

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 29 FEBRUARY 1996
COMPANY NUMBER: 802486



AVIS RENT A CAR LIMITED DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 29 February 1996.

Principal Activities

The principal activity of the company is the renting of motor vehicles.

Business Review

The year to 29 February 1996 shows an operating loss of £14,834,000 (year ended 28 February 1995: operating loss of £11,737,000) which reflects the continuing pressure on margins due to increasing vehicle holding costs. However, the Directors are pleased to note the continuing success of Avis Rent A Car Limited's newly acquired subsidiary company, Avis Europe Risk Management Limited, which has reported operating profits this year of £22,736,000 (year ended 28 February 1995: operating profit of £18,537,000) through making arrangements for the provision of Insurance Policies to the renters of Avis Rent A Car Limited.

The prospects for the company in the year to February 1997 are expected to improve.

Results and Dividends

The loss on ordinary activities after taxation for the year was £15,714,000 (year ended 28 February 1995: loss of £10,620,000). The Directors do not recommend the payment of a dividend (year ended 28 February 1995: nil).

Directors

The following were directors of the company during the period:

W.A. Cathcart (Chairman)
D.O. Maloney
K.F. Dyer
I. Wardle

None of the Directors had any interests in the shares of the company or in any material contracts with the company.

W.A. Cathcart and D.O. Maloney are also Directors of Cilva Holdings PLC and their interests in the share capital of Cilva Holdings PLC are disclosed in the accounts of that company. The interests of the other Directors in Cilva Holdings PLC, all of which were beneficial, were as follows:

28 February 1995

Options over 'J' shares
of 1p each

K.F. Dyer	922,470
I. Wardle	172,960

Compensation of £0.01 per 1000 options was paid to the option holders, for cancellation of these options.

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT (continued)

Directors' Responsibilities in respect of the preparation of financial statements

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 of the company for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed Assets

Movements in tangible assets are shown in note 7 to the financial statements.

Details of Employees' Involvement

Details of the company's employees during the period are set out in note 3 to the financial statements.

During the period the company has maintained the practice of keeping employees informed about current activities and progress by various methods, including newsletters, management presentations and in-house publications.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

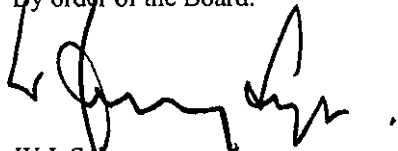
Directors' and Officers' Liability Insurance

Insurance has been taken out for the company's directors and officers against liabilities in relation to the company.

Auditors

Price Waterhouse will continue in office as auditors since the company has elected to dispense with the annual re-appointment of auditors as permitted by Section 386 of the Companies Act 1985.

By order of the Board.



W.J. Sykes
Secretary

AUDITORS' REPORT TO THE MEMBERS OF AVIS RENT A CAR LIMITED

We have audited the financial statements on pages 4 to 14, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of Directors and auditors

As described on page 2 the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 February 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
London

AVIS RENT A CAR LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 FEBRUARY 1996

		Year Ended 29 February 1996 <u>£000</u>	Year Ended 28 February 1995 <u>£000</u>
	Note		
TURNOVER	1	60,184	50,172
Operating costs		<u>(75,018)</u>	<u>(61,909)</u>
OPERATING LOSS		(14,834)	(11,737)
Income from shares in subsidiary undertakings		4,488	-
Interest receivable	4	238	30
Interest payable	5	(5,576)	(2,913)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(15,684)</u>	<u>(14,620)</u>
Taxation on profit on ordinary activities	6	<u>(30)</u>	<u>4,000</u>
RETAINED LOSS FOR THE YEAR	13	<u><u>(15,714)</u></u>	<u><u>(10,620)</u></u>

The company has no recognised gains or losses other than the loss for the year ended 29 February 1996. Therefore no statement of recognised gains or losses is given.

