

HOLIDAY AUTOS HOLDINGS LIMITED
(Formerly BROOMCO (947) LIMITED)

DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 OCTOBER 1996

Registered Number: 3079209
Registered in England and Wales



REPORT OF THE AUDITORS
to the trustees of The Parthenon Trust

We have audited the accounts on pages 6 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of trustees and auditors

As described on page 3 the company's directors (who also act as trustees for the charitable activities of The Parthenon Trust) are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

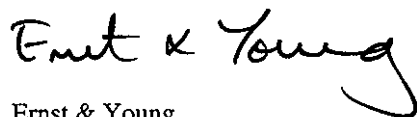
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the charitable company's affairs as at 31 December 1996 and of its incoming resources and application of resources, including its income and expenditure, in the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Guernsey

Date: 2 October 1997

The Parthenon Trust

STATEMENT OF FINANCIAL ACTIVITIES for the period ended 31 December 1996

| | <i>Unrestricted funds £</i> |
|---|-------------------------------------|
| INCOMING RESOURCES | |
| Donations and gifts | 7,598,981 |
| Other income (bank interest, exchange gain) | 13,914 |
| | <hr/> |
| TOTAL INCOME RESOURCES | 7,612,895 |
| | <hr/> |
| RESOURCES EXPENDED | |
| Direct charitable expenditure | 7,142,939 |
| Management and administration | 6,141 |
| Auditors' remuneration | 1,500 |
| | <hr/> |
| TOTAL RESOURCES EXPENDED | 7,150,580 |
| | <hr/> |
| NET MOVEMENT IN FUNDS | 462,315 |
| Total funds brought forward | - |
| | <hr/> |
| Total funds carried forward | 462,315 |
| | <hr/> |

There were no other gains or losses other than the net movement in funds for the period ended 31 December 1996.

No trustee nor any person with a family or business connection with a trustee received remuneration, directly or indirectly, from the charity or from a company which any such persons control.

A total of £388 of travel and subsistence expenses was reimbursed to the trustees, two trustees receiving this disbursement.

The Parthenon Trust

BALANCE SHEET at 31 December 1996

| | |
|---|---------------|
| | 1996 £ |
| CURRENT ASSETS | |
| Debtors | 21,227 |
| Cash at bank | 521,235 |
| Prepayments and accrued income | 453 |
| | <hr/> 542,915 |
| CREDITORS: amounts falling due within one year | |
| Grants payable | 79,100 |
| Accruals | 1,500 |
| | <hr/> 80,600 |
| NET CURRENT ASSETS | <hr/> 462,315 |
| FUNDS | |
| Unrestricted funds | <hr/> 462,315 |

W. M. Pittalis,
)
S. M. Perissakis) Trustees
)
)

Date: 30 SEPTEMBER, 1997

The Parthenon Trust

NOTES TO THE ACCOUNTS at 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice "Accounting by Charities".

Interest receivable

Interest receivable is accounted for on an accruals basis.

Income and expenditure

All the company's charitable income and expenses are derived from its continuing operations. Donations and gifts are credited on a receipts basis. Grants are charged on an accruals basis.

2. TAXATION

The company is exempt from UK taxation under Section 505 Income and Corporation Taxes Act 1988.

3. LIMITED LIABILITY

The liability of the members is limited. Each member undertakes to contribute such amounts as may be required (not exceeding £10) to the charity's assets if it should be wound up during or within one year of cessation of membership to meet the company's liabilities.

4. COMMITMENTS

| | 1996 £ |
|--------|-----------|
| Grants | 623,112 |

HOLIDAY AUTOS HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

Results

These accounts show the results for the fifteen months ended 31 October 1996. Group turnover for this period was £52.7 million and pre tax profits were £0.4 million.

All parts of the Group continue to outperform the industry average with annualised sales of the UK and German subsidiaries growing by 13% compared with a general decline in the travel industry. We continue to sign up new partners to sell our products including general sales agents (GSA's) in the Middle East and Europe.

The German and US subsidiaries continue to develop their markets and, although both contributed losses in 1996, their prospects are good.

During the year we relocated our head office from central London to Frimley and Surrey. The capital and revenue costs associated with this move amounted to £0.4 million and £0.3 million respectively and the revenue costs have been reflected in these results as an exceptional item.

We also took the opportunity to look at our corporate identity and decided that, as the Group is now truly global, it is important to have a uniform image throughout our organisation which reflects the dynamic operations of the Group.

