

Company Number : 3311438

AVIS EUROPE plc

Accounts for the year ended

31 December 2000



Directors' Report

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

Principal activities

The Avis Europe plc Group ("the Group") is principally engaged in the supply of vehicle rental services throughout Europe, Africa, the Middle East and Asia. Details of the Group's activities and performance are set out in the Chairman's Statement on page 4 together with the Operating and Financial Review on pages 5 to 12.

The principal subsidiary undertakings are listed on page 52.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 27 to 51. The Group's profit for the year and amounts transferred to reserves are set out in the Profit and Loss Account on page 27.

The Directors are proposing a final dividend of 3.8 pence per ordinary share which, together with the interim dividend of 2.0 pence per ordinary share paid on 4 October 2000, makes a total of 5.8 pence per share for the year. Subject to shareholders' approval, the final dividend will be paid on 10 May 2001 to shareholders appearing on the share register at the close of business on 2 March 2001.

Directors

The Directors of the Company who served during the year and subsequently are listed below:

Alun Cathcart
Daniel Cardon de Lichtbuer
Christopher I Cowan
Roland D'leteren
Stephen P Holmes
Gilbert van Marcke de Lummen
Mark McCafferty
Malcolm Miller (appointed 21 February 2001)
Sir Bob Reid
Sir Peter Reynolds
Jacques de Smet
Wally Taylor
Dieter Woitscheck (appointed 8 January 2001)

On 8 January 2001 Dieter Woitscheck was appointed as an executive Director and Malcolm Miller was appointed as a non-executive Director on 21 February 2001. In accordance with the Articles of Association, Dieter Woitscheck and Malcolm Miller will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

Christopher I Cowan, Roland D'leteren and Alun Cathcart retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Sir Peter Reynolds, the senior non-executive Director, and Daniel Cardon de Lichtbuer, both of whom have attained the age of 70, are due to retire immediately following the 2001 Annual General Meeting.

Directors' interests

Details of Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 18 to 23.

Roland D'leteren is a Director and shareholder of s.a. D'leteren n.v. which holds 63,609,360 ordinary shares of 1p each in the capital of the Company. Roland D'leteren, Gilbert van Marcke de Lummen and Jacques de Smet are directors of D'leteren Invest s.a., a wholly owned subsidiary of s.a. D'leteren n.v. which holds 267,506,385 ordinary shares of 1p each in the capital of the Company. Details of significant contracts entered into with s.a. D'leteren n.v. are disclosed below.

Except as stated above, none of the Directors had any interests in the shares of the Company or in any material contract or arrangement with the Company or any of its subsidiary undertakings.

Charitable and political donations

During the year ended 31 December 2000 the Group made charitable donations totalling €50,313 (\$30,804) (31 December 1999: £3,801). The Group made no political donations during the year (31 December 1999: nil).

Payments to creditors

Given the number of countries in which the Group operates there is no standard creditor payment policy within the Group. It is the Group's practice to agree the terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations. The Company had no trade creditors at 31 December 2000.

Share capital

The last Annual General Meeting authorised the Company to purchase up to 58,315,940 of its own ordinary shares. This authority will expire, and is due to be renewed, at the next Annual General Meeting. The Company has made no purchase of its own shares pursuant to this authority. Details of the share capital of the Company are set out in note 18 to the financial statements.

Substantial shareholdings

At 21 February 2001 the Company had been advised of the following notifiable interests in its issued ordinary share capital:

	% of issued share capital
D'leteren Invest s.a.	45.74
s.a. D'leteren n.v.	10.87
Fidelity International Limited	3.96

Directors' Report

D'Ieteren Invest s.a. is a wholly owned subsidiary of s.a. D'Ieteren n.v.

An Agreement governing the relationship between s.a. D'Ieteren n.v. and the Company was entered into in connection with the Company's listing in 1997. It includes restrictions on s.a. D'Ieteren n.v.'s power to appoint Directors and obligations on those Directors to ensure that the majority of the Board is independent of s.a. D'Ieteren n.v. It also provides that all transactions between the Company and s.a. D'Ieteren n.v. will be on an arm's length basis.

The Agreement also contains certain anti-dilution rights for s.a. D'Ieteren n.v. provided that the D'Ieteren Group owns more than 30% of the issued ordinary share capital of the Company.

During the year, the Group has entered into transactions with the s.a. D'Ieteren n.v. Group on an arm's length basis with respect to the acquisition of vehicles, the provision of finance and the acquisition of financial derivatives. Further details of these transactions are set out within note 25 to the financial statements.

Employment policies and practices

The Group aims to ensure an organisation structure and working climate in which both the business and employees grow and develop.

The employment policies of the Group embody the principles of diversity and are tailored to meet the local needs of individual countries.

The Company operates non-discriminatory policies and practices in relation to recruitment, development, compensation and advancement opportunities with regard to gender, religion, race, marital status, age and non-job related disabilities. Avis requires the highest standards of honesty, integrity and fairness in dealings from all employees.

The Group's approach to employee involvement and development is an integral part of Avis Europe's published beliefs and values statements which state:

"We aim to stimulate duty, mutual loyalty and a sense of pride in working for Avis through employee involvement at all levels, continuous updating of knowledge and skills and attractive and competitive recognition and reward systems. We believe that employees should be actively encouraged to grow and develop their careers with Avis and we always seek first to appoint candidates from within the Company to fill positions at every level – both nationally and internationally. To this end, we will provide the environment to help employees improve and develop themselves."

Evidence of implementation of these philosophies during the year ended 31 December 2000 include:

- Results from the 2000 pan-European employee satisfaction survey in which over 3,500 employees participated. The Group exceeded its employee satisfaction target in six categories: job satisfaction, attitude to customer service, teamwork, employees' view of Avis, management behaviour and empowerment. Employee pride in working for Avis remains strong at 76%.
- Continued development of corporate intranet capabilities which, together with electronic mail, in-house publications, newsletters and visible management programmes, ensure employees are kept abreast of current activities and progress. Annual and interim results presentations are videotaped for internal distribution.
- Continued meetings of the Avis European Employee Council. Representatives of employees and management meet twice a year for an exchange of views and dialogue on subjects of transnational interest. A joint communiqué of each meeting's discussions is distributed to all employees.
- Awards made under the Group's Spirit of Avis recognition and reward programme, in which employees have equal opportunity to participate. Over 2,700 employees have received recognition awards, and over 30% of the 1,000 ideas submitted by employees have been implemented.

