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AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

30TH JUNE, 1985

PEAT, MARWICK, MITCHELL & CO.
1 Puddle Dock, Blackfriars, London EC4V 3PD



AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 30th June, 1985.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

During the year the company again produced significant growth in both turnover and profit.

The company has invested in new computer point of sale technology that will provide its customers with a more efficient service and should contribute to continued growth.

RESULTS

The profit for the year before taxation was £7,174,505 (1984:£6,171,663). After taking into account taxation of £3,891,088 (1984: £257,955) and a dividend payment of £9,100,000 (1984: Nil), the consolidated balance of retained earnings at 30th June, 1985 was £10,831,491.

DIRECTORS

The following were directors of the Company during the year:

Mr. W.A. Cathcart (Chairman)
Mr. G. Corbett
Mr. J. Morley
Mr. J. Sanz
Mr. W.J. Sykes

There were no directors' interests requiring disclosure under the Companies Acts.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the company made no charitable or political donations.

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

EMPLOYEES

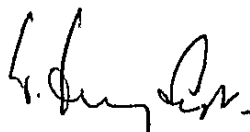
The company operates an equal opportunity policy in employment and, wherever possible, will give special consideration to any disabled person who applies for employment in an existing vacancy. Where required, the company will make reasonable modifications to premises and equipment and will provide appropriate rehabilitation and training to disabled employees.

The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year employees were provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees. Additionally consultations took place with employee representatives so that the views of employees could be taken into account in making decisions which were likely to affect their interests.

AUDITORS

A resolution to re-appoint Messrs. Peat, Marwick, Mitchell & Co. as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board,



Secretary

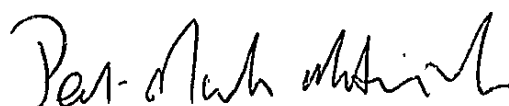
REPORT OF THE AUDITORS TO THE MEMBERS OF
AVIS RENT A CAR LIMITED

We have audited the accounts on pages 4 to 16, in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of affairs of the group and of the company at 30th June, 1985 and of the group's profit and source and application of funds for the year to that date and comply with the Companies Act 1985.

LONDON

27th January, 1986



Chartered Accountants

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1985

	<u>Note</u>	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
TURNOVER	2	37,041,586	31,014,662
Cost of sales		(25,133,444)	(20,883,422)
GROSS PROFIT		<u>11,908,142</u>	<u>10,131,240</u>
Distribution costs		(2,328,032)	(2,150,146)
Administration expenses		(3,450,858)	(2,897,646)
Interest	5	(87,080)	(60,131)
TRADING PROFIT ON ORDINARY ACTIVITIES		<u>6,042,172</u>	<u>5,023,317</u>
Foreign exchange (loss)/gain		(18,583)	290,990
Share of associate companies' profit		1,150,916	857,356
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>7,174,505</u>	<u>6,171,663</u>
Taxation charge for year	6	(3,891,088)	(257,955)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>3,283,417</u>	<u>5,913,708</u>
Dividend paid		(9,100,000)	-
RETAINED (LOSS)/PROFIT FOR FINANCIAL YEAR		<u>(5,816,583)</u>	<u>5,913,708</u>

The notes on pages 7 to 16 form part of these accounts.

