of reporting are laid down between these individuals and subsidiary managing and functional Directors and delegated powers and authority levels have been established.

The Group maintains a range of policies and procedures that provide a controlled environment with adequate management reviews and segregation of duties to ensure the completeness, accuracy and integrity of the financial records and the reporting thereof.

Monitoring of performance, trends and variance analysis is done on a monthly, weekly and even daily basis depending on the subject matter.

A review is completed each year to identify areas of business risk, both financial and operational. Audit work required to address these risks is included in a detailed plan which is carried out by both internal and external auditors, after approval by the Audit Committee.

Management and both the internal and external auditors report their findings to the Audit Committee such that it can review the effectiveness of internal financial control and report to the Board.

GOING CONCERN

After making appropriate enquiries, the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

This Report has been prepared by the Remuneration and Nominations Committee ("the Committee") and explains the policies and decisions of the Committee during the year. In making its decisions the Committee has throughout the year complied with Section A of the Best Practice Provisions attached to Chapter 12 of the Stock Exchange Listing Rules and in framing its policy has given full consideration to Section B of those Best Practice Provisions.

The Committee is made up of the following non-executive Directors:

Mr J E V Rose (Chairman)
Mr F H Aldous
Mr P R M Batchelor
Mr W H Fryer

The Company's Chairman, Mr F H Aldous, was re-appointed a member of the Committee following his change in status to non-executive. The members of the Committee have no personal financial interest in the matters to be decided, no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

The Committee determines, on behalf of the Board and shareholders, the Company's policy on remuneration and other benefits for each of the executive Directors and other senior management. The Board recognises that it is in the best interests of shareholders and customers that employment conditions and pay and benefits policy should promote best practice. This requires that the policy should be to reward and motivate senior executives in a manner which reflects the competitive nature of the business and is in line with prevailing employment conditions. Regular reviews of policy are carried out to ensure that the remuneration packages offered continue to match current market practice to attract, retain and motivate high quality senior executives and are aligned with the performance of the Company and hence with the interests of shareholders.

BASIC SALARY

Salaries are set using appropriate Company parameters and market information measured against an assessment of individual responsibilities and performance. Reviews are conducted annually.

BONUS

This is paid annually under the terms of a profit-sharing scheme operated throughout the Group against profit performance criteria. The maximum amount payable is 2.5 per cent. of annual salary.

BENEFITS IN KIND

These comprise the provision of cars (including petrol for private mileage) and health insurance.

PENSIONS

The three executive Directors participate in the EuroDollar Pension Scheme on a non-contributory basis. This is a defined benefit scheme and provides a pension of up to two-thirds of basic salary on retirement at a normal retirement age of 60 dependent upon length of service. The Scheme also provides for dependants' pensions and lump sums on death in service.

Accrued pension benefits shown in the table on page 24 are based on the recommendation of Amendment Number 10 to the Stock Exchange Listing Rules.

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

continued

LONG TERM INCENTIVES

Executive Directors are eligible to join the EuroDollar Sharesave Scheme which is a Savings-Related Share Option Scheme. Details of individual options are set out in the Directors' Report on page 6. The Company has adopted an Executive Share Option Scheme but no options have yet been granted under the terms of that scheme.

SERVICE AGREEMENTS

Each executive Director has a service agreement which can be terminated by the Company on 12 months notice. Mr J S Leigh is one of the directors retiring by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

NON-EXECUTIVE DIRECTORS

The fees payable to the non-executive Directors are set by the Board as a whole and are currently £40,000 per annum for the Chairman and £20,000 per annum for each of the other non-executive Directors. The non-executive Directors are currently appointed for a fixed period of 12 months. Mr P R M Batchelor is retiring by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. He has a letter of appointment with the Company which expires on 2 June 1998.

Full details of the emoluments of each Director are contained in the Notes to the Accounts on page 24.

On behalf of the Board

J E V Rose
Chairman
Remuneration and Nominations Committee
12 June 1997

DIRECTORS' RESPONSIBILITY STATEMENT

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss and cash flows 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have responsibility for safeguarding the assets of the Company and the Group and for taking reasonable steps to prevent and detect fraud and other irregularities.

REPORTS BY THE AUDITORS

To the Shareholders of EuroDollar (Holdings) plc

AUDIT REPORT

We have audited the financial statements on pages 16 to 35, and the additional disclosure on page 6 relating to the remuneration of the Directors specified for our review by The London Stock Exchange, which have been prepared under the historical cost convention and the accounting policies set out on pages 21 and 22.

