



AVIS RENT A CAR LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1982



AVIS RENT A CAR LIMITED

REPORT OF THE DIRECTORS

The Directors present their report, together with the consolidated financial statements of the Company and its subsidiaries, for the year ended June 30, 1982.

ACTIVITIES

The principal activities of the group during the year to June 30, 1982, were the renting and leasing of motor vehicles. The group also provided parking facilities.

RESULTS

The group's turnover and operating loss were divided between its main classes of business as follows :

	<u>Turnover</u>	<u>Operating Loss</u>
	<u>£</u>	<u>Before Taxation</u>
		<u>£</u>
Renting and leasing of motor vehicles	32,652,892	(109,241)
Provision of parking facilities	1,887,584	(66,719)
	<u>£ 34,540,476</u>	<u>£ (175,960)</u>

The consolidated net loss for the year was £861,463 which, when deducted from the retained earnings at June 30, 1981, results in a consolidated balance of retained earnings at June 30, 1982 of £6,036,776. The Directors do not recommend the payment of a dividend.

EMPLOYEES

The average weekly number of employees of the group during the period was 1,064 and their aggregate remuneration was £7,132,297.

DIRECTORS AND THEIR INTERESTS

The following were Directors of the Company during the year:

Mr A Cathcart	(Appointed August 4, 1981)
Mr T P King-Smith	(Resigned June 1, 1982)
Mr G J Pollack	(Appointed August 4, 1981 resigned November 30, 1981)
Mr J Sanz	
Mr W J Sykes	

Mr J Morley was appointed a Director of the Company effective from October 25, 1982.

AVIS RENT A CAR LIMITED

REPORT OF THE DIRECTORS (Continued)

None of the Directors had any interest during the year in the shares of the Company or its subsidiaries.

As the Company is a wholly-owned subsidiary of a body corporate incorporated outside Great Britain, the Directors are not required to notify the Company of interests in shares or debentures of that or any other body corporate incorporated outside Great Britain.

CHARITABLE DONATIONS

Charitable donations made during the year totalled £250. (1981 - £181).

CESSATION OF TRADING ACTIVITY

On September 14, 1982, the group transferred its truck leasing operations to a third party and discontinued short term truck rental operations (see note 12 to the financial statements).

DISPOSAL OF SUBSIDIARY

On July 30, 1982, the share capital of Avis Parking Limited, a wholly-owned subsidiary of Avis Rent a Car Limited was sold to a third party (see note 13 to the financial statements).


AUDITORS

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Deloitte Haskins and Sells as Auditors to the Company will be put to the Annual General Meeting.

DISABLED PERSONS

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 necessary rehabilitation and training to disabled employees.

BY ORDER OF THE BOARD


W J Sykes
Secretary

AVIS RENT A CAR LIMITED

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

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

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at June 30, 1982, and of the loss and source and application of funds for the year then ended, and comply with the Companies Acts 1948 to 1981.

The attached financial statements do not contain the current cost accounts required by Statement of Standard Accounting Practice No. 16.

Debitte Haskins, Sells

DELOITTE HASKINS & SELLS
Chartered Accountants

London

August 1st, 1983

AVIS RENT A CAR LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED JUNE 30, 1982

	<u>Notes</u>	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Turnover	2	34,540,476	32,834,214
Operating Loss	3	(175,960)	(1,491,277)
Share of profit of associated company		411,712	328,363
Profit/(loss) before taxation		235,752	(1,162,914)
Write off of group relief receivable from affiliate company	6	(693,727)	-
Taxation	6	(403,488)	434,984
Net loss	7	(861,463)	(727,930)
Retained earnings at beginning of year		6,898,239	7,626,169
Retained earnings at end of year		£ 6,036,776	£ 6,898,239
Retained by the holding company		5,408,589	6,357,823
Retained by subsidiaries		454,710	440,998
Retained by the associated company		173,477	99,418
		£ 6,036,776	£ 6,898,239