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

BALANCE SHEET AT 30TH JUNE, 1985

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>1985</u> £	<u>1984</u> £	<u>1985</u> £	<u>1984</u> £
FIXED ASSETS					
Tangible assets:					
Vehicles	7	27,303,132	27,133,884	27,303,132	27,133,884
Property & Equipment	8	1,698,587	1,622,910	1,698,587	1,622,910
Investments	9	1,708,616	1,513,661	691,309	691,309
		<u>30,710,335</u>	<u>30,270,455</u>	<u>29,693,028</u>	<u>29,448,103</u>
CURRENT ASSETS					
Debtors and other					
current assets	10	25,978,876	34,008,373	25,978,876	35,533,848
Cash at bank and in hand		10,124,322	929,230	10,124,322	929,230
		<u>36,103,198</u>	<u>34,937,603</u>	<u>36,103,198</u>	<u>36,463,078</u>
Creditors: amounts falling due within one year	11	(29,305,473)	(17,812,805)	(29,514,368)	(19,547,299)
NET CURRENT ASSETS		<u>6,797,725</u>	<u>17,124,798</u>	<u>6,588,830</u>	<u>16,915,779</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,508,060	47,395,253	36,281,858	46,363,882
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	11	(17,167,141)	(20,609,430)	(17,167,141)	(20,609,430)
PROVISIONS FOR LIABILITIES AND CHARGES					
	12	(8,175,995)	(8,804,316)	(8,175,995)	(8,804,316)
NET ASSETS		<u>12,164,924</u>	<u>17,981,507</u>	<u>10,938,722</u>	<u>16,950,136</u>
CAPITAL AND RESERVES					
Called up share capital	13	1,250,100	1,250,100	1,250,100	1,250,100
Share premium account	14	83,333	83,333	83,333	83,333
Profit and loss account	14	10,831,491	16,648,074	9,605,289	15,616,703
SHAREHOLDERS' FUNDS		<u>12,164,924</u>	<u>17,981,507</u>	<u>10,938,722</u>	<u>16,950,136</u>

These accounts were approved by the
Board of Directors on 27th January, 1986

Directors

The notes on pages 7 to 16 form part of these accounts.

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE, 1985

	<u>1985</u> £	<u>1984</u> £
Profit on ordinary activities before taxation	7,174,505	6,171,663
Adjustment for items not involving the movement of funds:		
Share of associated companies' profit	(1,150,916)	(857,356)
Depreciation of vehicles, property and equipment	6,925,300	6,601,642
Deficit/(surplus) on disposal of vehicles, property and equipment	582,377	(926,088)
	<u>13,531,266</u>	<u>10,989,861</u>
OTHER SOURCES		
Proceeds on disposal of vehicles, property and equipment	20,498,591	20,069,678
Dividend received from associated companies	443,113	-
Increase in long-term liabilities	-	5,368,204
	<u>20,941,704</u>	<u>25,437,882</u>
<u>TOTAL SOURCE OF FUNDS</u>	<u>34,472,970</u>	<u>36,427,743</u>
APPLICATION OF FUNDS		
Purchases of vehicles, property and equipment	28,251,193	29,045,731
Tax payments	4,061,612	80,000
Dividend paid	9,100,000	-
Decrease in long-term liabilities	3,442,289	-
	<u>44,855,094</u>	<u>29,125,731</u>
<u>TOTAL APPLICATION OF FUNDS</u>	<u>44,855,094</u>	<u>29,125,731</u>
<u>NET SOURCE/(APPLICATION) OF FUNDS</u>	<u>(10,382,124)</u>	<u>7,302,012</u>
THE NET SOURCE/(APPLICATION) OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE/(DECREASE) IN WORKING CAPITAL		
Debtors	(7,984,490)	21,680,004
Creditors falling due within one year	(12,757,750)	1,192,903
	<u>(20,742,240)</u>	<u>22,872,907</u>
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank and in hand	9,195,092	(13,585,827)
Bank loans and overdrafts	1,165,024	(1,985,068)
	<u>(10,382,124)</u>	<u>7,302,012</u>

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The company prepares its financial statements on the historical cost basis of accounting.

Basis of consolidation

The consolidated balance sheet comprises the assets and liabilities of Avis Rent A Car Limited and its subsidiaries.

Associated companies

Companies in which the group has an interest comprising not less than 10% of the equity capital and in respect of which it is in a position to exercise significant influence over commercial and operating policy decisions, are treated as associated companies. The consolidated profit and loss account includes the appropriate share of these companies' profits. The group's share of the post acquisition retained profits and reserves is added to the cost of the investment in the consolidated balance sheet.

The company has taken advantage of the exemption contained in the Companies Act 1985 from presenting its own profit and loss account.