Respective responsibilities of Directors and Auditors

As described on page 13 the Company's Directors are responsible for the preparation of the 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 mis-statement, 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 affairs of the Company and of the Group as at 31 March 1997 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

REPORT ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed the Directors' statements on pages 9 and 10 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by The London Stock Exchange and the adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

REPORTS BY THE AUDITORS

To the Shareholders of EuroDollar (Holdings) plc

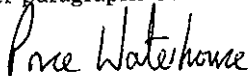
continued

REPORT ON CORPORATE GOVERNANCE MATTERS (continued)

Opinion

In our opinion, the Directors' statements on internal financial control on pages 9 and 10 and on going concern on page 10, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain Directors and Officers of the Company and examination of relevant documents, the Directors' statement on page 9 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43(j).



PRICE WATERHOUSE, LEICESTER

Chartered Accountants
and Registered Auditors

12 June 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

		Year to 31 March 1997 £000	Year to 31 March 1996 £000
TURNOVER	Note 1	107,406	96,220
Cost of sales		(46,110)	(40,639)
Gross profit		61,296	55,581
Distribution costs		(29,553)	(28,504)
Administrative expenses		(14,696)	(14,225)
OPERATING PROFIT		17,047	12,852
Result/(loss) from shares in associate undertakings		—	(7)
Exceptional item:			
Loss on disposal of discontinued operations	2	—	(258)
Interest receivable	6	159	154
Interest payable and similar charges	7	(8,955)	(8,986)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	8,251	3,755
Tax on profit on ordinary activities	8	(2,035)	(738)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,216	3,017
Dividends on equity shares	9	(3,188)	(2,020)
RETAINED PROFIT FOR THE FINANCIAL YEAR	22	3,028	997
Earnings per Ordinary share (pence)	10	12.67	6.15

All operations of the Group, except as disclosed, are treated as continuing activities.

The notes on pages 23 to 35 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March 1997

	Note	£000	31 March 1997 £000	31 March 1996 £000
FIXED ASSETS				
Tangible assets – vehicles	11		125,657	101,453
– other	11		14,590	14,120
Investments	12		89	108
			<u>140,336</u>	<u>115,681</u>
CURRENT ASSETS				
Stocks	13	935		693
Debtors	14	41,522		33,057
Investments	15	1,398		858
Cash at bank and in hand	16	2,401		649
		<u>46,256</u>		<u>35,257</u>
CREDITORS: amounts falling due within one year:				
Vehicle backed finance		(117,197)		(85,975)
Other		(27,606)		(27,415)
	17	<u>(144,803)</u>		<u>(113,390)</u>
NET CURRENT LIABILITIES			<u>(98,547)</u>	<u>(78,133)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>41,789</u>	<u>37,548</u>
CREDITORS: amounts falling due after more than one year.	18		(884)	–
PROVISIONS FOR LIABILITIES AND CHARGES	19		<u>(9,389)</u>	<u>(9,024)</u>
NET ASSETS			<u>31,516</u>	<u>28,524</u>
CAPITAL AND RESERVES				
Called up share capital	20		2,452	2,452
Share premium account	21		33,524	33,524
Profit and loss account	22		9,038	6,046
SHAREHOLDERS' FUNDS PRIOR TO GOODWILL WRITE OFF			<u>45,014</u>	<u>42,022</u>
Goodwill reserve			<u>(13,498)</u>	<u>(13,498)</u>
SHAREHOLDERS' FUNDS AFTER GOODWILL WRITE OFF			<u>31,516</u>	<u>28,524</u>
Equity			<u>31,516</u>	<u>28,524</u>
Non-equity			–	–
SHAREHOLDERS' FUNDS AFTER GOODWILL WRITE OFF			<u>31,516</u>	<u>28,524</u>

These financial statements were approved by the Board of Directors on 12 June 1997 and signed on its behalf by:

I C MOSLEY
S C WESTOBY

} Directors

The notes on pages 23 to 35 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 1997