The Group believes its employment practices encourage employee involvement, continuity and business performance. Approximately 50% of the Group's employees have more than five years service with Avis Europe and approximately 75% of the 60 most senior executives throughout Europe have been promoted from within the Group.

Corporate governance

Details of the Company's arrangements relating to corporate governance are set out on pages 18 to 23 and 24 to 26.

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint PricewaterhouseCoopers and to authorise the Directors to fix their remuneration.

By Order of the Board

Judith Nicholson Company Secretary

21 February 2001



Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the financial statements on pages 27 to 51 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Notes	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Revenue	1	1,222,399	1,011,192	747,709	671,101
Cost of sales		(602,724)	(463,274)	(368,519)	(307,647)
Gross profit		619,675	547,918	379,190	363,454
Administrative expenses (including exceptional item)		(410,392)	(330,039)	(251,056)	(219,819)
Operating profit before exceptional item	2	242,283	217,879	148,134	143,635
Exceptional item	3	(33,000)	—	(20,000)	—
Operating profit		209,283	217,879	128,134	143,635
Share of start-up costs from joint venture	3	(3,330)	—	(2,016)	—
Share of operating profit from associated undertakings		—	796	—	516
Interest payable (net)	6	(67,274)	(49,744)	(41,098)	(33,071)
Profit on ordinary activities before taxation and exceptional items		175,009	168,931	107,036	111,080
Exceptional items	3	(36,330)	—	(22,016)	—
Profit on ordinary activities before taxation		138,679	168,931	85,020	111,080
Taxation	7	(34,681)	(42,181)	(21,255)	(27,737)
Profit on ordinary activities after taxation		103,998	126,750	63,765	83,343
Minority interests – equity		(195)	(120)	(120)	(80)
Profit for the year before exceptional items		131,051	126,630	80,157	83,263
Exceptional items		(27,248)	—	(16,512)	—
Profit for the year		103,803	126,630	63,645	83,263
Dividends	8	(55,648)	(48,858)	(33,910)	(31,487)
Retained profit for the year	19	48,155	77,772	29,735	51,776
Earnings per share					
Basic	9	€0.178	€0.217	10.91p	14.28p
Diluted	9	€0.177	€0.216	10.85p	14.22p
Pre-exceptional items	9	€0.225	€0.217	13.74p	14.28p

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Profit for the year	103,803	126,630	63,645	83,263
Exchange adjustments	(3,240)	4,961	(2,172)	7,442
Total recognised gains and losses	100,563	131,591	61,473	90,705

Consolidated Balance Sheet

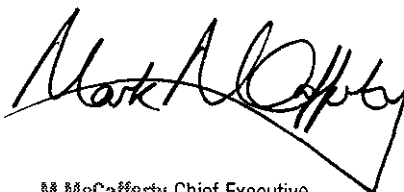
at 31 December 2000

	Notes	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Intangible assets					
Goodwill	10	73,798	65,774	45,109	41,046
Fixed assets					
Tangible assets					
– vehicles		1,264,189	1,100,322	772,728	686,650
– other		61,462	52,684	37,567	32,877
	11	1,325,651	1,153,006	810,295	719,527
Investments	12	3,281	1,183	2,004	738
		1,328,932	1,154,189	812,299	720,265
Current assets					
Debtors	13	585,024	463,450	357,592	289,213
Investments	24	3,828	5,495	2,340	3,429
Cash at bank	24	34,355	43,944	20,999	27,423
		623,207	512,889	380,931	320,065
Creditors falling due within one year					
Bank and other loans	14	(457,473)	(338,614)	(279,627)	(211,310)
Other creditors	15	(943,055)	(941,615)	(576,435)	(587,609)
		(1,400,528)	(1,280,229)	(856,062)	(798,919)
Net current liabilities		(777,321)	(767,340)	(475,131)	(478,854)
Total assets less current liabilities		625,409	452,623	382,277	282,457
Creditors falling due after more than one year					
Bank and other loans	14	(456,646)	(336,995)	(279,122)	(210,300)
Other creditors	15	(53,121)	(60,648)	(32,469)	(37,847)
		(509,767)	(397,643)	(311,591)	(248,147)
Provisions for liabilities and charges	17	(80,064)	(67,674)	(48,939)	(42,232)
		35,578	(12,694)	21,747	(7,922)
Capital and reserves					
Called-up share capital	18	8,067	8,040	5,848	5,832
Share premium	19	873,382	869,149	633,145	630,477
Profit and loss account	19	(846,445)	(890,259)	(617,597)	(644,466)
Total shareholders' funds – equity	20	35,004	(13,070)	21,396	(8,157)
Minority interests – equity		574	376	351	235
		35,578	(12,694)	21,747	(7,922)

Approved by the Board on 21 February 2001



C I Cowan Group Finance Director



M McCafferty Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 December 2000


	Notes	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Net cash inflow from operating activities	24i	371,391	385,955	236,090	256,050
Dividends received from associated undertakings		--	327	--	212
Returns on investments and servicing of finance					
Interest received		5,484	2,814	3,345	1,871
Interest paid		(56,218)	(39,702)	(34,120)	(26,293)
Interest element of finance lease rental payments		(17,991)	(13,963)	(10,996)	(9,376)
		(68,725)	(50,851)	(41,771)	(33,798)
Taxation		(35,224)	(30,458)	(21,530)	(21,138)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,806,111)	(1,325,697)	(1,105,724)	(886,845)
Sale of tangible fixed assets		2,232,948	1,776,353	1,357,755	1,179,385
Acquisition of own shares		(2,491)	--	(1,566)	--
		424,346	450,656	250,465	292,540
Acquisitions and disposals					
Purchase of subsidiary undertakings, joint venture and associated undertaking	24iv	(49,032)	(13,054)	(30,582)	(8,573)
Cash balances acquired with subsidiary undertakings		3,594	280	2,243	184
		(45,438)	(12,774)	(28,339)	(8,389)
Equity dividends paid		(54,379)	(40,782)	(32,683)	(27,968)
Management of liquid resources					
Sale/(purchase) of current asset investments	24iii	1,788	(729)	1,089	(484)
Cash (transferred to)/withdrawn from short-term deposit	24iii	(5,858)	1,398	(3,574)	927
		(4,070)	669	(2,485)	443
Financing					
Issue of ordinary share capital		3,159	1,268	1,990	842
Repayment of capital element of finance leases	24iii	(842,453)	(713,531)	(515,065)	(468,570)
Increase/(decrease) in short-term loans	24iii	116,764	(68,241)	72,437	(43,225)
Increase in long-term loans	24iii	119,366	84,921	71,630	57,747
		(603,144)	(695,583)	(369,008)	(453,206)
(Decrease)/increase in cash	24ii/24iii	(15,243)	7,159	(9,261)	4,746

