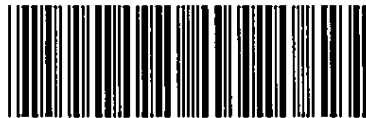


Registered number 3816836

easyCar (UK) Limited

**Directors' report and financial
statements
30 September 2007**

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

Principal activity

The company's principal activity is the renting of self drive vehicles

Business review & Key Performance Indicators (KPI's)

Overview

The business continued to expand its global coverage throughout the year and now has cars available to rent in 59 countries worldwide. 2007 was a period of rapid growth for the company with 71% increase in year on year revenue (see note 2). During 2008 the company aims to further increase the number of countries in which it operates as well as increasing the number of rental locations in existing countries.

A summary of the results for the year and the financial position are set out in the financial statements on pages 5 to 14.

Key Performance Indicators (KPI's)

The reported results include some large one-off amounts which distort the overall performance of the company. To enable a fair comparison and review they have been excluded from certain KPI calculations.

Turnover and profitability

The key objective for 2007 was to build on growth, in total and outside of Europe. European revenue (including the UK) grew by 70% and revenue outside of Europe grew by 119%. In 2008 the company seeks to continue to increase its revenue.

In 2007 the average rental length increased by 1.6%. Revenue per day increased by 5.3% and cost per day increased by 5%. Revenue/cost per day is dependent on a number of factors including the mix of countries.

The company has been profitable for the past 3 years. The company continues to monitor and reduce overheads wherever possible and expects to further improve profitability going forward.

In order to drive revenue growth and subsequent profit, the company intends to significantly increase its marketing spend in the forthcoming year.

Principal risks and uncertainties

Competition

Car rental, especially on the internet and within the retail market (the main market for easyCar), is very price sensitive with the majority of customers shopping around for the best price before purchasing and a number of companies all competing for the same customers. easyCar, because of its strong brand, low cost base and IT systems, believes it is more than able to remain competitive despite the price sensitive market.

Market position

easyCar and the "easy" brand are well known in the UK and Europe. Brand recognition and customer base is strongest in the UK. easyCar will continue to enhance its brand through internet marketing in which it has considerable expertise.

Directors' report (continued)

Relationship with suppliers

easyCar partners with other companies to provide vehicles for its customers. In order to ensure continuity of supply and offer choice to customers, easyCar uses in excess of 50 suppliers.

easyCar ensures the quality of the vehicles and the service provided by the supplier meets its high standards. To achieve this, suppliers must meet the high service levels specified and audited by easyCar in order to remain part of the network.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

Sir Stelios Haji-Ioannou
Steve Maltby (resigned 31st October 2007)
Sharon Whelan

Bill Jones was appointed as director of the company on the 5th November 2007.

The interests of the directors in easyCar Limited, the parent company of easyCar (UK) Limited, are disclosed in the accounts of that company.

Auditors

A resolution to reappoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985.

Statement of disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.
- The information given in the directors' report is consistent with the financial statements.

Directors' report (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 company will continue in business

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

By order of the board



Sharon Whelan
Secretary

The Rotunda
42/43 Gloucester Crescent
London
NW1 7DL

31st January 2008

EASYCAR (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 2007

We have audited the financial statements of easyCar (UK) Limited for the year ended 30 September 2007 on pages 5 to 14 which have been prepared on the basis of the accounting policies set out on pages 7 to 8

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described in the Statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

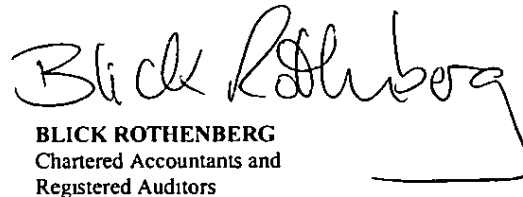
Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements

12 York Gate
Regent's Park
London, NW1 4QS

31st January 2008


BLICK ROTHENBERG
Chartered Accountants and
Registered Auditors

Profit and loss account
for the year to 30 September 2007

	<i>Note</i>	2007 £000	2006 £000
Revenue	2	20,127	11,761
Cost of sales		(15,502)	(7,884)
Gross profit		4,625	3,877
Administrative expenses		(4,101)	(2,599)
Operating profit		524	1,278
Interest receivable and similar income	7	23	16
Interest payable and similar charges	8	(198)	(125)
Profit on ordinary activities before taxation	3	349	1,169
Taxation on profit on ordinary activities	9	-	33
Profit on ordinary activities after taxation for the year		349	1,202

All of the activities of the company are classed as continuing

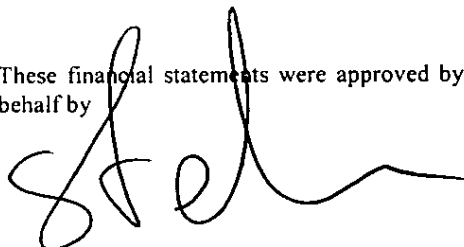
There is no difference between the results as stated in the profit and loss account and the historical cost profits and losses