A significant change for the Group was also the participation of ECI Venture Capitalists, whose experience following the purchase of the former Chairman's share capital, will greatly assist the Group as it continues to expand. Goodwill of £12.3 million arose on this refinancing and has been written off to reserves.

Prospects

Our objective is to become to world's largest leisure car rental company, both through new start up operations and joint ventures.

During 1996 and early 1997 we won every potential leisure car rental award including the World Travel award which was voted by 188 countries worldwide proving that we are truly recognised throughout the world.

We will strive to increase our service levels and innovations for the customer and this will be further enhanced with the introduction of the Holiday Autos Business System (HABS) at the end of 1997.

The outlook for 1996/97 is extremely encouraging, with business up over 40% in the UK and over 60% in Germany. Major deals have been signed in the UK with First Choice and Lunn Poly which will continue to raise the profile and status of the group within the travel industry.

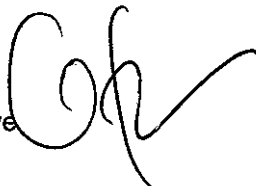
Since the year end we have entered into a joint venture with Kemwel Group, an existing broker in the United States, to form Kemwel Holiday Autos which will immediately increase our presence in this large and exciting market in a manner which allows us to minimise risks.

We also purchased the minority interest in Holiday Autos GmbH in Germany giving us 100% holding and enabling us to restructure the operations. We are very optimistic that the German subsidiary will contribute profits in 1996/97.

The company continues to ensure that its products are competitively priced, mindful of the increasing consumer demand for value for money.

In summary the Group is well set up to achieve its objective. We have a strong management team and we look forward to the future with confidence.

Clive Jacobs
Chairman & Chief Executive



HOLIDAY AUTOS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the period from incorporation on 12 July 1995 to 31 October 1996.

Principal activities and review of the business

The principal activity of the Group is the provision of car rentals to the leisure traveller. On 15 September 1995, the company acquired 100% of the share capital of Holiday Autos International Limited and its subsidiaries and therefore these accounts include the results of these entities from that date.

The Group's profit before taxation but after exceptional items for the period from incorporation on 12 July 1995 to 31 October 1996 was £366,988. Aggregate interim dividends of £518,264 were proposed and paid during the period. The Directors recommend that no final dividend be paid. The directors propose to transfer the loss of £341,530 to reserves.

Change of name

On 15 September 1995 the company passed a special resolution to change its name from Broomco (947) Limited to Holiday Autos Holdings Limited.

Movement in fixed assets

The movement in fixed assets during the period is given in notes 11, 12 and 13.

Taxation

The Company is a close company for taxation purposes.

Political and charitable donations

Charitable donations during the period totalled £3,275. No political donations were made during the period.

Directors

The Directors of the Company during the period were as follows:

| | |
|-------------------------------------|-------------------------------|
| Broomco Secretarial Limited | (resigned 15 September 1995) |
| Broomco Management Services Limited | (resigned 15 September 1995) |
| C Jacobs, Chairman | (appointed 15 September 1995) |
| G Bacon | (appointed 15 September 1995) |
| C Smith | (appointed 15 September 1995) |
| M Shires | (appointed 15 September 1995) |
| P Thomas | (appointed 15 September 1995) |

HOLIDAY AUTOS HOLDINGS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

The Directors' shareholdings in the company recorded in the register of such interests and held from appointment to 31 October 1996 were as follows:

| | <u>'A' Ordinary shares of £0.01 each</u> | <u>'B' Ordinary shares of £0.01 each</u> |
|----------|--|--|
| C Jacobs | 2,560,000 | 440,000 |
| G Bacon | 2,800,000 | 200,000 |
| M Shires | - | 50,000 |
| C Smith | - | 50,000 |

The 'A' and 'B' shares were issued at a price of £1 each.

Statement of directors' responsibility for preparation of the financial statements

The Companies Act 1985 requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial period and of the profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and 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 Group and Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Price Waterhouse have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



C Smith
Secretary

1 July 1997

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF HOLIDAY AUTOS HOLDINGS LIMITED

We have audited the accounts on pages 5 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

Respective responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and Group as at 31 October 1996 and of its profit and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