Vehicles

Vehicles are stated at cost after deducting all trade discounts and the net purchase rebate accruing during the year. Purchase rebates which depend on the future volume of purchases are credited to income over the average depreciable lives of the vehicles and the deferred element is deducted from the cost of vehicles on the balance sheet.

Depreciation is based on estimates of future residual value which, for certain vehicles, is agreed at the time of purchase. Depreciation rates vary between 15% and 60% per annum.

Vehicles transferred within the Group are transferred at net book value on the date of transfer and are recorded in the books of the receiving company at original cost, with depreciation calculated from the original purchase date.

In the case of vehicles leased by the company, the company employs an accounting treatment based on the nature of the individual lease:

- (i) in respect of operating leases the company charges leasing payments direct to the profit and loss account and the vehicle is not capitalised;
- (ii) in respect of other leases, the company follows the financing method of accounting whereby the vehicles are dealt with as though they had been purchased outright at the time that the vehicles were installed and depreciation is charged accordingly. Purchase cost is included under vehicles and an equivalent amount included under liabilities.

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Property and computer equipment

Depreciation is calculated to write down the cost of fixed assets to their estimated residual value in equal instalments over their estimated economic lives at the following rates:

Freehold property	2% p.a.
Leasehold property and improvements	3% - 33% p.a.
Furniture and computer equipment	20% - 33% p.a.

Deferred taxation

The company and its subsidiaries provide in full, using the deferral method, for the taxation arising on timing differences between the treatment of items in the financial statements and their treatment for taxation purposes.

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.

Turnover

Turnover consists primarily of invoiced amounts in respect of motor vehicle rental income, together with sales of fuel and accessories net of value added tax, discounts and commissions.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>Turnover</u>		<u>Profit before taxation</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Short-term car and van rental	<u>37,041,586</u>	<u>31,014,662</u>	<u>7,174,505</u>	<u>6,171,663</u>

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING/(CREDITING):

	<u>1985</u> £	<u>1984</u> £
Staff costs (see note 4)	6,344,783	5,657,058
Depreciation on vehicles	6,339,403	6,116,577
Depreciation on property and equipment	585,897	485,065
Deficit/(surplus) on sale of vehicles, property and equipment	582,377	(926,088)
Other operating income	(686,597)	(653,603)
Auditors' remuneration	33,178	30,000
Hire of vehicles (other than those hired under capital leases)	<u>1,926,982</u>	<u>461,138</u>

4. DIRECTORS AND EMPLOYEES

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

	<u>1985</u>	<u>1984</u>
Operations	445	437
Sales	49	40
Administration and finance	134	140
	<u>628</u>	<u>617</u>

Staff costs:

	<u>1985</u> £	<u>1984</u> £
Wages and salaries	5,695,993	4,943,696
Social security costs	578,983	545,141
Other pension costs	60,721	123,937
Severance pay	9,086	44,284
	<u>6,344,783</u>	<u>5,657,058</u>

The remuneration paid to directors was:

	£	£
Remuneration as executives	<u>53,282</u>	<u>57,494</u>
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
Chairman	-	-
Highest paid director	53,282	42,335

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

4. DIRECTORS AND EMPLOYEES (continued)

The number of other directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	<u>1985</u>	<u>1984</u>
£0 - £ 5,000	4	3
£15,001 - £20,000	-	1

The number of employees whose emoluments, excluding pension contributions, fell within the following range were:

£30,001 - £35,000	1	1
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5. INTEREST

	<u>1985</u> £	<u>1984</u> £
Interest charged:		
On bank loans and overdrafts repayable within 5 years	27,963	25,593
Applicable to vehicle financing	2,746,692	2,146,146
Other	6,824	-
	<u>2,781,479</u>	<u>2,171,739</u>
Interest received:		
From related companies	(2,198,044)	(1,545,313)
From bank deposits	(495,570)	(565,808)
Other	(781)	(487)
	<u>87,080</u>	<u>60,131</u>