	Note	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Net cash inflow from operating activities	25	33,570	26,501
Returns on investments and servicing of finance	26	(8,869)	(8,789)
Taxation		(323)	(1,669)
Capital expenditure and financial investment	26	(48,715)	(23,077)
Acquisition and disposals	26	-	92
Exceptional item - discontinued operations.	2	-	(258)
Equity dividends paid		(1,471)	(4,571)
Cash flow before use of liquid resources and financing.		(25,808)	(11,771)
Management of liquid resources.	26	(550)	(316)
Financing - increase/(decrease) in debt - vehicles	28	31,222	(963)
- other	29	-	(98)
Increase/(decrease) in cash in the year		4,864	(13,148)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Increase/(decrease) in cash in the year	27	4,864	(13,148)
(Increase)/decrease in debt and lease financing.	27	(31,222)	1,061
Increase in liquid resources	27	550	316
Changes in net debt from cash flows		(25,808)	(11,771)
Non cash changes and exchange movements		34	-
Movements in net debt in year		(25,774)	(11,771)
Net debt at 1 April	27	(88,594)	(76,823)
Net debt at 31 March.	27	(114,368)	(88,594)

The notes on pages 23 to 35 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Profit for the financial year	6,216	3,017
Currency translation differences on foreign currency net investments	(36)	(1)
Total recognised gains relating to the financial year	<u>6,180</u>	<u>3,016</u>

There is no material difference between the Group historical cost profit and the profit reported in the year ended 31 March 1997.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
Profit for the financial year	6,216	2,799
Dividends on equity shares (note 9)	(3,188)	(3,188)
Foreign exchange movements	(36)	—
Net addition to/(deduction from) shareholders' funds	<u>2,992</u>	<u>(389)</u>
Opening shareholders' funds.	28,524	37,732
Closing shareholders' funds	<u>31,516</u>	<u>37,343</u>

COMPANY BALANCE SHEET

at 31 March 1997

	Note	£000	31 March 1997 £000	31 March 1996 £000
FIXED ASSETS				
Investments	12		36,842	36,842
CURRENT ASSETS				
Debtors	14	3,500		2,856
Cash at bank	16	1,052		—
CREDITORS: amounts falling due within one year	17	(4,051)		(1,966)
NET CURRENT ASSETS			501	890
NET ASSETS			37,343	37,732
CAPITAL AND RESERVES				
Called up share capital	20		2,452	2,452
Share premium account	21		33,524	33,524
Profit and loss account	22		1,367	1,756
SHAREHOLDERS' FUNDS			37,343	37,732
Equity			37,343	37,732
Non-equity			—	—
SHAREHOLDERS' FUNDS			37,343	37,732

These financial statements were approved by the Board of Directors on 12 June 1997 and signed on its behalf by:

I C MOSLEY
S C WESTOBY

} Directors

The notes on pages 23 to 35 form part of these financial statements

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

BASIS OF CONSOLIDATION

The consolidated financial information includes the results of all subsidiary undertakings from the date of acquisition and the Group proportion of the profits or losses and retained earnings of associate undertakings.

GOODWILL

Goodwill arising on the acquisition of subsidiaries or the assets and liabilities of a business represents the difference between the fair value of the consideration given over the fair value of the identifiable net assets acquired and is written off or credited directly to reserves in the year of acquisition.

FOREIGN CURRENCIES

Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. Profit and losses on exchange are dealt with in the profit and loss account.

Assets and liabilities of subsidiary undertakings denominated in foreign currencies are translated into sterling at rates of exchange at the date of the balance sheet and results of foreign subsidiary undertakings are translated at the average rate of exchange for the period. Differences on exchange resulting from the translation of assets and liabilities of foreign subsidiary undertakings and related borrowings are dealt with in reserves.

TURNOVER

Turnover represents the gross amount receivable from the rental of motor vehicles, related motor insurance premiums and franchise royalties, exclusive of value added tax and insurance premium tax.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold buildings are depreciated on a straight line basis over their estimated useful lives of fifty years. Freehold land is not depreciated.

Leasehold properties are amortised on a straight line basis over the life of the lease. The costs of minor improvements to properties are charged to revenue when incurred.

Fleet vehicles are capitalised at the price paid for them, after deducting all discounts received, and are depreciated by equal monthly instalments to write down the net cost to estimated residual value over the expected holding period which is six to twelve months for cars and twelve to twenty-four months for vans.

Depreciation on other fixed assets is computed to write off their cost on a straight line basis over their expected useful lives as follows:

Plant and machinery, fixtures and fittings	3 to 10 years
Computer equipment	3 to 5 years

STOCKS

Stocks are stated at the lower of cost and net realisable value.