1 July 1997

HOLIDAY AUTOS HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 12 JULY 1995 TO 31 OCTOBER 1996

| | Note | Before exceptional items £ | Exceptional items £ | 1996 Total £ |
|--|------|-------------------------------------|---------------------------|--------------------|
| TURNOVER | 4 | 52,693,327 | - | 52,693,327 |
| Cost of sales | | (43,331,534) | - | (43,331,534) |
| Gross profit | | 9,361,793 | - | 9,361,793 |
| Selling costs | 3 | (2,881,507) | (36,066) | (2,917,573) |
| Administrative expenses | 3 | (6,029,923) | (282,764) | (6,312,687) |
| Other operating income | | 89,657 | - | 89,657 |
| Operating profit | | 540,020 | (318,830) | 221,190 |
| Interest receivable and similar income | 5 | 187,426 | - | 187,426 |
| Interest payable and similar charges | 6 | (41,628) | - | (41,628) |
| Profit on ordinary activities before taxation | 7 | 685,818 | (318,830) | 366,988 |
| Tax on profit on ordinary activities | 9 | | | (190,254) |
| Profit on ordinary activities after taxation | | | | 176,734 |
| Dividends | 10 | | | (518,264) |
| (Loss) for the period transferred to reserves | | | | (341,530) |

All results were derived from continuing operations.

The notes on pages 10 to 23 form an integral part of these accounts.

HOLIDAY AUTOS HOLDINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 OCTOBER 1996

| | <u>1996</u> £ |
|--|------------------|
| Profit attributable to shareholders | 176,734 |
| Currency translation differences on foreign currency net investments | 24,437 |
| | <hr/> |
| Total recognised gains for the period | 201,171 |
| | <hr/> <hr/> |

There is no material difference between the historical cost profit and the profit for the period shown on page 5.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 OCTOBER 1996

| | <u>Group</u> <u>1996</u> £ | <u>Company</u> <u>1996</u> £ |
|--|----------------------------------|------------------------------------|
| Profit attributable to shareholders | 176,734 | 518,264 |
| Dividends | (518,264) | (518,264) |
| | <hr/> | <hr/> |
| | (341,530) | - |
| Currency translation on foreign currency net investments | 24,437 | - |
| New share capital subscribed | 9,000,000 | 9,000,000 |
| Goodwill written off to reserves | (12,263,409) | - |
| | <hr/> | <hr/> |
| Net increase in shareholders' funds | (3,580,502) | 9,000,000 |
| Opening shareholders' funds | - | - |
| | <hr/> | <hr/> |
| Closing shareholders' funds | (3,580,502) | 9,000,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 10 to 23 form an integral part of these accounts.

HOLIDAY AUTOS HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 1996

| | Note | 1996 £ |
|--|------|--------------|
| FIXED ASSETS | | |
| Intangible assets | 11 | 351,090 |
| Tangible assets | 12 | 1,005,337 |
| | | <hr/> |
| | | 1,356,427 |
| CURRENT ASSETS | | |
| Debtors | 14 | 3,595,516 |
| Cash at bank and in hand | | 2,971,230 |
| | | <hr/> |
| | | 6,566,746 |
| CREDITORS: Amounts falling due within one year | 15 | (11,422,859) |
| | | <hr/> |
| NET CURRENT LIABILITIES | | (4,856,113) |
| | | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (3,499,686) |
| CREDITORS: Amounts falling due after more than one year | 16 | (80,816) |
| | | <hr/> |
| | | (3,580,502) |
| | | <hr/> |
| CAPITAL AND RESERVES | | |
| Called up share capital - non equity | 18 | 90,000 |
| Share premium | 19 | 2,970,198 |
| Profit and loss account | 19 | (317,093) |
| Goodwill reserve | 19 | (6,323,607) |
| | | <hr/> |
| Shareholders' funds | | (3,580,502) |
| | | <hr/> |

The notes on pages 10 to 23 form an integral part of these accounts.

The accounts were approved by the Board of Directors on 1 July 1997 and were signed on its behalf by:

C Jacobs
Chairman and Chief Executive



HOLIDAY AUTOS HOLDINGS LIMITED

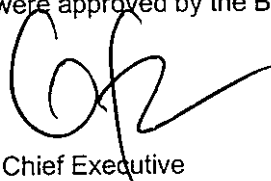
COMPANY BALANCE SHEET AS AT 31 OCTOBER 1996

| | Note | <u>1996</u> £ |
|---|------|--------------------|
| FIXED ASSETS | | |
| Interests in subsidiary undertakings | 13 | 12,565,304 |
| CURRENT ASSETS | | |
| Debtors | 14 | 918 |
| Cash at bank and in hand | | 200 |
| | | <u>1,118</u> |
| CREDITORS: Amounts falling due within one year | 15 | <u>(3,566,422)</u> |
| NET CURRENT LIABILITIES | | <u>(3,565,304)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>9,000,000</u> |
| CAPITAL AND RESERVES | | |
| Called up share capital - non equity | 18 | 90,000 |
| Share premium | 19 | 2,970,198 |
| Merger reserve | 19 | 5,939,802 |
| | | <u>9,000,000</u> |

The notes on pages 10 to 23 form an integral part of these accounts.