AVIS RENT A CAR LIMITED
BALANCE SHEET
AS AT 29 FEBRUARY 1996

		As at 29 February 1996 £000	As at 28 February 1995 £000
	Note		
FIXED ASSETS			
Tangible assets	7	82,842	90,922
Investments	8	13,000	-
		<u>95,842</u>	<u>90,922</u>
CURRENT ASSETS			
Debtors	9	25,004	19,652
Cash at bank and in hand		801	512
		<u>25,805</u>	<u>20,164</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(118,024)</u>	<u>(104,642)</u>
NET CURRENT LIABILITIES		<u>(92,219)</u>	<u>(84,478)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,623</u>	<u>6,444</u>
Deferred income	11	<u>(2,257)</u>	<u>(2,364)</u>
NET ASSETS		<u>1,366</u>	<u>4,080</u>
CAPITAL AND RESERVES			
Called up share capital	12	14,250	1,250
Share premium		83	83
Profit and loss account	13	<u>(12,967)</u>	<u>2,747</u>
Shareholders' funds (all attributable to equity interests)		<u>1,366</u>	<u>4,080</u>

Approved by the Board of Directors on 25th November 1996

On behalf of the Board

I. Wardle
Director

D.O. Maloney
Director

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

1 ACCOUNTING POLICIES

Accounting Convention

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

The company is a wholly owned subsidiary of a parent undertaking incorporated in the European Community and has taken advantage of Section 228 Companies Act 1985 in not presenting consolidated financial statements. The ultimate parent undertaking is referred to in note 19.

Tangible Assets

Depreciation is calculated so as to write down the cost of tangible assets to their residual value in equal instalments over their estimated useful economic lives, which are as follows:

Leasehold property	-	the period of the lease;
Leasehold improvements	-	the shorter of the period of the lease, or the life of the assets;
Plant and equipment	-	3 to 10 years;
Motor vehicles	-	2 to 8 years;

Depreciation is not charged on freehold premises where the assets are continually maintained to a high state of repair, and improved or extended from time to time, such that their useful economic lives are so long and residual values are so high that any depreciation is insignificant. The remaining premises are depreciated over 50 years.

Freehold land is not depreciated.

Deferred income

Contributions received towards capital expenditure are treated as deferred income in the balance sheet and credited to the profit and loss account over the useful economic lives of the related assets.

Leased Assets

Expenditure on operating leases is charged to the profit and loss account in the period to which it relates.

Assets acquired under finance leases are capitalised as tangible fixed assets. Interest on such lease obligations is charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred Taxation

Deferred taxation in respect of timing differences between profits as computed for taxation purposes and profits as stated in the financial statements is provided, under the liability method, only to the extent that such deferred taxation is likely to be payable in the foreseeable future.

Foreign Currency

Profit and loss items transacted in foreign currencies are recorded in sterling at exchange rates ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the balance sheet date. All exchange differences are reflected in the profit and loss account.

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT 28 FEBRUARY 1995

1 ACCOUNTING POLICIES (continued)

Turnover

Turnover consists primarily of amounts in respect of motor vehicle rental income generated wholly in the UK, net of Value Added Tax and discounts. Vehicle sales proceeds are excluded.

Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

Cash Flow Statement

Cilva Holdings PLC, of which the company is a wholly owned subsidiary, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Statement 1: Cash Flow Statements (FRS1). Accordingly the company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

**2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION
IS STATED AFTER CHARGING/(CREDITING):**

	Year Ended 29 February 1996 £000	Year Ended 28 February 1995 £000
Operating lease rental income	(3,676)	(1,799)
Vehicle holding costs	22,373	14,654
Depreciation of non fleet assets	1,617	1,519
Foreign exchange	(15)	157
Auditors' remuneration: audit fees	33	38
Auditors' remuneration: non-audit fees	8	101
Operating lease rentals: property	1,398	1,886
Operating lease rentals: other	71	92

3 DIRECTORS AND EMPLOYEES

The average number of persons (including Directors) employed by the company during the year was:

	Year Ended 29 February 1996	Year Ended 28 February 1995
Operations	629	592
Sales	103	91
Administration and finance	207	198
	<u>939</u>	<u>881</u>

Staff costs (including Directors)

	Year Ended 29 February 1996 £000	Year Ended 28 February 1995 £000
Wages and salaries	15,789	13,391
Social security costs	1,349	1,195
Pension costs	93	784
	<u>17,231</u>	<u>15,370</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

3 DIRECTORS AND EMPLOYEES (CONTINUED)

	Year Ended 29 February 1996 £000	Year Ended 28 February 1995 £000
Aggregate emoluments paid to Directors were as follows:		
Remuneration	257	241
Pension costs	2	16
Share option buyout compensation	8	8
	<u>267</u>	<u>265</u>

The emoluments disclosed above include amounts (excluding pension contributions) paid to:

