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AVIS RENT A CAR LIMITEDREPORT OF THE DIRECTORS

The directors present their report, together with the consolidated financial statements of the company and its subsidiaries for the year ended 30th June 1980.

ACTIVITIES

The principal activities of the group continue to be the renting and leasing of motor vehicles. The group also provides parking facilities.

RESULTS

The group's turnover and profit before taxation were divided between its main classes of business as follows:

	<u>Turnover</u> £	<u>Profit before taxation</u> £
Renting and leasing of motor vehicles	35,045,874	1,563,408
Provision of parking facilities	<u>883,175</u>	<u>63,123</u>
	<u>£35,929,049</u>	<u>£1,626,531</u>

The consolidated net profit for the year was £697,161 which, when added to the retained earnings at 30th June 1979, results in a consolidated balance of retained earnings as at 30th June 1980 of £7,626,169. The directors do not recommend the payment of a dividend.

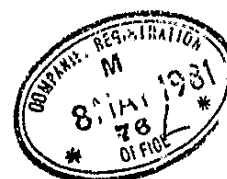
EMPLOYEES

The average weekly number of employees of the group during the period was 1,355 and their aggregate remuneration was £7,923,039.

CHANGES IN FIXED ASSETS AND INVESTMENTS

Expenditure on fixed assets related mainly to the purchase of motor vehicles.

During the year, the company acquired for cash at par a further 250,000 shares of £1 each in Avis Car Leasing Limited, maintaining the company's 50% share in the equity of its associate.



REPORT OF THE DIRECTORS (Continued)

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year:

Mr. D.J.E. Longridge (Chairman)
Mr. T.P. King-Smith
Mr. C.M. Marshall
Mr. A. Salmasi
Mr. J. Sanz (Spanish)
Mr. W.J. Sykes

Mr. A. Salmasi resigned on October 8, 1979 and Mr. C.M. Marshall resigned on February 18, 1980. Mr. J. Sanz was appointed on February 18, 1980.

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.

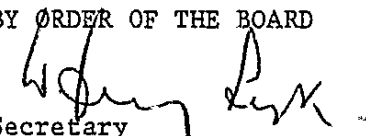
CHARITABLE DONATIONS

No contributions for charitable donations were made during the year.

AUDITORS

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

BY ORDER OF THE BOARD


Secretary

26th March 1981

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 30th June 1980 and of the profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

Albitt Hashim & Co

Chartered Accountants

London
26th March 1981

AVIS RENT A CAR LIMITED

ACCOUNTING POLICIES

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 30th June 1980.

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

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.

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 the 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 but not delivered and installed is classified under prepayments.

In the case of certain vehicles leased by the company for periods of between 2 and 5 years, 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. The present value of future rentals is included under vehicles and the amount of rentals payable included under liabilities. The use of the financing method of accounting has resulted in an increase in profit before taxation of £261,533 as compared with the operating method, whereby rentals payable are charged against income as they fall due.

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.
Short-term leasehold buildings and improvements, furniture and equipment	3% to 33% p.a.

ACCOUNTING POLICIES (Continued)

Deferred taxation

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

AVIS RENT A CAR LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 1980

	<u>Notes</u>	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
TURNOVER		£35,929,049	£32,315,327
OPERATING PROFIT	1	3,713,842	5,795,119
INTEREST	2	2,291,839	1,283,228
		1,422,003	4,511,891
SHARE OF PROFIT OF ASSOCIATED COMPANY	7	204,528	353,559
PROFIT BEFORE TAXATION		1,626,531	4,865,450
TAXATION	3	929,370	2,757,362
NET PROFIT		697,161	2,108,088
RETAINED EARNINGS AT BEGINNING OF YEAR		6,929,008	4,820,920
RETAINED EARNINGS AT END OF YEAR		£7,626,169	£6,929,008
Retained by:			
Holding company		7,175,546	6,575,647
Subsidiaries		383,969	230,632
Associated company		66,654	122,729
		£7,626,169	£6,929,008

AVIS RENT A CAR LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30th JUNE 1980