The accounts were approved by the Board of Directors on 1 July 1997 and were signed on its behalf by:

C Jacobs
Chairman and Chief Executive



HOLIDAY AUTOS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
PERIOD ENDED 31 OCTOBER 1996

| | <u>Note</u> | <u>1996</u> |
|--|-------------|--------------------------|
| | | £ £ |
| Cash flow from operating activities | 25(a) | (1,927,430) |
| Returns on investments and servicing of finance | | |
| Interest received | | 187,426 |
| Interest paid | | (23,538) |
| Interest element of hire purchase and finance lease payments | | (18,090) |
| Dividends paid on non-equity shares | | (518,264) |
| | | <u>(372,466)</u> |
| Taxation | | (508,282) |
| Capital expenditure | | |
| Purchase of intangible fixed assets | | (251,090) |
| Purchase of tangible fixed assets | | (508,690) |
| Proceeds from sales of tangible fixed assets | | 118,090 |
| | | <u>(641,690)</u> |
| Acquisitions | | |
| Purchase of subsidiary undertakings | 26 | (6,594,916) |
| Net cash acquired with subsidiaries | 26 | 10,294,514 |
| | | <u>3,699,598</u> |
| Equity dividends paid | | |
| Financing | | |
| Issue of shares | 18 | 3,000,200 |
| Capital element of hire purchase and finance lease payments | 25(c) | (278,700) |
| | | <u>2,721,500</u> |
| Increase in cash | 25(b) | <u><u>2,971,230</u></u> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

1 BASIS OF PREPARATION

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

2 ACCOUNTING POLICIES

(1) Turnover

Turnover is recognised in full when the date of departure is on or before the date of the period end.

Segmental results are not disclosed as the directors believe that disclosure would be prejudicial to the interests of the group.

(2) Foreign currency

Income and expense items denominated in foreign currencies are translated into sterling at the rate ruling on their transaction date or where a related forward exchange contract has been entered into, at a rate specified in the forward contract. Assets and liabilities recorded in foreign currencies have been expressed in sterling at the rates of exchange ruling on 31 October 1996.

The profits and losses of foreign subsidiaries are translated into sterling at the average rates prevailing during the period and the assets and liabilities are translated into sterling at the rates ruling at the period end. The resulting exchange differences are dealt with through reserves.

(3) Intangible fixed assets

Computer system development costs are capitalised and amortised over their useful economic lives, commencing when the system is complete and operational.

(4) Goodwill

The excess of the fair value of the consideration over the fair value of the underlying net assets acquired is written off against the merger reserve, with the balance charged to the goodwill reserve, in the year in which it arises.

(5) Tangible fixed assets

Depreciation is provided on the cost of tangible assets as follows:

| | |
|------------------------------|-------------------------|
| Leasehold land and buildings | Over period of lease |
| Motor vehicles | 25% on reducing balance |
| Fixtures and fittings | 25% on reducing balance |
| Computer equipment | 20% per annum |

(6) Leased assets

Assets acquired under finance lease and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of capital repayments outstanding.

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(6) Leased assets (continued)

Rentals paid under operating leases are charged to the profit and loss account as incurred.

(7) Pension Costs

The group operates defined contribution pension arrangement for certain of its employees. Contributions are charged to the profit and loss account as they are incurred.

(8) Group Accounts

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings. Unless otherwise stated, business combinations are accounted for by the acquisition method of accounting. The results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition.

Goodwill arising on the acquisition of subsidiary undertakings is calculated as the difference between the costs of acquisition and the fair value of the underlying assets and liabilities of the subsidiary at the date of acquisition. All companies have financial years ending on 31 October.

(9) Investments in subsidiary undertakings

Investments in subsidiary undertakings of the Company are stated at cost less provision for any permanent diminution in value.

3 EXCEPTIONAL ITEMS

Exceptional items within administrative expenses and selling costs comprise the expenses incurred in relocating the business to its current location during the period.

4 TURNOVER

Turnover is derived from the principal activity of the group.