AVIS RENT A CAR LIMITED AND SUBSIDIARIES

GROUP AND COMPANY BALANCE SHEETS AT JUNE 30, 1982

	NOTES	GROUP		COMPANY	
		<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
VEHICLES	8	26,508,345	25,863,822	22,829,963	22,163,426
PROPERTY & EQUIPMENT	9	<u>1,921,542</u>	<u>2,421,553</u>	<u>1,778,294</u>	<u>2,283,444</u>
INVESTMENTS	10	<u>523,477</u>	<u>449,418</u>	<u>560,000</u>	<u>560,000</u>
NON CURRENT RECEIVABLE Due from affiliated company	6	-	939,942	-	323,280
CURRENT ASSETS					
Bank balances & cash		9,734,200	20,160,667	9,509,070	19,844,102
Accounts receivable		11,133,964	5,991,730	10,433,197	5,446,098
Prepayments and other current assets		1,760,719	1,737,054	1,522,749	1,466,132
Amounts due from affiliated companies		1,387,779	469,448	1,387,779	469,448
Amounts due from subsidiary companies		-	-	150,750	86,325
TOTAL CURRENT ASSETS		<u>24,016,662</u>	<u>28,358,899</u>	<u>23,003,545</u>	<u>27,312,105</u>
CURRENT LIABILITIES					
Bank loans & overdrafts		790,121	3,131,584	290,683	1,506,799
Accounts payable & accrued liabilities		18,989,653	13,917,915	17,611,444	12,590,270
Corporation Tax payable		552,168	-	298,523	-
Amounts due to affiliated companies		285,560	3,179,596	284,292	3,177,579
Amounts due to subsidiary companies		-	-	190,193	306,997
TOTAL CURRENT LIABILITIES		<u>20,617,502</u>	<u>20,229,095</u>	<u>18,675,135</u>	<u>17,581,645</u>
NET CURRENT ASSETS		<u>3,399,160</u>	<u>8,129,804</u>	<u>4,328,410</u>	<u>9,730,460</u>
DEFERRED TAXATION	6	32,352,524	37,804,539	29,496,667	35,060,610
LONG TERM LIABILITIES	11	(9,742,064)	(10,351,049)	(8,949,378)	(9,237,623)
		<u>(15,240,251)</u>	<u>(19,221,818)</u>	<u>(13,805,267)</u>	<u>(18,131,731)</u>
		<u>£ 7,370,209</u>	<u>£ 8,231,672</u>	<u>£ 6,742,022</u>	<u>£ 7,691,256</u>
Financed by:					
SHARE CAPITAL	14	1,250,100	1,250,100	1,250,100	1,250,100
SHARE PREMIUM ACCOUNT		83,333	83,333	83,333	83,333
RETAINED EARNINGS		<u>6,036,776</u>	<u>6,898,239</u>	<u>5,408,589</u>	<u>6,357,823</u>
SHAREHOLDERS' FUNDS		<u>£ 7,370,209</u>	<u>£ 8,231,672</u>	<u>£ 6,742,022</u>	<u>£ 7,691,256</u>

The Financial statements on pages 4 to 16 were approved by the Board of Directors on August 1, 1983, and were signed on their behalf by

A. Cathcart A CATHCART) DIRECTORS
J MORLEY)

AVIS RENT A CAR LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR
ENDED JUNE 30, 1982

	<u>1982</u> £	<u>1981</u> £
SOURCE OF FUNDS:		
FUNDS GENERATED FROM OPERATIONS:		
Profit/(Loss) before taxation	235,752	(1,162,914)
Adjustment for items not involving the movement of funds:		
Depreciation of vehicles	8,322,899	6,909,040
Depreciation of property and equipment	563,807	393,937
Surplus on sale of vehicles, property and equipment	(907,645)	(190,907)
Share of profit of associated company	(411,712)	(328,363)
Total funds generated from operations	<u>7,803,101</u>	<u>5,620,793</u>
OTHER SOURCES:		
Proceeds on sale of vehicles, property and equipment	14,753,176	15,652,727
Dividends received from associated company	123,563	81,253
Increase in long term liabilities	-	13,689,372
	<u>22,679,840</u>	<u>35,044,145</u>
APPLICATION OF FUNDS:		
Purchase of vehicles	(22,475,493)	(17,007,826)
Purchase of property and equipment	(401,256)	(412,827)
Decrease in long term liabilities	(3,981,567)	-
	<u>(26,858,316)</u>	<u>(17,420,653)</u>
	<u>£ (4,178,476)</u>	<u>£ 17,623,492</u>
INCREASE (DECREASE) IN WORKING CAPITAL		
Accounts receivable	5,142,234	(441,937)
Prepayments and other current assets	23,665	(2,516,259)
Amounts due from affiliated companies	918,331	9,929
Accounts payable	(5,071,738)	(10,001,786)
Amounts due to affiliated companies	2,894,036	(1,633,670)
	<u>3,906,528</u>	<u>(14,583,723)</u>
Movement in net liquid funds:		
Bank balances and cash	(10,426,467)	19,978,321
Bank loans and overdrafts	2,341,463	12,228,894
	<u>£ (4,178,476)</u>	<u>£ 17,623,492</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1982

1. ACCOUNTING POLICIES

Basis of Accounts

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

The consolidated financial statements comprise the financial statements of Avis Rent a Car Limited and those of its subsidiaries for the year ended June 30, 1982.