ACCOUNTING POLICIES

continued

DEFERRED TAXATION

Deferred taxation assets and liabilities are calculated using the liability method and are recognised or provided for to the extent that it is probable that an asset or liability will crystallise in the foreseeable future.

LEASED ASSETS

Fixed assets acquired under finance leases have been capitalised at the price paid for them and depreciated in accordance with the accounting policy shown above. The capital element of future lease payments is included in creditors. The finance element of the rental payments is charged to the profit and loss account over the term of the lease.

Gross rentals arising on assets held under operating leases are charged to the profit and loss account in the period to which they relate. In the case of vehicle operating leases, the finance element of the rental is charged to interest payable with the balance of the rental charged to cost of sales so as to provide consistency of treatment with other methods of vehicle financing.

PENSIONS

Based on independent actuarial advice, pension costs are charged to the profit and loss account on a basis whereby the regular cost is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average expected remaining service lives of current pensionable employees.

NOTES TO THE ACCOUNTS

1 SEGMENTAL REPORTING

All turnover relates to vehicle rental with the exception of £1.0 million in 1996 relating to franchise operations. The origin and destination of turnover is all within Europe.

The profit on ordinary activities before taxation and net assets for both years substantially relates to vehicle rental within Europe.

2 EXCEPTIONAL ITEM

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Loss arising from disposals of operations made in a previous year	-	258

The loss recorded in the year to 31 March 1996 relates to the disposals made in September 1993 of EuroDollar France SA and Autotritel Italiana SrL. The loss represents the finalisation of certain claims under warranties given at the time of sale. The costs include settlement with former employees, licensees and a supplier including associated legal fees, for which no provision had previously been made. There was no tax effect arising from this exceptional item.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
This is stated after charging/(crediting):		
Depreciation of vehicles		
- owned	9,039	7,697
- held under finance leases	5,720	6,974
Depreciation of other tangible assets	2,163	1,797
Operating lease rentals		
- capital element of vehicle payments	5,949	5,848
- land and buildings	4,459	4,326
Auditors' remuneration - audit services - Group	38	45
- Company	8	3
- non audit services	96	39
Income from listed investments	(58)	(35)
Foreign currency exchange gains	-	(1)

NOTES TO THE ACCOUNTS

continued

4 DIRECTORS' EMOLUMENTS

The emoluments excluding pension contributions of Directors for the year to 31 March 1997 and 31 March 1996 amount to:

	Salary and fees £000	Bonus £000	Benefits £000	Year to 31 March 1997 Total £000	Year to 31 March 1996 Total £000
F H Aldous	55	—	8	63	79
I C Mosley	139	3	12	154	146
S C Westoby	111	2	10	123	119
J S Leigh	106	2	6	114	110
P R M Batchelor	20	—	—	20	20
W H Fryer	20	—	—	20	20
J E V Rose	20	—	—	20	20
	<u>471</u>	<u>7</u>	<u>36</u>	<u>514</u>	<u>514</u>
Year to 31 March 1996	<u>473</u>	<u>—</u>	<u>41</u>	<u>514</u>	

Mr Mosley, the highest paid director, Mr Westoby and Mr Leigh are members of the EuroDollar Pension Scheme, a defined benefit scheme the details of which are contained in the Report of the Remuneration and Nominations Committee on pages 11 and 12.

At 31 March 1997 pension benefits earned by these Directors were:

	Increase in accrued pension during the year £000	Transfer value of increase £000	Accumulated total accrued pension at 31 March 1997 £000
I C Mosley	5	36	74
S C Westoby	4	33	35
J S Leigh	3	15	53
	<u>12</u>	<u>84</u>	<u>162</u>

- (i) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
- (ii) The increase in accrued pension during the year excludes any increase for inflation.
- (iii) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- (iv) Members of the Scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.

NOTES TO THE ACCOUNTS

continued

5 STAFF NUMBERS AND COSTS

	Number of employees	
	Year to 31 March 1997	Year to 31 March 1996
Average number of persons including executive Directors employed in:		
United Kingdom	1,857	1,760
Continental Europe	36	33
	<u>1,893</u>	<u>1,793</u>

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Wages and salaries	22,553	20,801
Social security costs	1,940	1,838
Other pension costs	305	285
	<u>24,798</u>	<u>22,924</u>