Company Balance Sheet

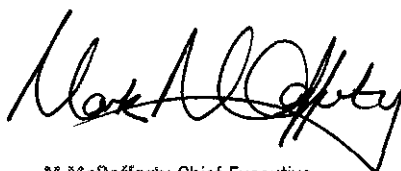
at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	12	752,344	758,778
Current assets			
Debtors	13	88,138	18,533
Creditors falling due within one year			
Bank and other loans	14	(31,829)	(34,794)
Other creditors	15	(124,382)	(91,402)
		(156,211)	(126,196)
Net current liabilities		(68,073)	(107,663)
Total assets less current liabilities		684,271	651,115
Creditors falling due after more than one year			
Other creditors	15	(5,120)	(9,790)
		679,151	641,325
Capital and reserves			
Called-up share capital	16	5,848	5,832
Share premium	19	633,145	630,477
Profit and loss account	19	40,158	5,016
Total shareholders' funds – equity		679,151	641,325

Approved by the Board on 21 February 2001



C I Cowan Group Finance Director



M McCafferty Chief Executive

Notes to the Financial Statements

for the year ended 31 December 2000

1 Segmental and geographic information

Revenue, operating profit and net operating assets

The principal activity of the Group is the supply of vehicle rental services. The Group is managed throughout Europe as a single business. Operating profits and net operating assets relate to vehicle rental activities. Revenue and operating profits are derived entirely from continuing activities.

Revenue by geographic market	2000 €'000	1999 €'000	2000 £'000	1999 £'000
United Kingdom	305,124	228,112	186,636	151,662
France	207,423	182,511	126,875	121,275
Germany	219,411	172,899	134,208	114,488
Italy	163,210	142,550	99,831	94,540
Spain	140,099	125,404	85,695	83,246
Others	187,132	159,716	114,464	105,890
	1,222,399	1,011,192	747,709	671,101

2 Operating profit	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Operating profit is stated after charging				
Depreciation on vehicles – owned	230,500	171,249	141,584	113,722
Depreciation on vehicles – under finance leases	94,414	79,177	57,418	52,579
Depreciation on other tangible fixed assets	12,030	9,437	7,393	6,267
Amortisation of goodwill	4,108	3,017	2,511	2,001
Hire of plant and machinery	11,085	16,969	6,741	11,324
Other operating lease rentals	36,157	31,367	21,989	21,279
Auditors' remuneration (for audit services)	1,015	916	621	610
Introduction of the euro	804	908	489	605

During the year the Group incurred €1,542,000 (£944,000) (1999: €1,111,000 (£740,000)) for non-audit services payable to its auditors in the United Kingdom. The audit fee in respect of the Company was €197,000 (£121,000) (1999: €267,000 (£178,000)).

3 Exceptional items	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Administrative expenses	33,000	–	20,000	–
Share of start-up costs from joint venture	3,330	–	2,016	–
	36,330	–	22,016	–

Exceptional administrative expenses relate primarily to provisions for potentially irrecoverable debts held by 3 Arrows Limited, a UK subsidiary of the Company, together with related costs. A provision has been made following two legal rulings during the year which affected the credit hire industry. In May 2000, the House of Lords ruling in *Dimond v Lovell* confirmed the validity of claims for replacement cars by non-fault accident victims, but indicated that some elements of previous claims were not allowable, thus reducing the amounts recoverable by the credit hire industry. In December 2000, the Court of Appeal ruled in *Ketley v Gilbert* that certain contracts used by 3 Arrows between June 1998, prior to acquisition, and June 1999 were not exempt from the Consumer Credit Act and as a result claims under these contracts are not recoverable in full.

The share of joint venture start-up costs relates to the Group's investment in yourautochoice.com Limited. The Group subscribed for its 65% interest in March 2000, since which time the company has been in a start-up phase and, as a consequence, the results for the period are deemed to have been exceptional by incidence in accordance with FRS 3. In the year to 31 December 2000, the company had a turnover of €861,000 (£526,000).

Notes to the Financial Statements

for the year ended 31 December 2000

4 Directors and employees	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Staff costs				
Wages and salaries	188,697	168,376	116,092	112,070
Social security costs	35,728	34,196	21,956	22,798
Other pension costs	10,872	8,095	6,678	5,388
	235,297	210,667	144,726	140,256

	Year ended 31 December 2000 Number	Year ended 31 December 1999 Number
Staff numbers		
Vehicle rental	5,830	5,460

5 Directors' remuneration, interests and transactions	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Aggregate emoluments				
Remuneration for management services				
Salaries	1,450	1,476	892	983
Incentive bonuses	—	768	—	511
Directors' fees	642	574	395	382
	2,092	2,818	1,287	1,876
Compensation for loss of office	—	312	—	208
	2,092	3,130	1,287	2,084

Highest paid Director's emoluments				
Remuneration for management services				
Salary	569	482	350	321
Incentive bonus	—	249	—	166
	569	731	350	487

Further details of Directors' remuneration, interests and transactions are set out in the Remuneration Report on pages 18 to 23.