The principal accounting policies adopted in the preparation of these financial statements are as follows :-

Associated Company

The investment in an associated company is accounted for by the equity method on consolidation whereby the original cost of the investment is adjusted for the increase or decrease in the group's share of the underlying net assets of the associated company since the date of formation or later investment.

Vehicles

Cost is 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.

Depreciation policy is based on an estimate of future residual values which for certain vehicles is agreed at the time of purchase. Depreciation rates vary between 15% and 50% p.a.

The cost of vehicles invoiced to the group and paid for but not delivered and installed is classified under prepayments.

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

In the case of leased vehicles, the Company as lessee follows the financing method of accounting, whereby the vehicles leased 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.

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Property and Equipment

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

Freehold property (excluding land)	2½% p.a.
Leasehold buildings and improvements, furniture and equipment	3% to 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. The Directors of Avis Rent a Car Limited consider it uncertain that these timing differences, which arise mainly through the excess of tax depreciation (capital allowances) over book depreciation, will continue in the foreseeable future, and therefore consider such provisions are appropriate. Similarly, full provision is made for deferred taxation in respect of the group's share of profits of the associated company.

Translation of transactions and amounts in foreign currencies

Revenues and operating expenses transacted in foreign currencies are recorded in sterling at exchange rates ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the balance sheet date.

All exchange differences are reflected in income.

2. TURNOVER

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

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3. OPERATING LOSS

- (a) Operating loss is arrived at after charging/(crediting) the following:

	<u>1982</u> £	<u>1981</u> £
Interest (note 5)	944,600	1,806,661
Depreciation on vehicles	8,322,899	6,909,040
Depreciation on buldings, furniture and equipment	563,807	393,937
Surplus on sale of vehicles, property and equipment	(907,645)	(190,907)
Vehicle lease rentals	252,351	190,798
Auditors remuneration	35,825	31,300
Exceptional item (note 4)	542,000	-

- (b) Emoluments of Directors and Senior Employees

The total emoluments of the Directors of the Company were:

Remuneration as Executives	59,465	24,151
Compensation for loss of office	41,400	-
	<u>£ 100,865</u>	<u>£ 24,151</u>

Emoluments of Chairman	£ --	£ -
Emoluments of highest paid Director	<u>£ 32,628</u>	<u>£ 24,151</u>

Number of other Directors whose emoluments were within the ranges

£0 - £5,000	2	3
£20,000 - £25,000	1	-

Number of employees whose emoluments exceeded £20,000 were within the range

£20,000 - £25,000	3	2
£25,001 - £30,000	-	1

4. EXCEPTIONAL ITEM

Provision for the net estimated costs of tenure of premises surplus to group requirements

<u>£542,000</u>	-
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5. INTEREST

	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Interest charged:		
Interest on bank loans, over-drafts and loans from affiliated company, which are repayable within 5 years	327,826	1,181,604
Interest on longterm loan from affiliated company	-	500,000
Interest charge applicable to finance leases	2,830,259	207,209
	<u>3,158,085</u>	<u>1,888,813</u>
Interest received	(2,213,485)	(82,152)
	<u>£ 944,600</u>	<u>£1,806,661</u>

6. TAXATION

(a) The taxation charge/
(credit) comprises:

Corporation Tax payable	552,168	-
Deferred:		
Group companies:		
Current Year	(235,748)	(649,330)
Prior Year Adjustment	(127,022)	-
	<u>189,398</u>	<u>(649,330)</u>
Share of associated company charge	214,090	214,346
	<u>£ 403,488</u>	<u>£ (434,984)</u>

The taxation charge has been computed at 52% of group taxable results. No tax relief has been taken in respect of the provision for net property costs of £542,000 (see note 4).

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- (b) The balance on the deferred taxation account arises from the following sources:

	GROUP		COMPANY	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Excess of capital allowances over depreciation	9,880,487	10,841,178	9,065,528	9,711,243
Losses	-	(380,640)	-	(380,540)
Other	(138,423)	(109,489)	(116,150)	(93,080)
	<u>£9,742,064</u>	<u>£10,351,049</u>	<u>£8,949,378</u>	<u>£9,237,623</u>

- (c) As a result of a US Internal Revenue Service ruling, in respect of payment for group relief, it has now been decided by the ultimate Parent Company that consideration for the benefit of losses previously surrendered to an affiliate company will not be repaid by that affiliate. Accordingly, the non-current receivable of £693,727 has been written off.