6 INTEREST RECEIVABLE

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Bank interest receivable	82	86
Other interest receivable	69	61
Receivable from associate undertakings	8	7
	<u>159</u>	<u>154</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Payable on bank overdrafts	(191)	(198)
Payable on vehicle financing and other loans	(6,383)	(6,478)
Finance element of operating leases	(2,381)	(2,310)
	<u>(8,955)</u>	<u>(8,986)</u>

NOTES TO THE ACCOUNTS

continued

8 TAXATION

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
UK corporation tax (charge)/credit at 33%:		
Current year	(1,998)	827
Prior year	1,952	368
Deferred taxation (charge):		
Current year	(845)	(1,859)
Prior year	(1,144)	(74)
	<u>(2,035)</u>	<u>(738)</u>

9 DIVIDENDS ON EQUITY SHARES

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
On Ordinary shares:		
Interim paid 2p (1996 3.12p) per share	(981)	(1,530)
Proposed final 4.5p (1996 1p) per share	(2,207)	(490)
	<u>(3,188)</u>	<u>(2,020)</u>

10 EARNINGS PER ORDINARY SHARE

Earnings per Ordinary share of 12.67 pence (1996 6.15 pence) is calculated on profit after tax of £6.2 million (1996 £3.0 million) divided by 49,042,110, the number of Ordinary shares in issue throughout the year.

NOTES TO THE ACCOUNTS

continued

11 TANGIBLE FIXED ASSETS - GROUP

	Freehold land and buildings £000	Short leasehold properties £000	Fleet vehicles £000	Plant and machinery, fixtures and fittings £000	Total £000
Cost					
At 1 April 1996	7,736	6,155	106,300	12,844	133,035
Additions	464	856	217,145	1,323	219,788
Disposals	(25)	(1,504)	(190,443)	(5,014)	(196,986)
Currency adjustments	—	—	—	(32)	(32)
At 31 March 1997	8,175	5,507	133,002	9,121	155,805
Depreciation					
At 1 April 1996	521	2,845	4,847	9,249	17,462
Charge for year	116	476	14,759	1,571	16,922
On disposals	(25)	(1,504)	(12,261)	(5,013)	(18,803)
Currency adjustments	—	—	—	(23)	(23)
At 31 March 1997	612	1,817	7,345	5,784	15,558
Net book value					
At 31 March 1997	7,563	3,690	125,657	3,337	140,247
At 1 April 1996	7,215	3,310	101,453	3,595	115,573

The analysis of assets included above and held under finance leases is as follows:

	Fleet vehicles £000	Plant and machinery, fixtures and fittings £000
Cost	69,961	800
Accumulated depreciation	(1,985)	(704)
Net book value at 31 March 1997	67,976	96
Cost	49,088	3,739
Accumulated depreciation	(1,240)	(3,544)
Net book value at 1 April 1996	47,848	195

NOTES TO THE ACCOUNTS

continued

12 INVESTMENTS

	Group		Company	
	31 March 1997 £000	31 March 1996 £000	31 March 1997 £000	31 March 1996 £000
Subsidiary undertakings	—	—	36,842	36,842
Associate undertakings	89	108	—	—
	<u>89</u>	<u>108</u>	<u>36,842</u>	<u>36,842</u>

Interests in associate undertakings have moved as follows:

	At 1 April 1996 £000	Movement in year £000	At 31 March 1997 £000
Shares at cost	115	—	115
Share of result	(7)	—	(7)
Exchange movement	—	(19)	(19)
	<u>108</u>	<u>(19)</u>	<u>89</u>

A list of the Company's principal subsidiary and associate undertakings is set out in note 30.

In the opinion of the Directors, the value of investments in subsidiary and associate undertakings is not less than the value recorded in the financial statements.

During the year ended 31 March 1997, two of the subsidiaries, EuroDollar (UK) Limited and EuroDollar Holland BV were charged £1,117,000 (1996 £647,000) for royalties and other services by the associate EuroDollar International Limited. In the same period, EuroDollar (UK) Limited provided administrative management services to EuroDollar International Limited of £480,000 (1996 £228,000) and charged interest of £3,000 (1996 £6,000).

In addition, for the year ended 31 March 1997, EuroDollar Holland BV paid rent and related service charges to the associate Cooperative Vereniging 'Main 2000' UA of £25,000 (1996 £10,000) and received interest on loans made of £5,000 (1996 £1,000).

Amounts owed to and from these associate undertakings are as stated in notes 14 and 17.

