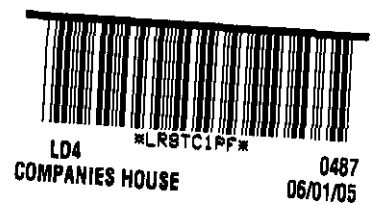


easyCar (UK) Limited

Directors' report and financial
statements

Registered number 3816836

30 September 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
<i>Independent auditors' report to the members of easyCar (UK) Limited</i>	3
Profit and loss account	4
<i>Statement of total recognised gains and losses</i>	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2003.

Principal activity

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

Business review

A summary of the results for the year and the financial position are set out in the financial statements on pages 4 to 15.

The company operated 57 branches in the United Kingdom, France, Holland, Spain and Switzerland during the year. Since the year end the company has closed all corporately owned branches outside of the UK and reduced to 13 the number of branches in the UK. The easyCar Group began to broker car rental to destinations in Europe and North America after the year end through easyCar (UK) Limited's sister company easyCar (International) Limited.

On 27 August 2003, the company has changed its name from easyRentacar (UK) Limited to easyCar (UK) Limited.

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:

Andrew Brandon	(appointed 16 July 2003)
Amir Eilon	(resigned 31 July 2003)
Stelios Haji-Ioannou	
Andrew Fitzmaurice	(resigned 28 March 2003)
Nick Hartley	(resigned 22 November 2002)
Stephen Jackson	(resigned 9 May 2003)
Steve Maltby	(appointed 1 October 2003)

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

By order of the board



Andrew Brandon
Secretary

The Rotunda
42/43 Gloucester Crescent
London
NW1 7DL

1st November 2004

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;
- 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.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of easyCar (UK) Limited

We have audited the financial statements on pages 4 to 15.

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 auditor's 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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

1 November 2004

Profit and loss account
for the year to 30 September 2003

	<i>Note</i>	2003 £000	2002 £000
Revenue	2	32,498	28,306
Cost of sales		(31,463)	(19,946)
Gross profit		1,035	8,360
Exceptional administrative expenses	3	(1,255)	(1,290)
Other administrative expenses		(18,048)	(17,158)
Administrative expenses		(19,303)	(18,448)
Operating loss		(18,268)	(10,088)
Loss on sale of fixed assets	4	(1,577)	
Interest receivable and similar income	8	147	65
Interest payable and similar charges	9	(1,797)	(1,400)
Loss on ordinary activities before taxation	4	(21,495)	(11,423)
Taxation on loss on ordinary activities	10	(387)	(198)
Loss on ordinary activities after taxation and loss for the year		(21,882)	(11,621)

The loss for the year arises from continuing operations.

There is no difference between the reported loss for the year and the historical cost profits and losses.

Statement of total recognised gains and losses
for the year to 30 September 2003

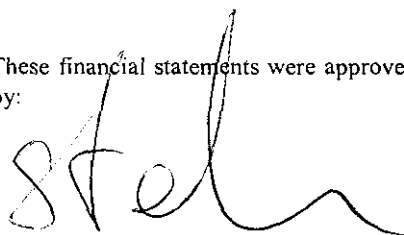
	2003 £000	2002 £000
Loss for the year	(21,882)	(11,621)
Currency translation differences on foreign currency net investments	(91)	31
Total recognised gains and losses relating to the year	(21,973)	(11,590)

Balance sheet

at 30 September 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	11	28,378	36,361
Investments	12	9	9
		<u>28,387</u>	<u>36,370</u>
Current assets			
Debtors due within one year		14,268	11,722
Debtors due after one year		-	1,130
		<u>14,268</u>	<u>12,852</u>
Debtors	13	14,268	12,852
Cash at bank and in hand		18,165	8,291
		<u>32,433</u>	<u>21,143</u>
Creditors: amounts falling due within one year	14	(99,447)	(75,785)
Net current liabilities		<u>(67,014)</u>	<u>(54,642)</u>
Total assets less current liabilities		<u>(38,627)</u>	<u>(18,272)</u>
Creditors: amounts falling due after more than one year	15	(4,894)	(3,332)
Provisions	16	(646)	(590)
Net liabilities		<u>(44,167)</u>	<u>(22,194)</u>
Capital and reserves			
Called up share capital	17	10,379	10,379
Profit and loss account	18	(54,546)	(32,573)
Equity shareholders' deficit	19	<u>(44,167)</u>	<u>(22,194)</u>

These financial statements were approved by the board of directors on 1st November and were signed on its behalf by:



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.

Going concern

The company had significant net liabilities and net current liabilities at 30 September 2003, and remained loss making in the year then ended. However, the financial statements have been prepared on a going concern basis on the basis of a personal commitment from Stelios Haji-Ioannou, the controlling shareholder of the parent company easyCar Limited to provide sufficient funds so as to enable the company (and the easyCar group) to meet its debts as they fall due for at least 12 months from the date of these accounts.