5 INTEREST RECEIVABLE

Bank interest and similar income

1996

£

187,426

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1996</u> £ |
|------------------------|------------------|
| Bank interest | 23,538 |
| Hire purchase interest | 18,090 |
| | <hr/> 41,628 |

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

| | <u>1996</u> £ |
|---|------------------|
| Staff costs (see note 8) | 3,541,283 |
| Operating lease rentals: | |
| Equipment hire | 90,398 |
| Property | 329,223 |
| Depreciation: | |
| On owned assets | 213,849 |
| On assets held under finance leases (including hire purchase contracts) | 79,266 |
| Loss on sale of fixed assets | 34,569 |
| Auditors' remuneration for: | |
| audit services | 32,600 |
| non audit services | 48,326 |

8 DIRECTORS AND EMPLOYEES

| | <u>1996</u> £ |
|-------------------------------|------------------|
| Wages and salaries | 3,148,949 |
| Employer's national insurance | 349,490 |
| Pension contributions | 42,844 |
| | <hr/> 3,541,283 |

The average number of persons employed during the period can be split as follows:

| | <u>1996</u> No |
|----------------|-------------------|
| Administration | 57 |
| Sales | 48 |
| Reservations | 31 |
| | <hr/> 136 |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

8 DIRECTORS AND EMPLOYEES (CONTINUED)

| | <u>1996</u> £ |
|---------------------------------------|------------------|
| Directors' emoluments for the period: | |
| Emoluments | 432,920 |

The emoluments of the Chairman who was the highest paid director, were £171,356.

The number of Directors (including the foregoing) whose emoluments (excluding pension contributions) fell within the prescribed ranges were:

| | <u>1996</u> No |
|---------------------|-------------------|
| £0 - £5,000 | 1 |
| £10,000 - £15,000 | 1 |
| £120,000 - £125,000 | 2 |
| £160,000 - £165,000 | 1 |

9 TAXATION

| | <u>1996</u> £ |
|---|------------------|
| United Kingdom Corporation Tax | |
| Based on the net profit for the period at 33% and chargeable gains at 33% arising during the period | 190,254 |

The effective tax rate for the year is higher than the UK statutory rate due to unrelieved overseas losses.

At the period end the Group had deferred tax liabilities, which have not been recognised in the accounts of £33,645, in respect of accelerated capital allowances.

10 DIVIDENDS

| | <u>1996</u> £ |
|----------------------|------------------|
| Dividends paid | |
| 'A' ordinary shares | 290,333 |
| 8% preference shares | 227,931 |
| | <u>518,264</u> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

11 INTANGIBLE FIXED ASSETS - GROUP

| | Software development costs £ |
|----------------------------|---------------------------------------|
| <u>Costs</u> | |
| Acquisition | 101,407 |
| Additions | 251,090 |
| | <hr/> |
| Balance at 31 October 1996 | 352,497 |
| | <hr/> <hr/> |
| <u>Amortisation</u> | |
| Acquisition | 1,407 |
| Charge for the period | - |
| | <hr/> |
| Balance at 31 October 1996 | 1,407 |
| | <hr/> <hr/> |
| <u>Net Book Amount</u> | |
| At 31 October 1996 | 351,090 |
| | <hr/> <hr/> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

12

TANGIBLE FIXED ASSETS - GROUP

| | Short leasehold land and buildings £ | Motor vehicles £ | Fixtures fittings and computer equipment £ | Total £ |
|------------------------------|--|------------------------|--|------------|
| <u>Cost</u> | | | | |
| Acquisitions | 91,154 | 106,358 | 1,085,732 | 1,283,244 |
| Additions | 189,738 | 214,462 | 405,976 | 810,176 |
| Disposals | (17,786) | (131,321) | (187,307) | (336,414) |
| Foreign exchange differences | - | (1,922) | (24,970) | (26,892) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 October 1996 | 263,106 | 187,577 | 1,279,431 | 1,730,114 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <u>Depreciation</u> | | | | |
| Acquisitions | 79,741 | 11,111 | 531,711 | 622,563 |
| Charge for the period | 25,645 | 41,467 | 226,003 | 293,115 |
| Disposals | (17,786) | (14,141) | (151,828) | (183,755) |
| Foreign exchange differences | - | (279) | (6,867) | (7,146) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 October 1996 | 87,600 | 38,158 | 599,019 | 724,777 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <u>Net Book Amount</u> | | | | |
| At 31 October 1996 | 175,506 | 149,419 | 680,412 | 1,005,337 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The net book value of assets included above which are held under finance leases and hire purchase contracts at 31 October 1996 was £318,975.