6 Interest payable (net)	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Interest payable				
On finance charges payable under finance leases and hire purchase contracts	17,709	14,256	10,752	9,478
On bank loans and overdrafts	50,053	33,152	30,640	22,040
On deferred consideration	5,034	5,150	3,075	3,424
By joint ventures	10	—	6	—
	72,806	52,558	44,473	34,942
Interest receivable				
By consolidated companies	(5,532)	(2,814)	(3,375)	(1,871)
	67,274	49,744	41,098	33,071

7 Taxation	2000 €'000	1999 €'000	2000 £'000	1999 £'000
The taxation charge comprises:				
United Kingdom				
Corporation tax at 30% (1999: 30.25%)	19,421	6,655	11,840	4,376
Tax on exceptional administrative expenses	(8,260)	—	(5,000)	—
Share of joint venture's tax	(822)	—	(504)	—
Overseas				
Corporation taxes	24,339	35,251	14,917	23,180
Share of associated undertaking's tax	3	275	2	181
	34,681	42,181	21,255	27,737
Comprising:				
Current	23,073	26,721	14,141	17,571
Deferred	11,608	15,460	7,114	10,166
	34,681	42,181	21,255	27,737

The United Kingdom taxation charge has benefited from tax losses carried forward from earlier years.

8 Dividends	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Dividend per ordinary share				
Interim dividend of €0.032 (2.0p) (1999: €0.027 (1.8p))	18,586	15,920	11,689	10,493
Proposed final dividend of €0.063 (3.8p) (1999: €0.056 (3.6p))	37,062	32,938	22,221	20,994
	55,648	48,858	33,910	31,487

9 Earnings per share

The calculation of basic earnings per share is based on the profit for the year and on the weighted average number of shares in issue during the year.

	2000			1999		
	Profit €'000	Weighted average number	Earnings per share	Profit €'000	Weighted average number	Earnings per share
Profit, number of shares and basic earnings per share	103,803	583,418,950	0.178	126,630	582,914,958	0.217
Adjustment re possible issue of shares under option	—	3,298,984	(0.001)	—	2,693,761	(0.001)
Adjusted profit, number of shares and diluted earnings per share	103,803	586,717,934	0.177	126,630	585,608,719	0.216
Profit, number of shares and basic earnings per share	103,803	583,418,950	0.178	126,630	582,914,958	0.217
3 Arrows Limited bad debt provision and costs	33,000	—	0.057	—	—	—
Share of start-up costs from yourautochoice.com	3,330	—	0.006	—	—	—
Taxation on adjusting items	(9,082)	—	(0.016)	—	—	—
Adjusted profit pre exceptional items, number of shares and adjusted earnings per share	131,051	583,418,950	0.225	126,630	582,914,958	0.217

Notes to the Financial Statements

for the year ended 31 December 2000

9 Earnings per share continued

	2000			1999		
	Profit £'000	Weighted average number	Earnings per share	Profit £'000	Weighted average number	Earnings per share
Profit, number of shares and basic earnings per share	63,645	583,418,950	10.91	83,263	582,914,958	14.28
Adjustment re possible issue of shares under option	—	3,298,984	(0.06)	—	2,693,761	(0.06)
Adjusted profit, number of shares and diluted earnings per share	63,645	586,717,934	10.85	83,263	585,608,719	14.22
Profit, number of shares and basic earnings per share	63,645	583,418,950	10.91	83,263	582,914,958	14.28
3 Arrows Limited bad debt provision and costs	20,000	—	3.43	—	—	—
Share of start-up costs from yourautochoice.com	2,016	—	0.35	—	—	—
Taxation on adjusting items	(5,504)	—	(0.95)	—	—	—
Adjusted profit pre exceptional items, number of shares and adjusted earnings per share	80,157	583,418,950	13.74	83,263	582,914,958	14.28

The Group has granted options to Directors and employees over ordinary shares of Avis Europe plc and such shares constitute the only category of dilutive potential ordinary shares of Avis Europe plc.

10 Goodwill

	€'000	£'000
Cost		
At 1 January 2000	69,404	43,308
Additions (see note 12)	10,612	6,618
Exchange adjustments	1,591	(44)
At 31 December 2000	81,607	49,882
Accumulated amortisation		
At 1 January 2000	3,630	2,262
Charge for the year	4,108	2,511
Exchange adjustments	71	—
At 31 December 2000	7,809	4,773
Net book amount		
At 31 December 2000	73,798	45,109
At 31 December 1999	65,774	41,046

Included within additions is an amount of €281,000 (£166,000) in relation to the increase in the value of the goodwill in Autohof Bismark GmbH and Avifon S.A. subsidiaries acquired in 1999.

11 Tangible assets	Freehold land & buildings €'000	Short leasehold property €'000	Plant & equipment €'000	Vehicles €'000	Total €'000
Cost					
At 1 January 2000	14,052	29,437	33,398	1,191,202	1,268,089
Additions	1,800	3,077	15,886	2,659,893	2,680,656
Disposals	(1)	(65)	(1,603)	(2,497,371)	(2,499,040)
Acquisition of subsidiary undertakings	—	—	535	36,368	36,903
Exchange adjustments	(65)	203	14	10,452	10,604
At 31 December 2000	15,786	32,652	48,230	1,400,544	1,497,212
Accumulated depreciation					
At 1 January 2000	1,609	6,014	16,580	90,880	115,083
Charge for the year	718	2,475	8,837	324,914	336,944
Disposals	—	(21)	(1,301)	(280,100)	(281,422)
Exchange adjustments	(1)	61	235	661	956
At 31 December 2000	2,326	8,529	24,351	136,355	171,561
Net book amount					
At 31 December 2000	13,460	24,123	23,879	1,264,189	1,325,651
At 31 December 1999	12,443	23,423	16,818	1,100,322	1,153,006

	Freehold land & buildings £'000	Short leasehold property £'000	Plant & equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 January 2000	8,769	18,370	20,842	743,363	791,344
Additions	1,102	1,883	9,540	1,627,872	1,640,397
Disposals	—	(40)	(974)	(1,518,620)	(1,519,634)
Acquisition of subsidiary undertakings	—	—	334	22,695	23,029
Exchange adjustments	(222)	(255)	(262)	(19,237)	(19,976)
At 31 December 2000	9,649	19,958	29,480	856,073	915,160
Accumulated depreciation					
At 1 January 2000	1,004	3,753	10,347	56,713	71,817
Charge for the year	437	1,505	5,451	199,002	206,395
Disposals	—	(13)	(791)	(170,326)	(171,130)
Exchange adjustments	(19)	(32)	(122)	(2,044)	(2,217)
At 31 December 2000	1,422	5,213	14,885	83,345	104,865
Net book amount					
At 31 December 2000	8,227	14,745	14,595	772,728	810,295
At 31 December 1999	7,765	14,617	10,495	686,650	719,527

