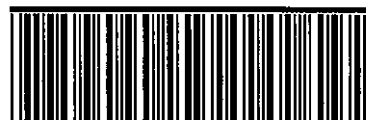


# BTI (UK) plc

Directors' report and  
financial statements

31 December 1996

Registered number 2045214



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COMPANIES HOUSE 09/09/97

# BTI (UK) plc

## Directors' report and consolidated financial statements

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# BTI (UK) plc

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Principal activities

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

### Business review

The UK car rental industry continued to grow steadily in 1996 and the company enjoyed a successful year with turnover increasing by 10% compared with 1995. The constraints imposed by leading manufacturers in the supply of vehicles to the industry led to longer vehicle holding periods and higher costs. During the first half of the year the market responded by sharply increasing prices but by late summer, some competitors had begun to lower rates in an effort to buy market share. The company declined to follow this trend, however, and remains committed to growing market share in the long term by providing value for money products and superior customer service.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1995: £Nil). The profit for the year retained in the company is £1,483,000 (1995: £5,543,000).

### Directors and directors' interests

The directors who held office during the year were as follows:

N Summerville  
MJS McRae  
WR Banks  
FP Giamalva

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or group companies, nor any right to subscribe for shares of the company or at the year end or at any time during the year.

### Policy on payment of suppliers

It is company policy that payments to suppliers are made in accordance with agreed terms and conditions, provided that the supplier is also complying with all the relevant terms and conditions.

# BTI (UK) plc

## Directors' report (continued)

### Employees

BTI (UK) plc honours its responsibilities to ensure the health, safety and welfare at work of employees within the company together with the protection of other persons against risk to health and safety arising out of, or as a result of, or in connection with, the activity of those employees. All reasonable efforts are made to provide safety equipment, training and safe working conditions.

It is group policy to endeavour to provide facilities for employment of disabled persons and those employees who may become disabled and to provide equal opportunities to disabled persons for training and career progression.

BTI (UK) plc has arrangements for providing information to employees, consultation with employees, involving employees in the company's performance and achieving an awareness amongst employees of the factors affecting the company's performance.

### Political and charitable contributions

The company made no political or charitable contributions during the year.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



WR Banks  
*Secretary*

41 Marlowes  
Hemel Hempstead  
Hertfordshire  
HP1 1LD

# BTI (UK) plc

## 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 group 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.



Aquis Court  
31 Fishpool Street  
St Albans  
Hertfordshire  
AL3 4RF

## Auditors' report to the members of BTI (UK) plc

We have audited the financial statements on pages 5 to 16.

### *Respective responsibilities of directors and auditors*

As described on page 3 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 of 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 affairs of the company at 31 December 1996 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KMB*

KPMG  
Chartered Accountants  
Registered Auditor

*4 September 1997*



# BTI (UK) plc

## Profit and loss account for the year ended 31 December 1996

		Continuing operations	
	Note	1996 £000	1995 £000
Turnover	2	20,682	18,871
Vehicle operating costs (net)		(5,416)	(2,353)
		<hr/>	<hr/>
Gross profit		15,266	16,518
Administrative expenses		(12,357)	(12,377)
		<hr/>	<hr/>
Operating profit		2,909	4,141
Other interest receivable and similar income		25	2,760
Interest payable and similar charges	6	(1,451)	(1,349)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3-5	1,483	5,552
Tax on profit on ordinary activities	7	-	(9)
		<hr/>	<hr/>
Retained profit for the financial year		<u>1,483</u>	<u>5,543</u>

A statement of the movements on reserves is given in note 14.

There were no other recognised gains or losses during the current or preceding year.

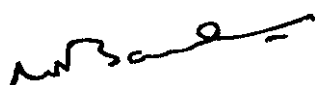
# BTI (UK) plc

## Balance sheet

at 31 December 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		129		133
Tangible assets	9		24,029		23,139
			<u>24,158</u>		<u>23,272</u>
Current assets					
Debtors	10	6,206		4,515	
Cash at bank and in hand		434		253	
		<u>6,640</u>		<u>4,768</u>	
Creditors: amounts falling due within one year	11	(26,597)		(25,296)	
Net current liabilities			<u>(19,957)</u>		<u>(20,528)</u>
Total assets less current liabilities			4,201		2,744
Provisions for liabilities and charges	12		(50)		(76)
Net assets			<u>4,151</u>		<u>2,668</u>
Capital and reserves					
Called up share capital	13		4,000		4,000
Profit and loss account	14		151		(1,332)
			<u>4,151</u>		<u>2,668</u>

These financial statements were approved by the board of directors on 1 SEPTEMBER 1997 and were signed on its behalf by:



WR Banks  
Director



FP Giamalva  
Director



# BTI (UK) plc

## 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.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Fixtures, fittings, tools and equipment	-	20% to 33% per annum
Motor vehicles	-	1% to 3% per month

#### *Goodwill*

Goodwill relating to businesses purchased by the company is amortised over a period of 40 years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of that business.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

# BTI (UK) plc

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

#### *Cash flow statement*

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements.

### 2 Analysis of turnover and profit on ordinary activities before taxation

Turnover, and profit on ordinary activities before taxation derives entirely from the company's principal activity, which is the hire of motor vehicles under Budget Rent a Car franchises in the U.K., together with the associated costs of running a fleet of rental vehicles.