13 STOCKS - GROUP

	31 March 1997 £000	31 March 1996 £000
Goods for resale	<u>935</u>	<u>693</u>

14 DEBTORS

	Group		Company	
	31 March 1997 £000	31 March 1996 £000	31 March 1997 £000	31 March 1996 £000
Trade debtors	31,180	22,665	—	—
Other debtors	431	130	1,533	760
Amounts owed by subsidiary undertakings . .	—	—	1,962	2,091
Amounts owed by associate undertakings . .	84	—	—	—
Prepayments and accrued income	9,326	10,262	5	5
Corporation tax recoverable	501	—	—	—
	<u>41,522</u>	<u>33,057</u>	<u>3,500</u>	<u>2,856</u>

NOTES TO THE ACCOUNTS

continued

15 INVESTMENTS – GROUP

	31 March 1997 £000	31 March 1996 £000
Listed in the U.K. – at cost or market value if lower.	1,398	858

16 CASH AT BANK AND IN HAND

	Group		Company	
	31 March 1997 £000	31 March 1996 £000	31 March 1997 £000	31 March 1996 £000
Cash at bank and in hand	2,252	483	1,052	–
Cash held in escrow.	149	166	–	–
	<u>2,401</u>	<u>649</u>	<u>1,052</u>	<u>–</u>

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 March 1997 £000	31 March 1996 £000	31 March 1997 £000	31 March 1996 £000
Vehicle backed finance:				
Obligations under finance leases	61,718	35,191	–	–
Other vehicle backed finance.	55,479	50,784	–	–
	<u>117,197</u>	<u>85,975</u>	<u>–</u>	<u>–</u>
Other:				
Bank overdrafts.	970	4,126	–	98
Trade creditors	16,041	15,066	–	–
Amounts owed to subsidiary undertakings	–	–	716	1,265
Amounts owed to associate undertakings	123	123	–	–
Corporation tax	805	–	975	–
Taxation and social security	838	755	–	–
Accruals and deferred income	6,622	6,855	153	113
Dividends proposed	2,207	490	2,207	490
	<u>27,606</u>	<u>27,415</u>	<u>4,051</u>	<u>1,966</u>
	<u>144,803</u>	<u>113,390</u>	<u>4,051</u>	<u>1,966</u>

The bank overdraft facilities are supported by a floating charge and by cross guarantees in favour of National Westminster Bank Plc created by the Company and its subsidiary EuroDollar (UK) Limited.

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR – GROUP

	31 March 1997 £000	31 March 1996 £000
Corporation tax	884	–

NOTES TO THE ACCOUNTS

continued

19 PROVISIONS FOR LIABILITIES AND CHARGES – GROUP

Deferred taxation	£000
At 1 April 1996	9,024
Under provision prior year	1,144
Profit and loss account charge	845
Amounts reallocated between current and deferred tax	(1,624)
At 31 March 1997	<u>9,389</u>

The principal components of the deferred taxation provision are set out below:

	31 March 1997 £000	31 March 1996 £000
Difference between accumulated depreciation and capital allowances	10,285	8,338
Other timing differences	799	1,748
ACT recoverable	(1,695)	(1,062)
	<u>9,389</u>	<u>9,024</u>

The Directors believe that under the Group's accounting policy for deferred taxation, a full provision is appropriate. The amount of unprovided deferred tax for the Group and Company at 31 March 1997 and at 31 March 1996 was therefore £nil.

20 SHARE CAPITAL

	31 March 1997 £000	31 March 1996 £000
Authorised		
Ordinary shares of 5p (72,000,000)	<u>3,600</u>	<u>3,600</u>
Allotted, called up and fully paid		
Ordinary shares of 5p (49,042,110)	<u>2,452</u>	<u>2,452</u>

Options on Ordinary shares have been granted to eligible employees under the terms of the EuroDollar Sharesave Scheme. The movements in the number of options in the year and the outstanding options at 31 March 1997 are as follows:

Date granted	Options at 31 March 1996	Lapsed	Issued	Options at 31 March 1997	Exercise price per share
30 December 1994	99,017	(48,060)	–	50,957	166.5p
28 March 1996	798,738	(84,009)	–	714,729	79p

These options, ordinarily, may be exercised in the six months following the expiry of five years after the date of the grant.

The mid market closing price of the shares on 27 March 1997, the nearest trading day to the year end, was 133.5p and the range in the year was 65p to 156p.