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

13 FIXED ASSETS - INVESTMENTS

| <u>Cost</u> | | Shares in subsidiary undertakings £ |
|-----------------------------------|---|--|
| At 31 October 1996 | | 12,565,304 |
| | <u>Country of Operation and Incorporation</u> | <u>Ordinary shares</u> % |
| Holiday Autos International Ltd | UK | 100 |
| Holiday Autos Autovermietung GmbH | Germany | 75 |
| Holiday Autos US Inc | USA | 100 |

All subsidiary companies engage in the same activities of provision of car rentals.

In the opinion of the directors, the value of the investments is at least equal to the total amount shown above.

14 DEBTORS

| | <u>Group 1996</u> £ | <u>Company 1996</u> £ |
|--------------------------------|------------------------|--------------------------|
| Trade debtors | 1,989,471 | - |
| ACT recoverable | 126,650 | - |
| Other debtors | 674,903 | 918 |
| Advance payments to suppliers | 118,320 | - |
| Prepayments and accrued income | 686,172 | - |
| | <u>3,595,516</u> | <u>918</u> |

Included in other debtors is £1,233 due after more than one year.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>Group 1996</u> £ | <u>Company 1996</u> £ |
|--|------------------------|--------------------------|
| Secured obligations under hire purchase agreements | 121,884 | - |
| Trade creditors | 5,716,602 | - |
| Amounts owed to group undertakings | - | 3,566,422 |
| ACT payable | 34,650 | - |
| Corporation tax | 120,360 | - |
| Other creditors including social security | 433,799 | - |
| Advanced payments received | 497,938 | - |
| Accruals and deferred income | 4,497,626 | - |
| | <u>11,422,859</u> | <u>3,566,422</u> |

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HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | <u>Group 1996</u> | <u>Company 1996</u> |
|--|-------------------|---------------------|
| | £ | £ |
| Secured obligations under hire purchase agreements | 80,816 | - |
| | <u> </u> | <u> </u> |

17 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS:

| | <u>1996</u> |
|---|-------------------|
| | £ |
| Gross obligations: | |
| Under one year | 141,392 |
| In the second to fifth years inclusive | 90,321 |
| | <u> </u> |
| | 231,713 |
| Less: amounts representing future finance charges | (29,013) |
| | <u> </u> |
| | 202,700 |
| | <u> </u> |
| Due within one year (Note 15) | 121,884 |
| Due after more than one year (Note 16) | 80,816 |
| | <u> </u> |
| | 202,700 |
| | <u> </u> |

18 SHARE CAPITAL

Non equity share capital

Authorised:

| | <u>1996</u> |
|-------------------------------|-------------------|
| | Number |
| 'A' ordinary shares of £0.01 | 5,360,000 |
| 'B' ordinary shares of £0.01 | 750,000 |
| 'C' ordinary shares of £0.01 | 250,000 |
| 8% Preference shares of £0.01 | 2,640,000 |
| | <u> </u> |
| | 9,000,000 |
| | <u> </u> |

Issued and fully paid:

| | <u>Number</u> | £ |
|-------------------------------|-------------------|-------------------|
| 'A' ordinary shares of £0.01 | 5,360,000 | 53,600 |
| 'B' ordinary shares of £0.01 | 750,000 | 7,500 |
| 'C' ordinary shares of £0.01 | 250,000 | 2,500 |
| 8% Preference shares of £0.01 | 2,640,000 | 26,400 |
| | <u> </u> | <u> </u> |
| | 9,000,000 | 90,000 |
| | <u> </u> | <u> </u> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

18

SHARE CAPITAL (CONTINUED)

On 12 July 1995 2 ordinary shares of £1 each were issued, nil paid. On 15 September 1995, the authorised share capital was amended to that noted above. The 2 ordinary shares were converted into 200 'B' ordinary shares of £0.01 each. On the same date, 5,360,000 'A' shares and 639,800 'B' shares were issued as part of the consideration for acquiring the entire share capital of Holiday Autos International Limited (see note 26), and 110,200 'B' shares, 250,000 'C' shares and 2,640,000 preference shares were issued for cash consideration of £1 each.

'A' Ordinary Shares

The holders of 'A' ordinary shares are entitled to receive a fixed cumulative preferential dividend at the rate of 5% per annum on the nominal amount of shares in issue plus premium paid on subscription. The holders of 'A' ordinary shares also have the right to receive an additional fixed cumulative preference dividend at the rate of 3% per annum. This additional dividend shall accrue from day to day and shall be paid immediately on:

- (1) the earlier of (a) the listing of any of the company's shares on the International Stock Exchange of the United Kingdom and Republic of Ireland and (b) the granting of an application by the company for the dealing in any of company's shares on any other public securities market.
- (2) the acquisition by any person of all the 'C' ordinary shares.