6. TAXATION

	<u>1985</u> £	<u>1984</u> £
U.K. corporation tax at 43.75%		
Current	638,677	-
Deferred	2,085,970	194,493
Adjustment in respect of prior years		
Current	61,555	1,481
Deferred	592,038	(181,180)
	<u>3,378,240</u>	<u>14,794</u>
Share of associated company tax charge	512,848	243,161
	<u>3,891,088</u>	<u>257,955</u>

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

7. VEHICLES

	<u>Group and Company</u> £
Cost:	
At 1st July, 1984	29,210,315
Additions	26,938,136
Disposals	(26,609,739)
	<u>29,538,712</u>
At 30th June, 1985	
Accumulated depreciation:	
At 1st July, 1984	2,076,431
Charge for the year	6,339,403
Eliminated in respect of disposals	(6,190,254)
	<u>2,235,580</u>
At 30th June, 1985	
Net book value:	
At 30th June, 1985	<u>27,303,132</u>
At 30th June, 1984	<u>27,133,884</u>

8. PROPERTY AND EQUIPMENT

Group and company:

	<u>Land and buildings</u> £	<u>Furniture and equipment</u> £	<u>Leasehold improvements</u> £	<u>Total</u> £
Cost:				
At 1st July, 1984	54,935	822,721	2,160,680	3,038,336
Additions	-	1,210,154	102,903	1,313,057
Disposals	-	-	(651,483)	(651,483)
Reclassification	-	187,778	(187,778)	-
	<u>54,935</u>	<u>2,220,653</u>	<u>1,424,322</u>	<u>3,699,910</u>
At 30th June, 1985				
Depreciation:				
At 1st July, 1984	20,674	579,825	814,927	1,415,426
Charge for the year	1,496	368,468	215,933	585,897
Reclassification	-	3,266	(3,266)	-
	<u>22,170</u>	<u>951,559</u>	<u>1,027,594</u>	<u>2,001,323</u>
At 30th June, 1985				
Net book value:				
At 30th June, 1985	<u>32,765</u>	<u>1,269,094</u>	<u>396,728</u>	<u>1,698,587</u>
At 30th June, 1984	<u>34,261</u>	<u>242,896</u>	<u>1,345,53</u>	<u>1,622,910</u>

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

9. INVESTMENTS

	<u>Group</u> <u>£</u>	<u>Company</u> <u>£</u>
Shares at cost		
Associated companies:		
At 1st July, 1984 and 30th June, 1985	491,309	491,309
Subsidiary companies:		
At 1st July, 1984 and 30th June, 1985	-	200,000
Share of profits of associated companies from date of acquisition less dividends received:		
At 1st July, 1984	1,022,352	-
Current year	194,955	-
At 30th June, 1985	<u>1,217,307</u>	<u>-</u>
Summary		
At 30th June, 1985	<u>1,708,616</u>	<u>691,309</u>
At 30th June, 1984	<u>1,513,661</u>	<u>691,309</u>

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

<u>Name</u>	<u>Country of</u> <u>incorporation</u>	<u>Holding</u>	<u>Proportion held at</u> <u>30th June, 1985</u>	<u>30th June,</u> <u>1984</u>
Avis Car Leasing Limited	UK	Ordinary shares	50%	50%
Sogen Avis	France	Ordinary shares	12½%	12½%
Avis Truck Leasing Limited (non trading)	UK	Ordinary shares	100%	100%
Barcelsure Limited (non trading)	UK	Ordinary shares	100%	100%
Victor Britain Limited (non trading)	UK	Ordinary shares	100%	100%
Avis Pension Trustees Limited	UK	Ordinary shares	100%	100%

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

10. DEBTORS AND OTHER CURRENT ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Trade debtors	10,909,866	8,825,597	10,909,866	8,825,597
Amounts owed by affiliate companies	13,547,558	22,154,473	13,547,558	22,154,473
Amounts owed by subsidiary companies	-	-	-	1,537,137
Prepayments and other current assets	1,521,452	3,028,303	1,521,452	3,016,641
	<u>25,978,876</u>	<u>34,008,373</u>	<u>25,978,876</u>	<u>35,533,848</u>

11. CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Bank loans and overdrafts	1,584,615	2,749,639	1,584,615	4,484,133
Trade creditors	4,919,420	737,801	4,919,420	737,801
Corporation tax payable	-	100,058	-	100,058
Other taxation and social security payable	1,068,190	1,080,873	1,068,190	1,080,873
Amounts due to affiliate companies	4,063,501	159,611	4,272,396	159,611
Accruals and deferred income	4,978,875	4,226,523	4,978,875	4,226,523
Current portion of lease debt	12,690,872	8,758,300	12,690,872	8,758,300
	<u>29,305,473</u>	<u>17,812,805</u>	<u>29,514,368</u>	<u>19,547,299</u>
Amounts falling due after more than one year:				
Non current portion of lease debt	17,167,141	20,609,430	17,167,141	20,609,430

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:

	<u>Group and Company</u>	
	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Tax effect of timing differences arising from:		
Excess of tax allowances over depreciation	12,314,193	9,553,737
Other	(831,869)	(749,421)
Recoverable Advance Corporation Tax	(3,306,329)	-
	<u>8,175,995</u>	<u>8,804,316</u>

The movements on the provision for deferred taxation are as follows:

	<u>Group and Company</u>
	<u>£</u>
Provision at 1st July 1984	8,804,316
Transfer from profit and loss account:	
Current year	2,085,970
Prior year	592,038
Recoverable Advance Corporation Tax	(3,306,329)
Provision at 30th June, 1985	<u>8,175,995</u>

13. CALLED UP SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Authorised		
1,250,100 ordinary shares of £1 each	<u>1,250,100</u>	<u>1,250,100</u>
Allotted, issued and fully paid		
1,250,100 ordinary shares of £1 each	<u>1,250,100</u>	<u>1,250,100</u>

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

14. SHARE PREMIUM ACCOUNT AND RESERVES

	<u>Group and company Share premium £</u>	<u>Group Profit and loss account £</u>	<u>Company Profit and loss account £</u>
At 1st July, 1984	83,333	16,648,074	15,616,703
Retained profit for year	-	3,283,417	3,088,586
Dividend paid	-	(9,100,000)	(9,100,000)
At June 30th, 1985	<u>83,333</u>	<u>10,831,491</u>	<u>9,605,289</u>
Retained by the holding company		9,605,289	
Retained by the subsidiary		8,895	
Retained by the associated companies		1,217,307	
		<u>10,831,491</u>	

15. PENSION COMMITMENTS

The company has a pension fund, membership of which is optional for employees employed prior to 1st January, 1974 and compulsory for those employed thereafter.

An actuarial valuation of the fund by the Wyatt Company on 1st July, 1982 indicated that there were sufficient assets in the fund to secure the benefits of existing pensioners and to provide paid up pensions to present employees on the basis of present salaries and credited periods of service.

16. CAPITAL COMMITMENTS

	<u>1985 £</u>	<u>1984 £</u>
Capital expenditure contracted for but not provided for in the financial statements	<u>239,000</u>	<u>104,000</u>
Capital expenditure authorised by the directors but not yet contracted for	<u>-</u>	<u>-</u>

In addition, as agents for its vehicle lessors, the company has placed purchase orders for 262 vehicles at an approximate cost of £1,950,000 (1984:427 vehicles, £2,100,000). The company is committed to lease these vehicles from the lessors.

AVIS RENT A CAR LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

17. OTHER FINANCIAL COMMITMENTS

Additionally, in accordance with the terms of the main vehicle lease, the company is obliged to maintain a bank account, the use of which is restricted. At 30th June, 1985 the balance on this account included in cash at bank and in hand on the balance sheet was £1,358,327 (1984:£914,465).

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Beatrice Companies Inc., incorporated in the United States of America.