The company had no recognised gains or losses other than the results for the year as set out above

Balance sheet
 at 30 September 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	35	52
Investments	11	-	-
		<u>35</u>	<u>52</u>
Current assets			
Debtors due within one year	12	2,268	3,847
Cash at bank and in hand		1,103	1
		<u>3,371</u>	<u>3,848</u>
Creditors amounts falling due within one year	13	(56,160)	(54,680)
		<u>(52,789)</u>	<u>(50,832)</u>
Net current liabilities			
		<u>(52,789)</u>	<u>(50,832)</u>
Total assets less current liabilities		<u>(52,754)</u>	<u>(50,780)</u>
Creditors amounts falling due after more than one year	14	-	(125)
Provisions	15	(818)	(3,016)
		<u>(53,572)</u>	<u>(53,921)</u>
Net liabilities			
		<u>(53,572)</u>	<u>(53,921)</u>
Capital and reserves			
Called up share capital	16	10,379	10,379
Profit and loss account	17	(63,951)	(64,300)
		<u>(53,572)</u>	<u>(53,921)</u>
Equity shareholders' deficit	18	<u>(53,572)</u>	<u>(53,921)</u>

These financial statements were approved by the board of directors on 31st January 2008 and were signed on its behalf by



Sir Stelios Haji-Ioannou
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

In accordance with Financial Reporting Standard 1 the company is exempt from preparing a cash flow statement as it is included within the consolidated financial statements of its parent company easyCar Limited

Consolidation

The company is a wholly-owned subsidiary of another company incorporated in the European Union. As a result, the company, in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated financial statements. Accordingly the accounts present information about the company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on a going concern basis. The directors have prepared detailed forecasts and cash flow projections and easyGroup Holdings Limited, the parent company, has confirmed its intention to provide sufficient financial support so as to enable the easyCar group to meet its debts as they fall due, for at least 12 months from the date of approving the accounts. On the basis of the group's projected cash flow requirements, the continued availability of its current lending facilities and the undertaking from easyGroup Holdings Limited, the directors consider that the company and group have adequate resources available to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis.

Fixed assets and depreciation

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

Leasehold land and buildings	-	over the length of the lease
Computer equipment	-	over a three year period
Furniture, equipment and fittings	-	over a three to four year period

Leases

Rentals paid under operating lease contracts are charged to the profit and loss account evenly over the period of the contract.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

Accounting policies (cont)

Self insurance provision

The insurance provision represents the estimated cost of all unsettled or future claims against rental vehicles for accidents that occurred prior to the year end

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of car rental services. Revenue related to car rental services is recognised as relevant contracts progress. Revenue related to ancillary services and charges is recognised when billed. Rental revenue falls within the scope of the Tour Operators' Margin Scheme (TOMS) and is stated net of value added tax applied to the margin on the rental.

Foreign exchange

Transactions denominated in a foreign currency are translated at the average rate prevailing during the month in which the transaction takes place. Monetary assets and liabilities, denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All other exchange gains and losses are taken to the profit and loss account.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for permanent impairment.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

2 Segmental analysis

The company operates in one class of business, that of renting self drive vehicles.

Revenue by geographical destination was as follows

	Revenue 2007 £000	Revenue 2006 £000
Europe	19,101	11,292
Rest of World	1,026	469
	<hr/>	<hr/>
	20,127	11,761
	<hr/>	<hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

<i>The profit on ordinary activities before taxation is stated after charging/(receiving)</i>	2007 £000	2006 £000
Auditors' remuneration		
Audit	36	34
Other services	17	45
Depreciation – owned assets	28	73
Operating lease rentals - other equipment	42	(56)
Movement in insurance provision (note 15)	(701)	(1,310)
	<u> </u>	<u> </u>

4 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	341*	329
	<u> </u>	<u> </u>

The remuneration of the highest paid director was £225,000 (2006 £221,000)

5 Staff numbers

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

	Number of employees	
	2007	2006
Operational	23	22
	<u> </u>	<u> </u>

6 Staff costs

	2007 £000	2006 £000
Wages and salaries	1,258	1,150
Social security costs	116	108
	<u> </u>	<u> </u>
	1,374	1,258
	<u> </u>	<u> </u>

7 Interest receivable and similar income

	2007 £000	2006 £000
Bank interest	23	7
Other interest	-	9
	<u> </u>	<u> </u>
	23	16
	<u> </u>	<u> </u>

Notes (continued)

8 Interest payable and similar charges

	2007 £000	2006 £000
Interest on bank loans and overdrafts	83	84
Other interest payable	-	40
Foreign exchange loss	115	1
	<u>198</u>	<u>125</u>

9 Taxation

	2007 £000	2006 £000
Corporation tax payable at 30%	-	-
Foreign taxation over provision in prior year	-	(33)
	<u>-</u>	<u>(33)</u>

Reconciliation of current tax charge

The tax charge for the period is lower than the profit for the year multiplied by the standard rate of UK corporation tax. This difference is explained as follows:

	2007 £000	2006 £000
Profit for the period multiplied by the standard rate of UK corporation tax (30%)	105	350
Effect of:		
Foreign branch taxes	-	(33)
Expenses not deductible for tax purposes	2	28
Capital allowances in excess of depreciation	9	(338)
Other timing differences	(8)	(40)
Group tax relief	(18)	-
Utilisation of losses b/fwd	(90)	-
	<u>-</u>	<u>(33)</u>

Deferred tax would apply to cumulative losses of £47m (2006: £47m) and capital allowances of £9m (2006: £9m).