7. NET LOSS

The net loss after taxation has been dealt with in the accounts of:

	<u>1982</u>	<u>1981</u>
	<u>£</u>	<u>£</u>
The Company (including dividends received)	(949,234)	(817,723)
Subsidiaries (less dividend paid)	13,712	57,029
Associated company (less dividend paid)	74,059	32,764
	<u>£ (861,463)</u>	<u>£ (727,930)</u>

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8. VEHICLES

	<u>GROUP</u> £	<u>COMPANY</u> £
Cost		
At July 1, 1981	33,633,842	28,511,915
Additions	22,475,493	20,695,243
Disposals	(21,126,066)	(20,270,477)
Group Transfers	-	249,032
	<hr/>	<hr/>
At June 30, 1982	34,983,269	29,185,713
	<hr/>	<hr/>
Accumulated Depreciation		
At July 1, 1981	7,770,020	6,348,489
Charge for year	8,322,899	7,168,466
Disposals	(7,617,995)	(7,202,567)
Group Transfers	-	41,362
	<hr/>	<hr/>
At June 30, 1982	8,474,924	6,355,750
	<hr/>	<hr/>
NET BOOK VALUE		
At June 30, 1982	£26,508,345	£22,829,963
	<hr/>	<hr/>
At June 30, 1981	£25,863,822	£22,163,426
	<hr/>	<hr/>

On June 22, 1981, the Company entered into a sale and lease back agreement with Prime Vehicles Limited involving substantially all the Company's vehicles. Although the Company does not have legal title to the vehicles, it carries all the risk of ownership, and consequently, these vehicles are recorded using the financing method of accounting. Additionally, the group has continued to lease certain vehicles under other financing arrangements. The book value of leased vehicles, included in the above figures was:

	<u>GROUP</u>	<u>COMPANY</u>
At June 30, 1982	£25,301,039	£23,229,374
	<hr/>	<hr/>
At June 30, 1981	£23,073,363	£21,675,778
	<hr/>	<hr/>

At June 30, 1981, the group had the following capital commitments in respect of vehicle purchases:

As agent for its vehicle lessors, the Company had placed purchase orders for 750 vehicles at an approximate cost of £3,800,000. The Company is committed to lease these vehicles from the lessors.

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9. PROPERTY AND EQUIPMENT

a) Group

	Freehold Land	Property	Leasehold Buildings & Improvements	Furniture & Equipment	Total
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST					
At July 1, 1981	108,477	363,926	2,162,647	863,938	3,498,988
Additions	-	-	42,264	358,992	401,256
Disposals	(108,477)	(149,865)	(196,060)	(301,973)	(756,373)
At June 30, 1982	<u>-</u>	<u>214,061</u>	<u>2,008,851</u>	<u>920,957</u>	<u>3,143,869</u>
ACCUMULATED DEPRECIATION					
At July 1, 1981	-	46,447	578,534	452,454	1,077,435
Charge for year	-	11,531	225,311	326,965	563,807
Disposals	-	(26,238)	(183,288)	(209,389)	(418,915)
At June 30, 1982	<u>-</u>	<u>31,740</u>	<u>620,557</u>	<u>570,030</u>	<u>1,222,327</u>
NET BOOK VALUE					
At June 30, 1982	<u>-</u>	<u>182,321</u>	<u>1,388,294</u>	<u>350,927</u>	<u>1,921,542</u>
At June 30, 1981	<u>108,477</u>	<u>317,479</u>	<u>1,584,113</u>	<u>411,484</u>	<u>2,421,553</u>

(b) Company

COST					
At July 1, 1981	108,477	363,926	2,081,812	740,861	3,295,076
Additions	-	-	26,854	320,606	347,460
Disposals	(108,477)	(149,865)	(196,059)	(297,922)	(752,323)
At June 30, 1982	<u>-</u>	<u>214,061</u>	<u>1,912,607</u>	<u>763,545</u>	<u>2,890,213</u>
ACCUMULATED DEPRECIATION					
At July 1, 1981	-	46,447	568,222	396,963	1,011,632
Charge for year	-	11,531	211,168	294,627	517,326
Disposals	-	(26,238)	(183,288)	(207,513)	(417,039)
At June 30, 1982	<u>-</u>	<u>31,740</u>	<u>596,102</u>	<u>484,077</u>	<u>1,111,919</u>
NET BOOK VALUE					
At June 30, 1982	<u>-</u>	<u>182,321</u>	<u>1,316,505</u>	<u>279,468</u>	<u>1,778,294</u>
At June 30, 1981	<u>108,477</u>	<u>317,479</u>	<u>1,513,590</u>	<u>343,898</u>	<u>2,283,444</u>