On the basis of the company's projected cash flow requirements, the continued availability of its current lending facilities and the personal guarantee from Stelios Haji-Ioannou, 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
Fleet	-	over the length of the lease

Intangible assets and amortisation

Intangible assets are valued at cost. Amortisation is charged over a twelve month period.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

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.

Notes

(forming part of the financial statements)

Accounting policies (cont)

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.

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of car rental services. Revenue related to the car rental is recognised as relevant contracts progress. All other revenue related to ancillary services and charges is recognised when billed.

Due to recent changes in the group's business model the directors have reconsidered, in accordance with FRS18, the treatment of amounts billed to customers. Included within revenue are amounts billed as insurance charges. Previously these were not shown as revenue and were netted off against cost of sales. The comparatives have been restated to reflect this change. The restatement has £nil impact on profit.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employees related performance in accordance with UITF 17 Employee Share Schemes.

Foreign exchange

Overseas branch assets and liabilities are translated at the rate of exchange at the balance sheet date.

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.

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 2003 £000	Revenue 2002 £000
UK	16,490	14,147
France	7,343	5,957
Holland	1,079	1,243
Spain	5,377	5,564
Switzerland	2,209	1,395
	32,498	28,306

Notes (continued)

3 Exceptional administrative expenses

	2003 £000	2002 £000
Impairment of tangible fixed assets	1,255	1,290

Under FRS 11 (Impairment of fixed assets and goodwill), as a result of the closure of non-UK branches since the year end, additional depreciation has been charged to the profit and loss account to reflect the shortened economic life of vehicles and other fixed assets. In 2002, a development in business strategy changed the format of certain sites. As a result, a number of fixed assets were identified that would no longer be used.

4 Loss on ordinary activities before taxation

<i>The loss on ordinary activities before taxation is stated after charging:</i>	2003 £000	2002 £000
Auditors' remuneration:		
Audit	106	62
Other services - fees paid to the auditor and its associates	282	327
Depreciation:		
Owned assets	783	848
Leased assets	4,657	3,814
Impairment of tangible fixed assets	1,255	1,290
Operating lease rentals - other equipment	9,554	8,008
Loss on sale of fixed assets	1,577	443

5 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	393	412

The remuneration of the highest paid director was £165,947 (2002: £246,950).

6 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	
	2003	2002
Operational	74	54
Site	242	180
	316	234

Notes (continued)

7 Staff costs

	2003 £000	2002 £000
Wages and salaries	5,871	4,761
Social security costs	938	728
	<u>6,809</u>	<u>5,489</u>

The charge for the year in respect of share options issued at under market value was £ nil (2002:£20,671). This is not included in the analysis above.

8 Interest receivable and similar income

	2003 £000	2002 £000
Bank interest	147	65
	<u>147</u>	<u>65</u>

9 Interest payable and similar charges

	2003 £000	2002 £000
Interest on bank loans and overdrafts	2	5
Finance charges payable in respect of finance leases and hire purchase contracts	1,519	1,360
Foreign exchange loss	276	35
	<u>1,797</u>	<u>1,400</u>

10 Taxation

	2003 £000	2002 £000
Corporation tax payable at 30%	-	-
Under provision in prior year	-	-
Foreign taxation under provision in prior year	200	108
Foreign taxation paid	187	90
	<u>387</u>	<u>198</u>

Under FRS19 no deferred tax asset has been recognised in respect of trading losses for the year.

Notes (continued)

11 Tangible fixed assets

	Short leasehold buildings £000	Computer Equipment £000	Furniture, equipment and fittings £000	Vehicles £000	Total £000
<i>Cost</i>					
At 1 October 2002	2,288	2,015	215	37,970	42,488
Additions	367	502	341	23,855	25,065
Foreign exchange movement	-	-	-	2,927	2,927
Disposals	(15)	-	-	(33,224)	(33,239)
At 30 September 2003	2,640	2,517	556	31,528	37,241
<i>Depreciation</i>					
At 1 October 2002	(2,012)	(999)	(170)	(2,946)	(6,127)
Charge for period	(218)	(655)	(78)	(4,489)	(5,440)
Foreign exchange movement	-	-	-	(133)	(133)
Disposals	3	-	-	4,163	4,166
Impairment losses	(142)	(44)	(98)	(971)	(1,255)
Depreciation	7	(81)	-	-	(74)
At 30 September 2003	(2,362)	(1,779)	(346)	(4,376)	(8,863)
<i>Net book value</i>					
At 30 September 2003	278	738	210	27,152	28,378
At 30 September 2002	276	1,016	45	35,024	36,361

Included in the total net book value of computer equipment is £nil (2002:£168,000) in respect of assets held under finance leases. Depreciation for the period on these assets was £168,000 (2002:£ 277,000). All the vehicles disclosed above are held under finance leases.