Vehicles held under finance leases are included in tangible assets at the following amounts:

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Cost	415,023	359,845	253,680	224,559
Accumulated depreciation	(25,696)	(19,372)	(15,706)	(12,089)
Net book amount	389,327	340,473	237,974	212,470

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12 Fixed asset investments

Group: Cost	Shares in joint ventures (see note 15) €'000	Shares in associated undertakings €'000	Other investments €'000	Own shares €'000	Total other investments €'000
At 1 January 2000	—	1,139	44	—	1,183
Additions	1,063	500	156	2,491	3,147
Share of losses	(3,370)	—	—	—	—
Transfer to subsidiary undertakings	—	(1,139)	—	—	(1,139)
Exchange adjustments	32	10	6	74	90
At 31 December 2000	(2,275)	510	206	2,565	3,281

Group: Cost	Shares in joint ventures (see note 15) £'000	Shares in associated undertakings £'000	Other investments £'000	Own shares £'000	Total other investments £'000
At 1 January 2000	—	709	29	—	738
Additions	650	312	97	1,566	1,975
Share of losses	(2,040)	—	—	—	—
Transfer to subsidiary undertakings	—	(709)	—	—	(709)
At 31 December 2000	(1,390)	312	126	1,566	2,004

Company: Cost	Shares in subsidiary undertakings £'000	Own shares £'000	Total other investments £'000
At 1 January 2000	758,778	—	758,778
Additions	—	1,566	1,566
Adjustment	(8,000)	—	(8,000)
At 31 December 2000	750,778	1,566	752,344

A statement of the investments held by the parent company and the Group in subsidiary undertakings which principally affected the profits or the net assets of the Group is set out on page 52.

Group acquisitions and investments

Acquisition of subsidiary undertakings

On 1 January 2000 the Group acquired the remaining 66.7% of the issued share capital of International Car Rental BV ("ICR BV"), the principal associated undertaking of the Group, and the Company became a wholly owned subsidiary undertaking of the Group. The principal activity of ICR BV is provision of vehicle rental services and its place of business is the Netherlands. Cash consideration was €45,602,000 (£28,460,000). The acquisition has been accounted for by using the acquisition method of accounting.

The amount of goodwill arising as a result of the acquisition is €8,980,000 (£5,614,000). The goodwill is being amortised over 20 years on a straight line basis, in line with the Directors' estimate of its useful life.

The results and cash flows arising subsequent to the acquisition of ICR BV are not considered material to the Group and accordingly are not disclosed separately.

The Group also acquired Bricon S.A., SAS Mayloc and Auto-Hall S.A. None of these acquisitions were material to the Group.

The details of the net assets acquired, goodwill and consideration of the Group's acquisitions in subsidiary undertakings are set out opposite.

12 Fixed asset investments continued	Book value €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible fixed assets			
Motor vehicles	36,368	—	36,368
Other	535	—	535
Investments	35	—	35
Debtors	5,985	(245)	5,740
Cash	3,594	—	3,594
Bank loans	(1,709)	—	(1,709)
Other creditors	(5,988)	(274)	(6,262)
Provisions	(24)	—	(24)
Net assets	38,796	(519)	38,277
Less original costs of existing shareholding in associate	(1,139)	—	(1,139)
	37,657	(519)	37,138
Goodwill	9,812	519	10,331
	47,469	—	47,469
Consideration			
Cash for acquisition of shares	11,392	—	11,392
Cash for settlement of intercompany lease obligations	35,757	—	35,757
Associated costs arising on acquisition	320	—	320
Cash consideration and related costs	47,469	—	47,469
	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Tangible fixed assets			
Motor vehicles	22,695	—	22,695
Other	334	—	334
Investments	22	—	22
Debtors	3,735	(153)	3,582
Cash	2,243	—	2,243
Bank loans	(1,066)	—	(1,066)
Other creditors	(3,737)	(181)	(3,918)
Provisions	(15)	—	(15)
Net assets	24,211	(334)	23,877
Less original costs of existing shareholding in associate	(709)	—	(709)
	23,502	(334)	23,168
Goodwill	6,118	334	6,452
	29,620	—	29,620
Consideration			
Cash	7,106	—	7,106
Cash for settlement of intercompany lease obligations	22,314	—	22,314
Associated costs arising on acquisition	200	—	200
Cash consideration and related costs	29,620	—	29,620

The only fair value adjustments made are in connection with the acquisition of ICR BV and relate to the need to record liabilities for withholding taxation and site clean-up costs, that were not previously reflected in the accounts of the company and a requirement to adjust the accounting policies of the company for accrued revenue and vacation pay, in order to bring them into line with the rest of the Group.

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12 Fixed asset investments continued

Investment in joint venture undertaking

On 17 March 2000 the Group subscribed for 65% of the issued share capital of yourautochoice.com Limited. The consideration comprised €1,063,000 (£650,000) of cash. The shareholders' agreement provides for joint decision making on key matters and proportional representation on the yourautochoice.com Limited board and accordingly the acquisition has been accounted for as a joint venture. yourautochoice.com Limited is a company incorporated in the United Kingdom and its principal activity is the on-line sale of nearly-new cars.

yourautochoice.com Limited operate a share option scheme of their own. As at 31 December 2000, options over 67,915 ordinary shares in the company were outstanding. Were these to be exercised, this would dilute the Group's holding in yourautochoice.com Limited by 1.7%.

Acquisition of associate undertaking

The Group has acquired 33% of Mercury Car Rentals Limited. The consideration comprised €500,000 (£312,000) of cash. The Group considers that it has significant influence in the running of the company and accordingly the investment has been treated as an associated undertaking. Mercury Car Rentals Limited is a company incorporated in India and its principal activity is the supply of chauffeur-driven cars.