The holders of 'A' ordinary shares shall be entitled to receive notice of and attend and speak but not to vote at all general meetings of the company.

'B' Ordinary Shares

The holders of 'B' ordinary shares are not entitled to receive a dividend except on a sale or listing when the holder is entitled to a payment of dividend or return of capital, the amount of which is based on the return received by the 'C' ordinary shareholders and preference shareholders. The holders of 'B' ordinary shares are entitled to vote at all general meetings of the company. 'B' ordinary shareholders rank parri passu with 'C' ordinary shareholders.

'C' Ordinary Shares

The holders of 'C' shares are entitled in respect of each successive financial year of the company (starting with the financial year ending 31 October 2001) to a dividend of a cash sum equal to a percentage of the net profits of the company and its subsidiary undertakings, as set out in the Articles of Association. The 'C' shares will be redeemed on a sale or listing. The holders of 'C' ordinary shares are entitled to attend and vote at all general meetings of the company. 'C' ordinary shareholders rank parri passu with 'B' ordinary shareholders.

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

18 SHARE CAPITAL (CONTINUED)

Preference Shares

The holders of the Preference Shares are entitled to receive a fixed cumulative preferential dividend at the rate of 8% per annum on the nominal amount plus any premium paid on subscription. The Preference Shares are redeemable in two tranches; 1,000,000 on 31 October 1997 and 1,640,000 on 31 October 1998.

The holders of Preference Shares shall be entitled to receive notice of, and to attend and speak at, but not to vote at all general meetings of the Company.

19 STATEMENT OF RESERVES

| | Share premium £ | Profit and loss account £ | Merger reserve £ | Goodwill reserve £ |
|---|-----------------------|---------------------------------|------------------------|--------------------------|
| Issue of shares | 2,970,198 | - | 5,939,802 | - |
| Profit and loss account for the period | - | (341,530) | - | - |
| Currency translation differences on foreign currency net investments | - | 24,437 | - | - |
| Goodwill on acquisitions | - | - | (5,939,802) | (6,323,607) |
| At 31 October 1996 | 2,970,198 | (317,093) | - | (6,323,607) |

In accordance with the provisions of Section 131 of the Companies Act 1985 the Company has transferred to merger reserve, the premium arising on the issue of shares as consideration for subsidiaries acquired during the year. The Group has applied this merger reserve to write down goodwill arising on acquisition.

20 PROFIT FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF HOLIDAY AUTOS HOLDINGS LIMITED

Holiday Autos Holdings Limited has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985. The company's profit and loss account was approved by the Board on 1 July 1997. The amount of the company's profit for the period is £518,264.

21 CONTINGENT LIABILITIES

A subsidiary of the company has an overdraft facility with National Westminster Bank plc of £2,500,000 secured by a mortgage debenture given to National Westminster Bank over the assets and undertakings of the Company and a composite cross guarantee given in favour of the subsidiary by the company. Additionally, a subsidiary company has made a trade guarantee in favour of another supplier of \$100,000.

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

22 FINANCIAL COMMITMENTS

The Group uses forward foreign currency contracts to manage the risks arising from its underlying business activities in the manner described below. No transactions of a speculative nature were undertaken and no options were used in the period.

A significant proportion of the Group's purchases and a proportion of the sales give rise to payables and receivables denominated in currencies other than sterling.

It is the Group's policy to hedge part of the net currency exposure (commonly a liability) associated with expected (but not contractually committed) cashflows arising from these transactions. Forward exchange contracts entered into at 31 October 1996 cover net foreign currency liabilities expected to arise for the period to 31 December 1997. Consequently any exchange gain/loss arising on their crystallisation is expected to be matched by a corresponding loss/gain on these net liabilities.

At the period end there were outstanding forward foreign exchange contracts, entered into in the ordinary course of business with a sterling equivalent value of £13,954,798.

23 CAPITAL COMMITMENTS

At 31 October 1996 there were no capital commitments contracted for but not provided.