Chairman	-	-
Highest paid Director	<u>163</u>	<u>155</u>

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

£0	-	£5,000	2	2
£95,001	-	£100,000	-	1
£100,001	-	£105,000	1	-
£150,001	-	£155,000	-	1
£160,001	-	£165,000	1	-

4 INTEREST RECEIVABLE

	Year Ended 29 February 1996 £000	Year Ended 28 February 1995 £000
From bank deposits	<u>238</u>	<u>30</u>

5 INTEREST PAYABLE

	Year Ended 29 February 1996 £000	Year Ended 28 February 1995 £000
On loans and overdrafts repayable within 5 years:		
Due to group undertakings	4,551	2,880
Other	<u>1,025</u>	<u>33</u>
	<u>5,576</u>	<u>2,913</u>

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996
6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The £30,000 tax charge adjusts for the underprovision of tax for prior years. The taxation credit of £4,000,000 in the year ended 28 February 1995 related to the release of a deferred tax provision previously held.

Tax losses will be surrendered to undertakings of the Avis Europe Limited group. The directors do not consider that the company will receive payment for these losses and therefore no tax credit has been recorded in either the current or the prior year. The corporation tax rate for the year is 33% (year ending 28 February 1995: 33%).

No deferred tax has been provided during the period (year ended 28 February 1995: nil). Deferred tax unprovided is as follows:

	As at 29 February 1996 £000	As at 28 February 1995 £000
Tax effect of timing differences arising from excess of tax allowances over depreciation	11,133	17,144
Other timing differences	(439)	(2,490)
	<u>10,694</u>	<u>14,654</u>

7 TANGIBLE ASSETS

	Freehold Land and Buildings £000	Short Leasehold Property £000	Motor Vehicles £000	Furniture & Computer Equipment £000	Total £000
Cost:					
As at 1 March 1995	1,062	14,285	79,111	7,859	102,317
Additions	-	349	172,100	764	173,213
Disposals	-	-	(179,932)	-	(179,932)
As at 29 February 1996	<u>1,062</u>	<u>14,634</u>	<u>71,279</u>	<u>8,623</u>	<u>95,598</u>
Depreciation:					
As at 1 March 1995	122	3,413	2,185	5,675	11,395
Charge for the period	15	703	10,120	899	11,737
Disposals	-	-	(10,376)	-	(10,376)
As at 29 February 1996	<u>137</u>	<u>4,116</u>	<u>1,929</u>	<u>6,574</u>	<u>12,756</u>
Net book value:					
As at 29 February 1996	<u>925</u>	<u>10,518</u>	<u>69,350</u>	<u>2,049</u>	<u>82,842</u>
As at 28 February 1995	<u>940</u>	<u>10,872</u>	<u>76,926</u>	<u>2,184</u>	<u>90,922</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

7 TANGIBLE ASSETS (CONTINUED)

Included in motor vehicles are vehicles leased out under operating leases at cost £7,945,000 (year ended 28 February 1995: £10,111,000) with attributable depreciation of £181,000 (year ended 28 February 1995: £196,000).

Included in motor vehicles are vehicles leased in under finance leases at cost £43,093,000 (year ended 28 February 1995: £5,941,000) with attributable depreciation of £1,015,000 (year ended 28 February 1995: £188,000). A depreciation charge of £3,442,000 (year ended 28 February 1995: £503,000) is included within vehicle holding costs in the profit and loss account (Note 2).

8 INVESTMENTS

Shares in
subsidiary
undertakings
£000

Investments at cost:

As at 1 March 1995

Purchases during the year

-
13,000

As at 29 February 1996

13,000

The company holds more than 10% of the equity of the following companies:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Shareholding at 29 February 1996</u>
Avis Truck Leasing Limited (non trading)	UK	Ordinary Shares	100%
Victor Britain Limited (non trading)	UK	Ordinary Shares	100%
Avis Pension Trustees Limited (non trading)	UK	Ordinary Shares	100%
Mediumsector Limited (non trading)	UK	Ordinary Shares	100%
Avis Rent A Car (Isle of Man) Limited (non trading)	IOM	Ordinary Shares	100%
Barcelsure Limited (non trading)	UK	Ordinary Shares	100%
Avis Europe Risk Management Limited (insurance broker)	UK	Ordinary Shares	100%