Acquisition of own shares

During the year, the Company made an interest-free loan to the trustees of the Avis Europe Employee Share Trust, a discretionary trust established in Jersey, to facilitate the acquisition by it of ordinary shares in the Company. The shares are held to partially satisfy options and awards granted under a number of the Company's share schemes. Further details in relation to these share schemes are provided in the Remuneration Report set out on page 18. At 31 December 2000, the Trust held 999,518 shares, with a market value of 210.0 pence per share, which have been recognised as an investment in own shares. None of the shares held at the year end are under option to employees nor have they been conditionally gifted to them. The Avis Europe Employee Share Trust has not waived its right to dividends on these shares.

13 Debtors falling due within one year

Group:	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Trade debtors	408,483	310,063	250,294	193,493
Other debtors	122,620	108,672	74,951	67,816
Prepayments	52,921	44,715	32,347	27,904
	585,024	463,450	357,592	289,213
Company:			2000 £'000	1999 £'000
Amounts owed by Group undertakings			80,123	18,525
Other debtors			8,000	—
Prepayments			15	8
			88,138	18,533

Included within "Other debtors" is an amount of €44,200,000 (£27,000,000) (1999: €49,000,000 (£30,600,000)), which represents amounts recoverable, net of bad debt provisions, arising from the 3 Arrows credit hire business.

Included within "Prepayments" is an amount of €2,550,000 (£1,558,000) (1999: €3,154,000 (£1,968,000)), which represents a pension prepayment. This is being amortised over the average remaining service life of the employees.

Included within "Amounts owed by Group undertakings" is €2,565,000 (£1,566,000) (1999: £nil) which represents an amount receivable from the Avis Europe Employee Share Trust.

14 Bank and other loans

Group:	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Creditors falling due within one year				
Bank loans, overdrafts and other loans	405,422	282,858	247,811	176,516
Loan notes	52,051	55,756	31,816	34,794
	457,473	338,614	279,627	211,310
Creditors falling due after more than one year				
Bank loans and overdrafts	160,900	201,248	98,349	125,588
Senior unsecured loan notes	295,746	135,747	180,773	84,712
	456,646	336,995	279,122	210,300

14 Bank and other loans continued

Company:	2000 £'000	1999 £'000
Creditors falling due within one year		
Loan notes	31,816	34,794
Bank loans and overdrafts	13	–
	31,829	34,794

15 Other creditors

Group:	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Falling due within one year				
Trade creditors	272,377	303,163	166,489	189,187
Corporation taxes	19,047	29,649	11,642	18,502
Other taxes and social security	7,655	9,770	4,679	6,097
Other creditors	75,802	69,109	46,333	43,127
Obligations under finance leases and hire purchase contracts	354,607	320,108	216,751	199,762
Accruals and deferred income	177,232	176,173	108,320	109,940
Proposed dividend	36,335	33,642	22,221	20,994
	943,055	941,615	576,435	587,609
Falling due after more than one year				
Interest in net liabilities of joint venture (see note 12)				
Share of gross assets	(5,414)	–	(3,309)	–
Share of gross liabilities	7,689	–	4,699	–
	2,275	–	1,390	–
Other creditors falling due between one and two years	13,754	10,846	8,407	6,768
Other creditors falling due between two and five years	975	14,159	596	8,836
Other creditors falling due after more than five years	36,117	35,643	22,076	22,243
	53,121	60,648	32,469	37,847

Company:	2000 £'000	1999 £'000
Falling due within one year		
Amounts due to Group undertakings	96,957	66,348
Other creditors	5,204	4,060
Proposed dividend	22,221	20,994
	124,382	91,402
Falling due after more than one year		
Other creditors falling due between one and two years	5,120	4,670
Other creditors falling due between two and five years	–	5,120
	5,120	9,790

Other creditors falling due after more than one year represent deferred consideration arising on the acquisition of shares held by Avis, Inc. in Avis Europe Investment Holdings Limited.

Amounts falling due after more than five years are payable in annual instalments of £1,940,000 at an interest rate of 8%.

Notes to the Financial Statements

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16 Financial instruments

The Group's objectives and policies on the use of financial instruments, including derivatives, can be found in the Operating and Financial Review on page 11. Amounts dealt with in this note exclude short-term assets and liabilities except for cash, overdrafts, loan notes, commercial paper, deferred consideration and finance leases.

The tables within this note take account of interest rate swaps and currency swaps used to manage the interest rate and currency profile of the financial liabilities of the Group.

(i) Maturity of financial liabilities

Borrowings may be analysed by repayment dates as follows:

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Falling due within one year				
Obligations under finance leases and hire purchase contracts	354,607	320,109	216,751	199,762
Commercial paper	87,143	53,878	53,265	33,622
Bank loans and overdrafts	318,279	228,980	194,546	142,894
Loan notes	52,051	55,756	31,816	34,794
Deferred consideration	11,073	7,031	6,768	4,388
	823,153	665,754	503,146	415,460
Falling due within one to two years				
Deferred consideration	13,754	10,846	8,407	6,768
Bank loans	160,900	201,248	98,349	125,588
	174,654	212,094	106,756	132,356
Falling due within two to five years				
Senior unsecured loan notes	135,746	83,711	82,974	52,239
Deferred consideration	975	14,159	596	8,836
	136,721	97,870	83,570	61,075
Falling due after five years				
Senior unsecured loan notes	160,000	52,036	97,799	32,473
Deferred consideration	36,117	35,643	22,076	22,243
	196,117	87,679	119,875	54,716
Total				
Commercial paper	87,143	53,878	53,265	33,622
Bank loans and overdrafts	479,179	430,228	292,895	268,482
Loan notes	52,051	55,756	31,816	34,794
Senior unsecured loan notes	295,746	135,747	180,773	84,712
Sub total – bank and other loans	914,119	675,609	558,749	421,610
Obligations under finance leases and hire purchase contracts	354,607	320,109	216,751	199,762
Deferred consideration	61,919	67,679	37,847	42,235
	1,330,645	1,063,397	813,347	663,607

The commercial paper, issued by Avis Finance Company Limited, is guaranteed by the Company.

The senior unsecured loan notes represent US\$300,000,000 (1999: US\$150,000,000) of loan notes outstanding maturing between 2003 and 2010. The senior unsecured loan notes, issued by Avis Finance Company Limited, are guaranteed by the Company and Avis Europe Holdings Limited.

Deferred consideration is included in other creditors (see note 15).