12 Investments

	Shares in group undertakings	
	2003 £000	2002 £000
Investments are held in the following companies:		
easyRentacar SARL	5	5
easyRentacar Internet, S.L.	4	4
easyCar Pty Limited	-	-
	9	9

The investments represent 100% of the ordinary share capital of the above companies. The above companies are incorporated in France, Spain and Australia respectively. None of the companies traded during the year.

Notes (continued)

13 Debtors

	2003 £000	2002 £000
Debtors due within one year:		
Trade debtors	7,326	8,980
Other debtors	6,431	1,831
Prepayments and accrued income	492	831
Amounts owed from other easyGroup companies (note 22)	19	80
	<hr/>	<hr/>
	14,268	11,722
Debtors due after one year:		
Other debtors	-	1,130
	<hr/>	<hr/>
	14,268	12,852
	<hr/>	<hr/>

14 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Obligations under finance leases	26,036	31,922
Trade creditors	6,007	10,749
Amounts owed to parent company	45,886	21,160
Amounts owed to other easyGroup companies (see note 22)	295	927
Other creditors	406	21
Taxation and social security	327	221
Accruals and deferred income	20,490	10,785
	<hr/>	<hr/>
	99,447	75,785
	<hr/>	<hr/>

Finance lease obligations totalling €44,418,853 (£30,885,032) (2002:€55,203,527 (£34,357,854)) are secured by a fixed charge over the fixed assets of the company. The remaining assets of the company are secured by a floating charge.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Obligations under finance leases	4,894	3,120
Other creditors	-	212
	<u>4,894</u>	<u>3,332</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2003 £000	2002 £000
Within one year	26,036	31,922
In the second to fifth years	4,894	3,120
	<u>30,930</u>	<u>35,042</u>

16 Provisions

	Vehicles Provision £000
At 1 October 2002	590
Utilised during year	(1,051)
Additional amounts provided	1,107
	<u>646</u>
At 30 September 2003	<u>646</u>

The provision represents the net book value of stolen vehicles less an assumed rate of recovery based on historical recoveries of vehicles.

17 Called up share capital

	2003 £000	2002 £000
<i>Authorised</i>		
Equity: 50,000,000 Ordinary shares of £1 each (2002: 50,000,000)	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 10,378,761 Ordinary shares of £1 each (2002: 10,378,761)	10,379	10,379
	<u>10,379</u>	<u>10,379</u>

No shares were issued during 2003 or 2002.

Notes (continued)

18 Reserves

		Profit and loss account £000
At 1 October 2002		(32,573)
Retained loss for the year	(21,882)	
Currency translation differences	(91)	
	<hr/>	<hr/>
		(21,973)
 At 30 September 2003		 (54,546)
		<hr/>

19 Reconciliation of movements in shareholders' deficit

	2003 £000	2002 £000
Loss for the financial year	(21,882)	(11,621)
Currency translation differences	(91)	31
	<hr/>	<hr/>
Net reduction in shareholders' funds	(21,973)	(11,590)
Opening shareholders' deficit	(22,194)	(10,604)
	<hr/>	<hr/>
Closing shareholders' deficit	(44,167)	(22,194)
	<hr/>	<hr/>

20 Commitments

At 30 September 2003 the company was committed to making the following lease payments during the next year in respect of operating leases:

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	1,396	2,967	1,953	3,217
In the second to fifth years inclusive	2,319	-	2,700	-
In more than five years	161	-	58	-
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	3,876	2,967	4,711	3,217
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At 30 September 2003 the Company had £20.98m of capital commitments (2002: £43.4m).

Notes (continued)

21 Post balance sheet events

Subsequent to the year end the company has closed all corporately owned branches outside of the UK and reduced to 13 branches in the UK. The easyCar Group continues to broker car rental outside of the UK through it's sister company easyCar (International) Limited.

22 Related party transactions

Related Party	Transaction	Total of transactions billed in period income/(charged)	Total of transactions billed in 2002 income/(charged)	Balance at 30 September 2003 debtor/(creditor)	Balance at 30 September 2002 debtor/(creditor)
		£000	£000	£000	£000
easyGroup Limited (Jersey)	Interest on loans	-	-	-	(331)
easyGroup (UK) Limited	Provision of office Services	(936)	(733)	(236)	(13)
easyJet plc	Advertising	(407)	(879)	-	-
easyGroup IP Licensing Ltd	Provision of office Services	(195)	(129)	(59)	(542)
easyValue Limited	Advertising	6	4	-	2
EasyMoney Credit Card Limited	Advertising	21	92	-	63
easyInternetcafé Limited	Provision of office services	36	(6)	19	(34)

easyGroup (UK) Limited, easyGroup IP Licensing Limited, easyInternetcafé Limited, easyValue Limited and easyMoney Credit Card Limited are fellow group companies.

Stelios Haji-Ioannou, a director of the company, was a significant shareholder of easyJet plc at 30 September 2003.

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.

23 Ultimate parent company

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

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