The deferred tax asset of £16m (2006: £17m) has not been recognised due to the uncertainty of the timing of its recoverability.

Notes (continued)

10 Tangible fixed assets

	Short leasehold buildings £000	Computer Equipment £000	Furniture, equipment and fittings £000	Total £000
<i>Cost</i>				
At 1 October 2006	102	1,890	27	2,019
Additions	-	12	-	12
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	102	1,902	27	2,031
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 October 2006	(102)	(1,838)	(27)	(1,967)
Charge for year	-	(29)	-	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	(102)	(1,867)	(27)	(1,996)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 September 2007	-	35	-	35
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	-	52	-	52
	<hr/>	<hr/>	<hr/>	<hr/>

11 Investments

	Shares in group Undertakings	
	2007 £000	2006 £000
Investments are held in the following companies		
easyRentacar Internet, S L	-	-
easyCar Pty Ltd	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The investments represent 100% of the ordinary share capital of the above companies. The above companies are incorporated in Spain and Australia respectively. Neither of the companies traded during the year.

Notes (continued)

12 Debtors

	2007 £000	2006 £000
Debtors due within one year		
Trade debtors	1,594	1,039
Other debtors	595	2,730
Prepayments and accrued income	79	78
	<u>2,268</u>	<u>3,847</u>

13 Creditors, amounts falling due within one year

	2007 £000	2006 £000
Bank overdrafts	1,267	1,701
Trade creditors	750	1,218
Amounts owed to parent company	49,025	49,063
Amounts owed to other easyGroup companies	5	30
Other creditors	124	161
Taxation and social security	37	35
Accruals and deferred income	4,952	2,472
	<u>56,160</u>	<u>54,680</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company

14 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Accruals and deferred income	-	125
	<u>-</u>	<u>125</u>

Notes (continued)

15 Provisions

	Self Insurance Provision £'000
At 1 October 2006	3 016
Utilised during year	(701)
Paid during year	(1,497)
	<hr/>
At 30 September 2007	818
	<hr/>

The insurance provision represents the estimated cost of all unsettled or future claims against our rental vehicles for accidents that occurred prior to the year end. The provision is not discounted.

16 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Equity 50,000,000 Ordinary shares of £1 each (2006 50,000,000)	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity 10,378,761 Ordinary shares of £1 each (2006 10,378,761)	10,379	10,379
	<hr/>	<hr/>

Share Options

During the year share options were granted to directors and selected employees of the company over the shares of the parent company easyCar Ltd. The options are disclosed in the financial statements of easyCar Ltd.

17 Reserves

	Profit and loss account £000
At 1 October 2006	(64,300)
Retained profit for the year	349
	<hr/>
At 30 September 2007	(63,951)
	<hr/>

Notes (continued)

18 Reconciliation of movements in shareholders' deficit

	2007 £000	2006 £000
Retained profit for the year	349	1,202
Opening shareholder's deficit	(53,921)	(55,123)
	<hr/>	<hr/>
Closing shareholders' deficit	(53,572)	(53,921)
	<hr/>	<hr/>

19 Commitments

At 30 September 2007 the company was committed to making the following lease payments during the next year in respect of operating leases expiring

	2007 Land and Buildings £000	2006 Land and Buildings £000
In the second to fifth years inclusive	-	58
In more than 5 years	162	-
	<hr/>	<hr/>
	162	58
	<hr/>	<hr/>

20 Related party transactions

Related Party	Transaction	Total of transactions billed in 2007 income/(charged) £000	Total of transactions billed in 2006 income/(charged) £000	Balance at 30 September 2007 debtor/(creditor) £000	Balance at 30 September 2006 debtor/(creditor) £000
easyGroup IP Licensing Ltd	Royalty payable	(51)	(30)	(14)	(30)
	Provision of office services	(30)	-	-	-

easyGroup IP Licensing Limited is a fellow group company

As the company is a wholly owned subsidiary of easyCar Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with it

21 Control

The company's immediate parent company is easyCar Limited. Group accounts in which the results of easyCar (UK) Limited are consolidated and are available from The Rotunda 42/43 Gloucester Crescent, London, NW1 7DL.

The company's ultimate parent undertaking is easyGroup Holdings Limited, a company registered in Jersey whose beneficial shareholder is Sir Stelios Haji-Ioannou. The financial statements of easyGroup Holdings Limited are not available to the public. Sir Stelios Haji-Ioannou is the ultimate controlling party.