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(c) Capital commitments on property and equipment are as follows:

	<u>1982</u>	<u>1981</u>
Contracts not provided for	<u>£ 247,000</u>	<u>£ 31,000</u>
Amounts authorised but not contracted for	<u>£ -</u>	<u>£ -</u>

10. INVESTMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Associated company:				
Shares at cost	350,000	350,000	350,000	350,000
Add. Share of net profit from date of formation less dividends received	173,477	99,418	-	-
Subsidiary companies:				
Shares at cost	-	-	210,000	210,000
	<u>523,477</u>	<u>449,418</u>	<u>560,000</u>	<u>560,000</u>

Associated company:

The Company owns 50% of the issued share capital of Avis Car Leasing Limited. The remaining 50% is held by a non-affiliated company. The results included in respect of Avis Car Leasing Limited are based on those shown by the management accounts for the year ended May 31, 1982.

Subsidiary companies:

As at June 30, 1982, the Company owned 100% of the issued share capital of the following companies, all of which are registered in England.

Avis Truck Leasing Limited
Avis Parking Limited
Jarcelsure Limited
Victor Britain Limited

AVIS RENT A CAR LIMITED

11. LONG TERM LIABILITIES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Obligation under capitalised leases	15,240,251	14,221,818	13,805,267	13,131,731
Loan from affiliate	-	5,000,000	-	5,000,000
	<u>15,240,251</u>	<u>19,221,818</u>	<u>13,805,267</u>	<u>18,131,731</u>

The loan from affiliate (Avis International Limited), repayable in 1989, was repaid during the year.

12. CESSATION OF TRADING ACTIVITY

On September 10, 1982, the business and related assets of Avis Truck Leasing Limited together with certain assets relating to the short term truck rental business of Avis Rent a Car Limited were transferred to a wholly-owned subsidiary acquired since June 30, 1982.

The whole of the share capital of that subsidiary was sold to a third party on September 14, 1982.

The Directors estimate that the net cost before the associated tax effect of this transaction, and the discontinuance of the short term truck rental business of Avis Rent a Car Limited will be £722,000.

13. DISPOSAL OF SUBSIDIARY

On July 30, 1982, the whole of the share capital of Avis Parking Limited, a wholly-owned subsidiary was sold to a third party. The consideration paid by the purchaser was based on the net assets of the subsidiary at June 30, 1982 and the surplus arising from the disposal is approximately £125,000.

14. SHARE CAPITAL

	<u>1982</u>	<u>1981</u>
Authorised, issued and fully paid ordinary shares of £1 each	<u>£1,250,100</u>	<u>£1,250,100</u>

AVIS RENT A CAR LIMITED

15 BANK BALANCES & CASH

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 June 30, 1982 the balance on this account, included in bank balances and cash was £886,155 (1981 - £1,319,820).

16 PENSION SCHEME

Membership of the Avis UK Pension Plan is optional for those employed prior to January 1, 1974, but is compulsory for substantially all employees hired subsequently. The contributions by the Company to the Pension Plan during the year amounted to £219,573 (1981 - £263,438). The most recent actuarial valuation of the plan was carried out by the Wyatt Company on July 1, 1982.

17 GUARANTEE OF BANK & LEASE FACILITIES

The Company has guaranteed bank facilities to a fellow subsidiary company, St Brelade's Garages Limited of up to a maximum of £1,250,000 (1981 - £2,250,000). At June 30, 1982, the relevant indebtedness of the Company amounted to £1,067,000 (1981 - £759,486).

In addition the Company has guaranteed performance of the lease of the fellow subsidiary's HQ premises at a current annual rent of £28,000.

18 ULTIMATE HOLDING COMPANY

At June 30, 1982 the ultimate holding company was Norton Simon Inc., incorporated in the USA. Subsequent to that date, Norton Simon Inc was acquired by Esmark Inc., also incorporated in the USA. Esmark Inc. is now the company's ultimate holding company.

19 COMPANIES ACT 1981

Neither the group nor the holding company is yet required to comply with the accounting and disclosure provisions of Part I of the Companies Act 1981. The group financial statements are drawn up in accordance with Section 152A of, and Schedule 8A to, the Companies Act 1948. The holding company's financial statements are drawn up in accordance with Section 149A of, and Schedule 8A to, the Companies Act 1948.