16 Financial instruments continued

(ii) Analysis of interest rate exposure and currency of financial liabilities

The interest rate and currency profile of the financial liabilities of the Group are as follows:

	2000			1999		
	Fixed rate €'000	Floating rate €'000	Total €'000	Fixed rate €'000	Floating rate €'000	Total €'000
Currency						
Euro	558,241	503,256	1,061,497	391,446	432,553	823,999
Sterling	40,900	154,498	195,398	8,012	124,395	132,407
Other	—	11,831	11,831	29,413	9,899	39,312
	599,141	669,585	1,268,726	428,871	566,847	995,718

	2000			1999		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Currency						
Euro	341,221	307,612	648,833	244,280	269,932	514,212
Sterling	25,000	94,436	119,436	5,000	77,628	82,628
Other	—	7,231	7,231	18,355	6,177	24,532
	366,221	409,279	775,500	267,635	353,737	621,372

US\$150,000,000 of the proceeds from the issues of senior unsecured loan notes were swapped so as to generate a fixed rate deutschmark liability and US\$150,000,000 were swapped to generate a euro liability, fixed from 28 February 2001.

Included in the floating rate column of the above analyses are borrowings subject to interest rate caps with an aggregate notional principal of €nil (£nil) (1999: €30,937,000 (£19,300,000)).

Excluded from the above table are forward start interest rate swaps with a notional principal of £30,000,000 which commence in 2003 and will run for five years. These swaps will convert the prevailing floating interest rate to a fixed rate of 6.3%.

The floating exchange rate financial liabilities principally comprise bank loans bearing interest at various rates set with reference to the prevailing EURIBOR or equivalent.

The weighted average interest rate of the fixed rate liabilities and the weighted average maturity period of the fixed rate liabilities are as follows:

	2000		1999	
	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Currency				
Euro	5.0	2.2	5.9	2.9
Sterling	6.6	2.2	7.4	1.8
Other	—	—	6.2	2.0
	5.1	2.2	5.9	2.8

The above analysis excludes the deferred consideration of €61,919,000 (£37,847,000) (1999: €67,679,000 (£42,235,000)). This bears an interest rate of 8.0% (1999: 8.0%) and the weighted average period for which the rate is fixed is 37 years (1999: 38 years).

(iii) Investment in financial assets

The Group's financial assets are fixed asset investments, cash and current asset investments. Fixed asset investments include equity minority interests in French companies of €159,000 (£97,000) (1999: nil) and UK fixed rate gifts of €47,000 (£29,000) (1999: €44,000 (£29,000)). Cash balances are floating rate assets which earn interest at various rates set with reference to the prevailing EURIBOR or equivalent. The current asset investments are amounts held, in an independently managed fund, by Aegis Motor Insurance Limited (see note 24(iii)). The investments consist of €3,331,000 (£2,036,000) (1999: €3,280,000 (£2,047,000)) of Eurobonds which earn fixed rates between 6.25% and 6.5% and €497,000 (£304,000) (1999: €2,213,000 (£1,381,000)) of floating rate notes which attract interest with reference to LIBOR.

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for the year ended 31 December 2000

16 Financial instruments continued

The currency profile of the financial assets of the Group are as follows:

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Currency				
Euro	8,542	25,965	5,221	16,203
Sterling	29,078	22,377	17,774	13,966
Other	769	1,141	470	712
	38,389	49,483	23,465	30,881

(iv) Currency exposures

Monetary assets and liabilities, including short-term financial assets and liabilities, denominated in currencies other than the functional currency of the entity owning them, excluding currency funding for overseas net investment (which is dealt with in the statement of total recognised gains and losses), are not material.

(v) Committed borrowing facilities

The committed borrowing facilities, drawn and undrawn, of the Group are as follows:

	2000			1999		
	Drawn €'000	Undrawn €'000	Total €'000	Drawn €'000	Undrawn €'000	Total €'000
Revolving credit facility	214,242	325,641	539,883	263,608	265,201	528,809
Bilateral facilities and finance leases	401,564	366,572	768,136	341,012	306,188	647,200
	615,806	692,213	1,308,019	604,620	571,389	1,176,009

	2000			1999		
	Drawn £'000	Undrawn £'000	Total £'000	Drawn £'000	Undrawn £'000	Total £'000
Revolving credit facility	130,954	199,046	330,000	164,503	165,497	330,000
Bilateral facilities and finance leases	245,453	224,064	469,517	212,807	191,075	403,882
	376,407	423,110	799,517	377,310	356,572	733,882

The amount of the revolving credit facility includes a €53,340,000 (£32,604,000) (1999: €57,209,000 (£35,701,000)) guarantee in support of the loan notes issued in respect of the acquisition of 3 Arrows.

The maturity profile of the Group's undrawn committed facilities is as follows:

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Expiring within one year	579,253	514,507	354,064	321,075
Expiring within one and two years	112,960	56,882	69,046	35,497
	692,213	571,389	423,110	356,572

The facilities expire at various intervals between 2001 and 2002.

There are, in addition, uncommitted bank facilities available to the Group of €900,358,000 (£550,338,000).

16 Financial instruments continued

(vi) Fair value of financial assets and liabilities

The fair value of the financial assets are not considered to be materially different from their book amounts. Accordingly, no further analysis is given with regard to financial assets.

Financial liabilities	2000		1999	
	Book amount €'000	Fair value €'000	Book amount €'000	Fair value €'000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term debt	822,106	822,106	668,880	668,880
Long-term borrowings	535,545	546,072	411,052	404,737
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	251	3,410	617	3,569
Currency swaps	(28,850)	(32,008)	(13,409)	(7,746)
Forward foreign currency contracts	1,593	5,847	(3,743)	(3,359)
	1,330,645	1,345,427	1,063,397	1,066,081

Financial liabilities	2000		1999	
	Book amount £'000	Fair value £'000	Book amount £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term debt	502,506	502,506	417,411	417,411
Long-term borrowings	327,348	333,783	256,515	252,574
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	153	2,144	385	2,227
Currency swaps	(17,634)	(20,117)	(8,368)	(4,834)
Forward foreign currency contracts	974	3,678	(2,336)	(2,096)
	813,347	821,994	663,607	665,282

For the purposes of the above table, the book amount of the relevant asset or liability is shown gross of the effect of the hedging instrument.