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

9 DEBTORS

	As at 29 February 1996 £000	As at 29 February 1995 £000
Trade debtors	14,103	11,542
Amounts owed by fellow subsidiary undertakings	1,104	968
Dividends receivable from subsidiary undertakings	4,488	-
Corporation tax recoverable	-	701
Other debtors	655	4,176
Prepayments and accrued income	4,654	2,265
	<u>25,004</u>	<u>19,652</u>

**10 CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	As at 29 February 1996 £000	As at 28 February 1995 £000
Bank loans and overdrafts	42,789	3,136
Trade creditors	13,992	18,979
Amounts owed to fellow subsidiary undertakings	36,642	56,118
Other creditors	3	120
Taxation and social security	654	1,236
Accruals	23,325	24,999
Provision for pension costs	619	54
	<u>118,024</u>	<u>104,642</u>

All finance lease creditors are repayable within one year.

11 DEFERRED INCOME

	£000
Balance as at 1 March 1995	2,364
Contributions received	(7)
Transfer to profit and loss account	<u>(100)</u>
Balance as at 29 February 1996	<u>2,257</u>

AVIS RENT A CAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996****12 CALLED UP SHARE CAPITAL**

Authorised, allotted and fully paid Ordinary Shares of £1 each	£000
As at 1 March 1995	1,250
Issued during the year	<u>13,000</u>
As at 29 February 1996	<u><u>14,250</u></u>

By Ordinary Resolution passed on 28 November 1995 the authorised share capital of the company was increased from £1,250,100 to £14,250,100 by the creation of an additional 13,000,000 Ordinary Shares of £1 each ranking pari passu with the existing Ordinary Shares in the capital of the company. All the additional 13,000,000 Ordinary Shares of £1 each were allotted, credited as fully paid, on 28 November 1995 in order to facilitate the purchase of a subsidiary undertaking (see note 8).

13 STATEMENT OF RETAINED PROFITS

	As at 29 February 1996 £000	As at 28 February 1995 £000
Retained profit brought forward	2,747	13,367
Retained loss for the year	<u>(15,714)</u>	<u>(10,620)</u>
Retained (loss)/profit carried forward	<u><u>(12,967)</u></u>	<u><u>2,747</u></u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	As at 29 February 1996 £000	As at 28 February 1995 £000
Loss for the year	(15,714)	(10,620)
New share capital subscribed	<u>13,000</u>	<u>-</u>
	<u>(2,714)</u>	<u>(10,620)</u>
Opening shareholders' funds	<u>4,080</u>	<u>14,700</u>
Closing shareholders' funds	<u><u>1,366</u></u>	<u><u>4,080</u></u>

15 PENSION COSTS

The company participates in a defined benefit pension scheme operated by the Avis Europe Limited group.

The particulars of the scheme, including details of the most recent actuarial valuation, are presented in the financial statements of Avis Management Services Limited, a fellow subsidiary undertaking.

Any contributions made by the company are based on pension costs across the participating members of the group as a whole.

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 1996

16 CAPITAL COMMITMENTS

At 29 February 1996 the company had capital and vehicle commitments authorised but not contracted for amounting to £14,953,000 (at 28 February 1995: £33,308,000) and contracted for but not provided amounting to £18,968,000 (at 28 February 1995: £17,253,000).

17 FINANCIAL COMMITMENTS

Annual commitments under operating leases are as follows:

	At 29 February 1996		At 29 February 1995	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	
Operating leases which expire:				
Within one year	315	1,188	173	803
Between one and five years	497	26	345	70
After more than five years	1,112	-	1,334	-
	<u>1,924</u>	<u>1,214</u>	<u>1,852</u>	<u>873</u>

18 CONTINGENT LIABILITIES

The company has given a guarantee in favour of several banks, in respect of the due payment and performance of the liabilities and obligations of Avis Europe Limited, the UK parent undertaking, and all of its subsidiary undertakings. The company has created a charge over all its assets and property, in favour of several banks in respect of its borrowings and those of the group.

The company has also entered into a netting agreement with its bankers, under which the company's funds may be used to offset the liabilities of the other group undertakings.

The Directors are of the opinion that these arrangements will not have a material impact on the results and financial position of the company.

19 ULTIMATE PARENT UNDERTAKING

As at 1 March 1995 the Company's UK holding company was Cilva Holdings PLC. Following a group reorganisation on 28 February 1996, the UK parent undertaking at 29 February 1996 is Avis Europe Limited.

The Company's ultimate majority shareholder is s.a. D'leteren n.v. which is incorporated in Belgium.