### 3 Profit on ordinary activities before taxation

	1996	1995
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible assets:		
Owned	36	495
Leased	4,869	4,059
Amortisation of goodwill	4	3
Hire of motor vehicles - rentals payable under operating leases	383	235
Hire of other assets - rentals payable under operating leases	3,879	3,209
Auditors' remuneration:		
- Audit fee	40	35
- Other services	12	28

The total amount charged to revenue for the hire of motor vehicles amounted to £6,414,000 (1995: £5,610,000). This comprises rentals payable under operating leases as well as depreciation on motor vehicles held under finance leases together with the related finance charges.

# BTI (UK) plc

## Notes (continued)

### 4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments	-	-

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Management	40	40
Administration, finance and fleet operations	66	65
Operations	201	194
	<u>307</u>	<u>299</u>

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	4,450	4,376
Social security costs	421	388
Other pension costs (see note 17)	72	59
	<u>4,943</u>	<u>4,823</u>

# BTI (UK) plc

## Notes (continued)

### 6 Interest payable and similar charges

	1996 £000	1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	289	34
Finance charges payable in respect of finance leases and hire purchase contracts	1,162	1,315
	<u>1,451</u>	<u>1,349</u>

Of the above amount £270,000 (1994: £Nil) was payable to parent and fellow subsidiary undertakings.

### 7 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	-	-
Adjustment relating to an earlier year	-	9
	<u>-</u>	<u>9</u>

# BTI (UK) plc

## Notes *(continued)*

### 8 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	<u>142</u>
<i>Amortisation</i>	
At beginning of year	9
Charged in year	<u>4</u>
At end of year	<u>13</u>
<i>Net book value</i>	
At 31 December 1996	<u>129</u>
At 31 December 1995	<u>133</u>

# BTI (UK) plc

## Notes (continued)

### 9 Tangible fixed assets

	Short leasehold land and buildings £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
At beginning of year	1,068	24,186	770	26,024
Additions	355	66,049	256	66,660
Disposals	-	(65,366)	-	(65,366)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,423	24,869	1,026	27,318
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and diminution in value</b>				
At beginning of year	798	1,633	454	2,885
Charge for year	150	4,905	116	5,171
On disposals	-	(4,767)	-	(4,767)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	948	1,771	570	3,289
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 1996	475	23,098	456	24,029
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	270	22,553	316	23,139
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £23,068,000 (1995: £22,400,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £4,869,000 (1995: £4,059,000).

Motor vehicles are held for rental to third parties.

# BTI (UK) plc

## Notes (continued)

### 10 Debtors

	1996 £000	1995 £000
Trade debtors	4,665	2,997
Other debtors	82	216
Prepayments and accrued income	1,459	1,302
	<u>6,206</u>	<u>4,515</u>

### 11 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Obligations under finance leases and hire purchase contracts	21,994	20,888
Trade creditors	348	205
Amounts owed to group undertakings	1,361	925
Other creditors including taxation and social security:		
Taxation and social security	123	126
Accruals and deferred income	2,771	3,152
	<u>26,597</u>	<u>25,296</u>

### 12 Provisions for liabilities and charges

	Missing vehicle provision £000	Branch Closure costs £000	Total £000
At beginning of year	34	42	76
Provided during the year	99	-	99
Utilised during the year	(108)	(17)	(125)
	<u>25</u>	<u>25</u>	<u>50</u>
At end of year			

# BTI (UK) plc

## Notes (continued)

### 13 Called up share capital

	1996 £000	1995 £000
<i>Authorised</i>		
Ordinary shares of £1 each	4,125	4,125
'A' ordinary shares of £1 each	875	875
	<hr/>	<hr/>
	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3,475	3,475
'A' ordinary shares of £1 each	525	525
	<hr/>	<hr/>
	4,000	4,000
	<hr/>	<hr/>

### 14 Profit and loss account

The movement in retained reserves is analysed below:

	1996 £000	1995 £000
At beginning of year	(1,332)	(6,875)
Retained profit for the year	1,483	5,543
	<hr/>	<hr/>
At end of the year	151	(1,332)
	<hr/>	<hr/>

The cumulative amount of goodwill written off to reserves is £13,000 (1995: £9,000).

### 15 Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	1,483	5,543
Opening shareholders' funds	2,668	(5,375)
Share capital issued	-	2,500
	<hr/>	<hr/>
Closing shareholders' funds	4,151	2,668
	<hr/>	<hr/>



# BTI (UK) plc

## Notes (continued)

### 16 Commitments

Annual commitments under non-cancellable operating leases for the company are as follows:

	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	1,446	-	17	81
In the second to fifth years inclusive	653	-	2,334	-
Over five years	630	-	441	-
	<u>2,729</u>	<u>-</u>	<u>2,792</u>	<u>81</u>

### 17 Pension scheme

The company participates in a defined benefit scheme operated in respect of employees of the parent undertaking, Budget Rent a Car International Inc. Contributions to this scheme are determined by independent actuarial advice and statutory requirements.

Details of this scheme can be found in the financial statements of Budget Rent a Car International Inc.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

# BTI (UK) plc

## Notes *(continued)*

- 18 Ultimate holding company and parent undertaking of larger group of which the company is a member

At 31 December 1996 the company was a subsidiary undertaking of Budget Corporation incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Budget Corporation, incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Budget Rent a Car International Inc incorporated in the United States of America. The consolidated accounts of Budget Rent a Car International Inc are available to the public and may be obtained from:

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF4 3HZ

As the company is a wholly owned subsidiary of Budget Rent a Car International Inc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Since the year end the ultimate parent undertaking became Budget Group Inc incorporated in the United States of America.