	<u>Notes</u>	<u>1980</u> £	<u>1979</u> £
VEHICLES	5	<u>31,186,191</u>	<u>30,085,800</u>
PROPERTY AND EQUIPMENT	6	<u>2,443,328</u>	<u>1,715,306</u>
INVESTMENTS	7	<u>416,654</u>	<u>222,729</u>
NON-CURRENT RECEIVABLE			
Due from affiliated company	3d	<u>601,947</u>	<u>-</u>
CURRENT ASSETS			
Accounts receivable		6,433,667	4,838,987
Prepayments and other current assets		4,253,313	5,310,846
Amounts due from affiliated companies		459,519	816,796
Bank balances and cash		<u>182,346</u>	<u>14,446</u>
TOTAL CURRENT ASSETS		<u>11,328,845</u>	<u>10,981,075</u>
CURRENT LIABILITIES			
Bank loans and overdrafts		15,360,478	14,267,299
Accounts payable and accrued liabilities		3,916,129	4,666,401
Amounts due to affiliated companies		<u>1,545,926</u>	<u>1,551,473</u>
TOTAL CURRENT LIABILITIES		<u>20,822,533</u>	<u>20,485,173</u>
NET CURRENT LIABILITIES		<u>(9,493,688)</u>	<u>(9,504,098)</u>
		25,154,432	22,519,737
DEFERRED TAXATION	3	(10,662,384)	(9,257,296)
LONG TERM LIABILITIES	8	<u>(5,532,446)</u>	<u>(5,000,000)</u>
		<u>£ 8,959,602</u>	<u>£ 8,262,441</u>
Financed by:			
SHARE CAPITAL	9	1,250,100	1,250,100
SHARE PREMIUM ACCOUNT		83,333	83,333
RETAINED EARNINGS		<u>7,626,169</u>	<u>6,929,008</u>
SHAREHOLDERS' FUNDS		<u>£8,959,602</u>	<u>£8,262,441</u>

AVIS RENT A CAR LIMITED

BALANCE SHEET AT 30th JUNE 1980

	<u>Notes</u>	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
VEHICLES	5	<u>28,745,540</u>	<u>28,368,074</u>
PROPERTY AND EQUIPMENT	6	<u>2,359,201</u>	<u>1,657,252</u>
INVESTMENTS	7	<u>560,000</u>	<u>310,000</u>
NON-CURRENT RECEIVABLE			
Due from affiliated company	3d	<u>601,947</u>	<u>-</u>
CURRENT ASSETS			
Accounts receivable		5,887,428	4,398,556
Prepayments and other current assets		4,000,244	4,999,195
Amounts due from affiliated companies		-	816,796
Amounts due from subsidiary companies		498,318	165,235
Bank balances and cash		<u>14,026</u>	<u>13,051</u>
TOTAL CURRENT ASSETS		<u>10,400,016</u>	<u>10,392,833</u>
CURRENT LIABILITIES			
Bank loans and overdrafts		13,056,570	12,836,319
Accounts payable and accrued liabilities		3,397,213	4,341,639
Amounts due to affiliated companies		1,543,726	1,549,194
Amounts due to subsidiary companies		<u>382,823</u>	<u>93,042</u>
TOTAL CURRENT LIABILITIES		<u>18,380,332</u>	<u>18,820,194</u>
NET CURRENT LIABILITIES		<u>(7,980,316)</u>	<u>(8,427,361)</u>
		24,286,372	21,907,965
DEFERRED TAXATION	3	(10,244,947)	(8,998,885)
LONG TERM LIABILITIES	8	<u>(5,532,446)</u>	<u>(5,000,000)</u>
		<u>£8,508,979</u>	<u>£7,909,080</u>
Financed by:			
SHARE CAPITAL	9	1,250,100	1,250,100
SHARE PREMIUM ACCOUNT		83,333	83,333
RETAINED EARNINGS		<u>7,175,546</u>	<u>6,575,647</u>
SHAREHOLDERS' FUNDS		<u>£8,508,979</u>	<u>£7,909,080</u>

Directors

AVIS RENT A CAR LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30th JUNE 1980