21 SHARE PREMIUM ACCOUNT

	£000
At 31 March 1997 and 31 March 1996	<u>33,524</u>

NOTES TO THE ACCOUNTS

continued

22 PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 April 1996	6,046	1,756
Profit/(loss) for the year	3,028	(389)
Foreign exchange movements	(36)	—
At 31 March 1997	<u>9,038</u>	<u>1,367</u>

The Company has taken advantage of the exemption contained in section 230 of the Companies Act 1985, not to disclose a separate company profit and loss account. The Company's loss for the year, after tax and dividends, was £389,000 (1996 loss £281,000).

23 COMMITMENTS – GROUP

(i) Capital commitments for which no provision has been made in these financial statements, are as follows:

	31 March 1997 £000	31 March 1996 £000
Authorised and contracted for		
– vehicles	49,988	50,009
– other	88	498
	<u>50,076</u>	<u>50,507</u>

The Group also has an informal arrangement with certain motor dealers that for every used vehicle sold to the dealer, the Group will acquire a new vehicle at a later date.

The Company had no capital commitments at 31 March 1997 or 31 March 1996.

(ii) The Group had annual commitments under non-cancellable operating leases as follows:

	31 March 1997		
	Land and buildings £000	Vehicles £000	Other £000
Operating leases which expire:			
Within one year	720	1,276	19
Between one and five years	862	337	49
After five years	2,823	—	—
	<u>4,405</u>	<u>1,613</u>	<u>68</u>
	31 March 1996		
	Land and buildings £000	Vehicles £000	Other £000
Operating leases which expire:			
Within one year	515	2,172	24
Between one and five years	1,246	320	63
After five years	2,651	—	—
	<u>4,412</u>	<u>2,492</u>	<u>87</u>

The Company had no operating lease commitments at 31 March 1997 or 31 March 1996.

NOTES TO THE ACCOUNTS

continued

24 PENSION COMMITMENTS

The Company established a funded defined benefit pension Scheme in March 1994 known as the EuroDollar Pension Scheme ("the Scheme"). The assets of the Scheme are administered by a trustee Company, EuroDollar Pension Scheme Trustees Limited, and are held separately from those of the Company. The principal asset of the Scheme is a holding of units in the Gartmore Long Term Balanced Strategy Fund.

The most recent actuarial valuation of the Scheme was carried out as at 1 July 1994 by qualified actuaries employed by Alexander Clay & Partners Consulting. At the valuation date, the total market value of the Scheme's assets was £6.1 million. The results of the valuation showed that the assets held were more than sufficient to cover the liabilities of the Scheme in respect of completed service on the funding basis. The surplus is being used to finance a temporary reduction in the Company contribution rate.

The projected unit method was adopted for the purpose of calculating the pension costs shown in these financial statements. The principal actuarial assumptions were that, over the long term, the average yield which will be obtained on the investment of all Scheme assets is 9.5% per annum compound and that members' Scheme salaries will, on average, increase at a general rate of 7.0% per annum, from the valuation date until the assumed retirement date. In addition, allowance was made for further increases due to promotion etc. in accordance with a suitable scale. Annual increases in present and future pension payments were assumed to average 5.5% per annum for senior executives and 4.5% per annum for other members. It was assumed that dividends would grow at an average future rate of 5.5% per annum.

On the basis of these assumptions, there was a surplus of £2.5 million of assets over accrued liabilities, corresponding to a funding level of 162%. For accounting purposes this surplus is being amortised over the average remaining service lives of members at the valuation date.

Total pension costs for the Group charged to profit for the year amounted to £305,000 (1996 £285,000) of which £278,000 (1996 £261,000) is in respect of the Scheme; the remainder relates to amounts paid to independently administered schemes.

The Group has no health and medical plans providing post-retirement benefits.

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year to 31 March 1997 £000	Year to 31 March 1996 £000
Operating profit	17,047	12,852
Depreciation charges	16,922	16,468
Share of result/(loss) of associates	-	7
(Increase)/decrease in stocks	(244)	16
Increase in debtors	(1,757)	(4,923)
Increase in creditors	1,602	2,081
Net cash inflow from operating activities	33,570	26,501