24 COMMITMENTS UNDER OPERATING LEASES

At 31 October 1996 the Group is committed to making the following annual payments under operating leases which expire in the following periods:

| | Property | Other | 1996 Total |
|------------------------------|----------------|---------------|----------------|
| | £ | £ | £ |
| - within one year | 64,227 | 7,117 | 71,344 |
| - between one and two years | - | 3,676 | 3,676 |
| - between two and five years | 51,602 | 24,855 | 76,457 |
| - after five years | 288,175 | - | 288,175 |
| | <u>404,004</u> | <u>35,648</u> | <u>439,652</u> |

25 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash flow from operating activities:

| | 1996 £ |
|------------------------------|--------------------|
| Operating profit | 221,190 |
| Depreciation charges | 293,115 |
| Loss on sale of fixed assets | 34,569 |
| Increase in debtors | (146,007) |
| Decrease in creditors | (2,374,520) |
| Foreign exchange difference | 44,223 |
| | <u>(1,927,430)</u> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

25 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

b) Reconciliation of net cash flow to movement in net funds:

| | |
|---|-------------|
| Increase in cash in the period | 2,971,230 |
| Cash outflow from decrease in lease financing | 278,700 |
| | <hr/> |
| Change in net funds from cash flows | 3,249,930 |
| New finance leases acquired with subsidiaries | (179,914) |
| New finance leases | (301,486) |
| | <hr/> |
| Movements in the period | 2,768,530 |
| Net funds brought forward | - |
| | <hr/> |
| Net funds carried forward | 2,768,530 |
| | <hr/> <hr/> |

c) Analysis of net funds

| | As at 12 July 1995 £ | Cash flow £ | Acquisition (excluding cash and overdrafts) £ | Other non cash changes £ | As at 31 October 1996 £ |
|----------------------------------|-------------------------------|-------------------|---|-----------------------------------|----------------------------------|
| Cash | - | 2,971,230 | - | - | 2,971,230 |
| Hire purchase and finance leases | - | 278,700 | (179,914) | (301,486) | (202,700) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | - | 3,249,930 | (179,914) | (301,486) | 2,768,530 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

26

ACQUISITIONS

On 15 September 1995 the Company purchased the entire share capital of Holiday Autos International Limited. The following table sets out the effects of this acquisition accounted for by the acquisition method.

| | £ |
|-----------------|--------------|
| Fixed assets | 760,681 |
| Debtors | 3,516,692 |
| Cash | 10,294,514 |
| Creditors | (14,146,743) |
| | <hr/> |
| | 425,144 |
| | <hr/> |
| Satisfied by: | |
| Shares | 5,999,800 |
| Cash: | |
| - consideration | 6,410,000 |
| - issue costs | 155,504 |
| | <hr/> |
| | 12,565,304 |
| | <hr/> |
| Goodwill | 12,140,160 |
| | <hr/> |

On 4 October 1996, Holiday Autos International Limited (a wholly owned subsidiary of the Company) purchased the remaining 25% minority shareholding of Holiday Autos US Inc. The fair value of assets acquired was nil. Total cash consideration due is £123,249 (of which £29,412 had been paid at 31 October 1996) giving a total goodwill on the transaction of £123,249.

HOLIDAY AUTOS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1996 (CONTINUED)

26 ACQUISITIONS (CONTINUED)

Set out below is selected information from the unaudited summarised consolidated profit and loss account of Holiday Autos International Limited for the period from 1 November 1994 (the beginning of the financial period prior to its acquisition) to 15 September 1995:

| | £ |
|--|------------|
| Turnover | 33,719,648 |
| | <hr/> |
| Operating profit | 1,274,990 |
| | <hr/> |
| Profit before taxation | 1,493,620 |
| Taxation | (520,380) |
| Minority interests | (3,687) |
| | <hr/> |
| Profit after taxation and minority interests | 969,553 |
| | <hr/> |

Consolidated profit after taxation and minority interests of Holiday Autos International Limited for the previous financial year (year ended 31 October 1994) was £555,970.

27 PENSION

The group operates two defined contribution schemes for its directors and senior staff. The assets of the pension schemes are maintained separately from those of the company and are managed by Scottish Equitable.

28 SUBSEQUENT EVENTS

On 15 November 1996 Holiday Autos US Inc entered into an agreement with Kemwel Group Inc for Kemwel Holiday Autos, LLC a company engaging in car leasing and rental. Holiday Autos US Inc acquired 50% of the share capital and voting rights of the new company in return for a consideration of all of its interest in the goodwill and going concern value of its present trade.

On 27 February 1997, Holiday Autos International Limited acquired the remaining 25% minority shareholding in Holiday Autos GmbH for a consideration of £200,000.