	<u>1980</u> £	<u>1979</u> £
SOURCE OF FUNDS:		
FUNDS GENERATED FROM OPERATIONS:		
Profit before taxation	1,626,531	4,865,450
Adjustment for items not involving the movement of funds:		
Depreciation of vehicles	9,969,489	8,112,569
Depreciation of property and equipment	284,484	245,336
Surplus onsale of vehicles, property and equipment	(2,665,806)	(2,237,478)
Share of profit of associated company	<u>(204,528)</u>	<u>(353,559)</u>
Total funds generated from operations	9,010,170	10,632,318
OTHER SOURCES:		
Proceeds on sale of vehicles, property and equipment	22,338,438	17,355,936
Dividends received from associated company	134,373	75,000
Increase in long term liabilities	<u>532,446</u>	<u>5,000,000</u>
	<u>32,015,427</u>	<u>33,063,254</u>
APPLICATION OF FUNDS:		
Purchase of vehicles	30,741,200	31,135,912
Capitalisation of leased vehicles	-	1,379,327
Purchase of property and equipment	1,013,820	699,126
Additional investment in associate	<u>250,000</u>	<u>-</u>
	<u>32,005,020</u>	<u>33,214,365</u>
	<u>£ 10,407</u>	<u>£ (151,111)</u>
INCREASE (DECREASE) IN WORKING CAPITAL		
Increase in accounts receivable	1,594,680	2,055,315
(Decrease) increase in prepayments and other current assets	(1,057,533)	1,826,220
(Decrease) increase in amounts due from affiliated companies	(357,277)	216,443
Decrease (increase) in accounts payable	750,269	(1,729,222)
Decrease (increase) in amounts due to affiliated companies	5,547	(321,026)
Movement in net liquid funds:		
Increase (decrease) in bank balances and cash	167,900	(14,550)
(Increase) in bank loans and overdrafts	<u>(1,093,179)</u>	<u>(2,184,291)</u>
	<u>£ 10,407</u>	<u>£ (151,111)</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 1980

1. OPERATING EXPENSES

(a) Operating profit is arrived at after charging (crediting) the following:

	<u>1980</u> £	<u>1979</u> £
Depreciation on vehicles	9,969,489	8,112,569
Depreciation on buildings, furniture and equipment	284,484	245,336
Surplus on sale of vehicles, property and equipment	(2,665,806)	(2,237,478)
Vehicle lease rentals	685,275	1,292,591
Auditors' remuneration	29,250	48,110

(b) Directors' remuneration, excluding pension contributions, was as follows:

Emoluments of chairman	-	-
Emoluments of highest paid director	29,968	22,192
Number of other directors whose emoluments were within the ranges:		
Up to £ 5,000	4	3
£15,000 - £20,000	1	-
£20,001 - £25,000	-	1

(c) Employees' remuneration

Number of employees whose emoluments exceeded £20,000, excluding pension contributions, were within the ranges:

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

2. INTEREST

	<u>1980</u> £	<u>1979</u> £
Interest charged		
Interest on bank loans, overdrafts and loans from affiliated company repayable within 5 years	1,713,686	1,224,324
Interest on long-term loan from affiliated company	500,000	58,904
Interest charge applicable to finance leases	98,170	-
	<u>2,311,856</u>	<u>1,283,228</u>
Interest received	<u>20,017</u>	<u>-</u>
	<u>£2,291,839</u>	<u>£1,283,228</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. TAXATION

	<u>1980</u> £	<u>1979</u> £
(a) The taxation charge, based on group profits, comprises:		
Deferred:		
Group companies:		
Current year	842,311	2,436,103
Prior year adjustment	<u>(39,172)</u>	<u>118,366</u>
	803,139	2,554,469
Share of associated company charge	<u>126,231</u>	<u>202,893</u>
	<u>£929,370</u>	<u>£2,757,362</u>

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

	<u>Consolidated</u>		<u>Company</u>	
	<u>1980</u> £	<u>1979</u> £	<u>1980</u> £	<u>1979</u> £
Excess of capital allowances over depreciation	15,055,864	14,398,340	13,728,947	14,015,929
Losses	(4,352,920)	(5,134,760)	(3,451,760)	(5,010,760)
Other	<u>(40,560)</u>	<u>(6,284)</u>	<u>(32,240)</u>	<u>(6,284)</u>
	<u>£10,662,384</u>	<u>£9,257,296</u>	<u>£10,244,947</u>	<u>£8,998,885</u>

- (c) Tax losses arising mainly from the excess of tax depreciation allowances over the book depreciation, subject to the effect of disclaiming first year tax depreciation allowances, amount to approximately £8,371,000 (1979 - £9,875,000). These losses are carried forward and are available for offset against future taxable profits.
- (d) The company has surrendered tax losses of £1,157,590 to an affiliated company under the group relief provisions. The tax benefit of these losses will be repaid by that company at such time as, and to the extent that, the company becomes liable to corporation tax which would otherwise have been relieved by the carry forward of these losses. Provision is therefore made for the deferred taxation liability arising from the tax losses surrendered and the related non-current receivable of £601,947 is included in the balance sheet.