NOTES TO THE ACCOUNTS

continued

26 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

		Year to 31 March 1997 £000	Year to 31 March 1996 £000
	£000	£000	£000
Returns on investments and servicing of finance			
Interest received	159		154
Interest paid	(5,508)		(5,509)
Interest element of finance lease rental payments	(3,520)		(3,434)
Net cash outflow for returns on investments and servicing of finance		(8,869)	(8,789)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(220,387)		(182,275)
Sale of tangible fixed assets	171,672		159,198
Net cash outflow for capital expenditure and financial investment		(48,715)	(23,077)
Acquisitions and disposals			
Acquisition of associate undertaking	-		(111)
50% disposal of subsidiary undertaking			
Disposal proceeds	-		4
Disposal of overdraft	-		199
Net cash inflow for acquisitions and disposals		-	92
Management of liquid resources			
Purchase of listed investments	(550)		(316)
Net cash outflow from management of liquid resources		(550)	(316)

NOTES TO THE ACCOUNTS

continued

27 ANALYSIS OF NET DEBT

	At 1 April 1996 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 31 March 1997 £000
Cash at bank and in hand	649	1,753	-	(1)	2,401
Bank overdrafts	(4,126)	3,111	-	45	(970)
		<u>4,864</u>			
Debt due within 1 year . .	(50,784)	(4,695)	-	-	(55,479)
Finance leases	(35,191)	(26,527)	-	-	(61,718)
		<u>(31,222)</u>			
Current asset investments	858	550	(10)	-	1,398
Total	<u>(88,594)</u>	<u>(25,808)</u>	<u>(10)</u>	<u>44</u>	<u>(114,368)</u>

28 VEHICLE BACKED FINANCE

	£000	Year to 31 March 1997 £000	£000	Year to 31 March 1996 £000
Balance at beginning of year		85,975		86,938
Receipts from lease financing	127,876		106,108	
Repayments of lease financing	(101,349)		(112,190)	
Receipts from other vehicle backed finance . .	88,796		72,529	
Repayments of other vehicle backed finance . .	(84,101)		(67,410)	
Net cash inflow/(outflow) from vehicle backed finance		<u>31,222</u>		<u>(963)</u>
Balance at 31 March		<u>117,197</u>		<u>85,975</u>

29 OTHER LEASE FINANCE

	£000	Year to 31 March 1997 £000	£000	Year to 31 March 1996 £000
Balance at beginning of year		-		98
Repayments of other lease financing	-		(98)	
Net cash outflow from other lease finance . .		<u>-</u>		<u>(98)</u>
Balance at 31 March		<u>-</u>		<u>-</u>

NOTES TO THE ACCOUNTS

continued

30 PRINCIPAL SUBSIDIARY AND ASSOCIATE UNDERTAKINGS

Activity	Company	Proportion of Ordinary shares held %	Country of incorporation and operation
Vehicle rental	EuroDollar (UK) Limited	100%	England
	EuroDollar Holland BV	100%	Holland*
Motor insurance	EuroDollar (Insurances) Limited	100%	Guernsey*
Vehicle inspection	Provincial Assessors Limited	100%	England*
Intermediate holding company	EuroDollar (Properties) Limited	100%	England*
Franchising	EuroDollar International Limited	50%	England
Rental of airport service area	Cooperatieve Vereniging 'Main 2000' UA	33.3%	Holland

* Owned directly by EuroDollar (Holdings) plc

Advantage has been taken of section 231(5) of the Companies Act 1985 in that a full list of subsidiary undertakings will be annexed to the Company's next Annual Return.

31 CONTINGENT LIABILITIES

- (i) Save as set out below the Group has no contingent liabilities at 31 March 1997.
- (a) In litigation with Maiellano Tours Inc. ("Maiellano"), both EuroDollar and Maiellano are claiming breach of contract to provide car rental services to Maiellano and in the payments of the amounts due thereunder. The maximum amount of the Maiellano claim is US\$7,717,059 of which US\$6,000,000 relates to compensation for damage to reputation and image. In respect of this element of the claim, EuroDollar has been advised by its Italian lawyers that, in their opinion, there is no risk of such a claim being successful. In respect of the balance of the amount claimed, EuroDollar is disputing the amount and is in turn claiming that it is Maiellano who owes money for car rental services. EuroDollar has already obtained a sequestration order from the Court of Rome in respect of up to Lit.1,300,000,000 of its claim. The next hearing is scheduled for October 1997 at which a report prepared by a court appointed technical expert will be reviewed. EuroDollar has been advised by its Italian lawyers that this confirms that Maiellano owes money for car rental services.
- (ii) The Company has contingent liabilities in respect of guarantees of borrowings of certain subsidiary undertakings which at 31 March 1997 amounted to £55 million (31 March 1996 £44 million).