4. NET PROFIT

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

	<u>1980</u> £	<u>1979</u> £
The company (including dividends received)	599,899	1,829,059
Subsidiaries	153,337	203,362
Associated company (less dividend paid)	<u>(56,075)</u>	<u>75,667</u>
	<u>£697,161</u>	<u>£2,108,088</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. VEHICLES

(a) Consolidated	<u>Owned</u> £	<u>Finance Leases</u> £	<u>Total</u> £
COST			
At 1st July 1979	36,388,352	-	36,388,352
Additions	28,856,493	1,884,707	30,741,200
Disposals	(28,741,453)	(122,957)	(28,864,410)
	<u>36,503,392</u>	<u>1,761,750</u>	<u>38,265,142</u>
At 30th June 1980			
ACCUMULATED DEPRECIATION			
At 1st July 1979	6,302,552	-	6,302,552
Charge for year	9,802,215	167,274	9,969,489
Disposals	(9,180,443)	(12,647)	(9,193,090)
	<u>6,924,324</u>	<u>154,627</u>	<u>7,078,951</u>
At 30th June 1980			
NET BOOK VALUE			
At 30th June 1980	<u>£29,579,068</u>	<u>£1,607,123</u>	<u>£31,186,191</u>
At 30th June 1979	<u>£30,085,800</u>	<u>£ -</u>	<u>£30,085,800</u>
(b) Company			
COST			
At 1st July 1979	33,855,231	-	33,855,231
Additions	27,346,557	1,884,707	29,231,264
Disposals	(28,246,326)	(122,957)	(28,369,283)
Group transfers	176,422	-	176,422
	<u>33,131,884</u>	<u>1,761,750</u>	<u>34,893,634</u>
At 30th June 1980			
ACCUMULATED DEPRECIATION			
At 1st July 1979	5,487,157	-	5,487,157
Charge for year	9,157,227	167,274	9,324,501
Disposals	(8,828,659)	(12,647)	(8,841,306)
Group transfers	177,742	-	177,742
	<u>5,993,467</u>	<u>154,627</u>	<u>6,148,094</u>
At 30th June 1980			
NET BOOK VALUE			
At 30th June 1980	<u>£27,138,417</u>	<u>£1,607,123</u>	<u>£28,745,540</u>
At 30th June 1979	<u>£28,368,074</u>	<u>£ -</u>	<u>£28,368,074</u>

Certain vehicles are leased under financing arrangements. Although the group does not have legal title to the vehicles, it carries all risks of ownership. These vehicles are recorded as fixed assets at the capitalised value of the total rentals payable (excluding interest charges) and depreciation is calculated accordingly.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PROPERTY AND EQUIPMENT

(a) Consolidated

	Freehold land £	Freehold property £	Short-term leasehold buildings and improvements £	Furniture and equipment £	Total £
COST					
At 1st July 1979	108,477	204,986	1,499,299	958,321	2,771,383
Additions	-	158,940	520,725	334,155	1,013,840
Fully depreciated assets written off	-	-	(255,393)	(336,852)	(592,245)
Reclassification	-	(69,525)	209,829	(140,304)	-
Disposals	-	-	-	(3,318)	(3,318)
At 30th June 1980	108,477	294,401	1,974,460	811,982	3,189,320
ACCUMULATED DEPRECIATION					
At 1st July 1979	-	23,513	586,660	445,604	1,055,777
Charge for year	-	9,962	95,277	179,245	284,484
Fully depreciated assets written off	-	-	(255,393)	(336,852)	(592,245)
Reclassification	-	-	-	(2,024)	(2,024)
Disposals	-	-	-	-	-
At 30th June 1980	-	33,475	426,544	285,973	745,992
NET BOOK VALUE					
At 30th June 1980	£108,477	£260,926	£1,547,916	£526,009	£2,443,328
At 30th June 1979	£108,477	£181,473	£912,639	£512,717	£1,715,306

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PROPERTY AND EQUIPMENT (Continued)

(b) Company

	Freehold land £	Freehold property £	Short-term leasehold buildings and improvements £	Furniture and equipment £	Total £
COST					
At 1st July 1979	108,477	204,986	1,482,335	889,707	2,685,505
Additions	-	158,940	515,711	297,008	971,659
Fully depreciated assets written off	-	-	(255,393)	(336,852)	(592,245)
Reclassification	-	(69,525)	209,829	(140,304)	-
At 30th June 1980	108,477	294,401	1,952,482	709,559	3,064,919
ACCUMULATED DEPRECIATION					
At 1st July 1979	-	23,513	583,332	421,408	1,028,253
Charge for year	-	9,962	93,243	166,505	269,710
Fully depreciated assets written off	-	-	(255,393)	(336,852)	(592,245)
Reclassification	-	-	-	-	-
At 30th June 1980	-	33,475	421,182	251,061	705,718
NET BOOK VALUE					
At 30th June 1980	£108,477	£260,926	£1,531,300	£458,498	£2,359,201
At 30th June 1979	£108,477	£181,473	£899,003	£468,299	£1,657,252

(c) The group occupies premises under leases expiring at various dates up to 2010, at current minimum annual rentals of £1,460,568. In addition, the company entered into a lease dated 24th June 1976, expiring in 2001 for premises currently occupied by a fellow-subsiary at a current annual rental of £216,500. The rental expenses are fully reimbursed to the company by the fellow-subsiary, which has also agreed to indemnify the company against any related costs.

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

	1980 £	1979 £
Contracts not provided for in these accounts	£7,000	£246,000
Amounts authorised but not contracted for	NIL	£390,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. INVESTMENTS

	<u>Consolidated</u>		<u>Company</u>	
	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Associated company:				
Shares at cost	350,000	100,000	350,000	100,000
Add: Share of net profit from date of formation, less dividends received	66,654	122,729	-	-
Subsidiary companies:				
Shares at cost	-	-	210,000	210,000
	<u>£416,654</u>	<u>£222,729</u>	<u>£560,000</u>	<u>£310,000</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 31st May 1980.

Subsidiary companies:

The company owns 100% of the issued share capital of the following companies, all of which are registered in England.

Avis Truck Leasing Limited
Avis Parking Limited
Barcelsure Limited
Victor Britain Limited

8. LONG TERM LIABILITIES

	<u>Company and group</u>	
	<u>1980</u>	<u>1979</u>
	<u>£</u>	<u>£</u>
Obligation under capitalised leases	532,446	-
Loan from Avis International Limited on which interest is payable at 10%, subject to reduction in certain circumstances. The loan is repayable in 1989	<u>5,000,000</u>	<u>5,000,000</u>
	<u>£5,532,446</u>	<u>£5,000,000</u>

9. SHARE CAPITAL

	<u>1980</u>	<u>1979</u>
Authorised, issued and fully paid Ordinary shares of £1 each	<u>£1,250,100</u>	<u>£1,250,100</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PENSION SCHEME

Membership of the Avis U.K. Pension Plan is optional for those employed prior to 1st January 1974, but is compulsory for substantially all employees hired subsequently. The contributions by the company to the Pension Plan during the year amounted to £249,344 (1979 - £188,534). The most recent actuarial valuation of the plan, carried out by Harris Graham and partners as at 1st January 1980, recommended that the company's contributions be increased from 3.85% to 5.9% of salaries.

11. GUARANTEE OF BANK FACILITIES

The company has guaranteed bank and lease facilities granted to a fellow subsidiary company, St. Brelade's Garages Limited, of up to £1,750,000 (1979 - £1,750,000). At 30th June 1980, the relevant indebtedness of that company amounted to £2,025,000.

12. ULTIMATE HOLDING COMPANY

The ultimate holding company is Norton Simon, Inc. incorporated in the state of Delaware, U.S.A.