The fair value of borrowings and derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date. Currency derivatives are translated at the rates of exchange quoted at the balance sheet date.

Gains and losses on hedges

Gains and losses on financial instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains and losses on financial instruments used for hedging, and the movements therein, are as follows:

	2000 Net gains/(losses) €'000	1999 Net gains/(losses) €'000	2000 Net gains/(losses) £'000	1999 Net gains/(losses) £'000
Gains and losses on hedges at 1 January	(8,999)	(29,650)	(5,616)	(20,835)
Arising in previous years included in current year income	2,318	5,869	1,447	4,123
Gains and losses not included in income				
Arising in previous year	(6,681)	(23,781)	(4,169)	(16,712)
Arising in current year	10,936	14,782	6,381	11,096
Gains and losses on hedges at 31 December	4,255	(8,999)	2,212	(5,616)
Of which:				
Gains and losses expected to be included within one year	2,473	(2,318)	1,092	(1,447)
Gains and losses expected to be included after more than one year	1,782	(6,681)	1,120	(4,169)

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17 Provisions for liabilities and charges

Group:	Pensions €'000	Deferred taxation €'000	Total €'000	Pensions £'000	Deferred taxation £'000	Total £'000
At 1 January 2000	18,255	49,419	67,674	11,392	30,840	42,232
Acquisitions	—	24	24	—	15	15
Profit and loss charge	1,959	11,608	13,567	1,192	7,114	8,306
Utilisation	(412)	—	(412)	(250)	—	(250)
Exchange adjustment	6	(795)	(789)	(227)	(1,137)	(1,364)
At 31 December 2000	19,808	60,256	80,064	12,107	36,832	48,939

The pension provision arises from the difference between contributions paid to pension and other post retirement benefit schemes, and the amount charged to the profit and loss account. Further details of pensions are set out in note 23.

Deferred taxation provided and deferred taxation not recognised are as follows:

	Provided		Not recognised	
	2000 €'000	1999 €'000	2000 €'000	1999 €'000
Accelerated capital allowances	20,991	29,911	(9,435)	(12,111)
Other timing differences	39,265	19,508	(2,642)	(11,389)
Losses available for offset	—	—	(38,172)	(45,423)
	60,256	49,419	(50,249)	(68,923)

	Provided		Not recognised	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	12,831	18,666	(5,767)	(7,550)
Other timing differences	24,001	12,174	(1,615)	(7,099)
Losses available for offset	—	—	(23,333)	(28,314)
	36,832	30,840	(30,715)	(42,963)

18 Share capital	2000			1999		
	Number	€'000	£'000	Number	€'000	£'000
Authorised share capital						
Ordinary shares of 1p each	800,000,000		8,000	800,000,000		8,000
Issued and fully paid share capital						
Ordinary shares of 1p each	584,752,764	8,067	5,848	583,159,408	8,040	5,832

At 31 December 2000, options granted under the Company's share option schemes were outstanding as follows:

	Number of ordinary shares 2000	Number of ordinary shares 1999	Exercise price range	Exercisable years
Date of grant				
2000	1,404,000	—	198.7p – 199.0p	2003 – 2010
1999	1,449,500	1,628,500	253.3p – 279.8p	2002 – 2009
1998	2,890,750	3,217,750	248.2p – 268.0p	2001 – 2008
1997	3,535,853	5,189,209	124.0p – 127.8p	2000 – 2007

19 Reserves Group:	Share premium €'000	Profit and loss €'000	Total €'000	Share premium £'000	Profit and loss £'000	Total £'000
At 1 January 2000	869,149	(890,259)	(21,110)	630,477	(644,466)	(13,989)
Premium arising on issue of ordinary shares	4,233	(1,101)	3,132	2,668	(694)	1,974
Retained profit for the year	–	48,155	48,155	–	29,735	29,735
Exchange adjustments	–	(3,240)	(3,240)	–	(2,172)	(2,172)
At 31 December 2000	873,382	(846,445)	26,937	633,145	(617,597)	15,548

Goodwill, of €1,080,421,000 (£783,462,000), arising before 28 February 1998 has been written off against the profit and loss account. For further information see the Statement of Accounting Policies on page 31.

Company:	Share premium £'000	Profit and loss £'000	Total £'000
At 1 January 2000	630,477	5,016	635,493
Premium arising on issue of ordinary shares	2,668	–	2,668
Retained profit for the year	–	35,142	35,142
At 31 December 2000	633,145	40,158	673,303

No profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985. The amount of profit dealt with in the accounts of the Company for the year to 31 December 2000, before dividends paid and payable, is £69,052,000 (1999: £34,139,000).

20 Reconciliation of movements in shareholders' funds

Group:	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Profit for the year	103,803	126,630	63,645	83,263
Dividends	(55,648)	(48,858)	(33,910)	(31,487)
Exchange adjustments	(3,240)	4,961	(2,172)	7,442
Nominal value and share premium on issue of shares (see notes 18 and 19)	3,159	1,268	1,990	842
Net addition to shareholders' funds	48,074	84,001	29,553	60,060
Opening shareholders' funds	(13,070)	(97,071)	(8,157)	(68,217)
Closing shareholders' funds	35,004	(13,070)	21,396	(8,157)

21 Capital commitments

At 31 December 2000, the Group had capital commitments contracted for, but not provided for, amounting to €304,787,000 (£186,299,000) (1999: €260,333,000 (£162,459,000)).

Notes to the Financial Statements

for the year ended 31 December 2000

22 Financial commitments

At 31 December 2000, the Group had the following annual commitments under operating leases in the year ending 31 December 2001, analysed by the date of termination of the leases:

	Land and buildings €'000	Motor vehicles €'000	Others €'000	Total €'000
Expiring:				
Within one year	10,077	6,426	126	16,629
Between one and two years	3,588	—	180	3,768
Between two and five years	3,627	—	187	3,814
After more than five years	6,731	—	—	6,731
	24,023	6,426	493	30,942

	Land and buildings £'000	Motor vehicles £'000	Others £'000	Total £'000
Expiring:				
Within one year	6,160	3,928	77	10,165
Between one and two years	2,193	—	110	2,303
Between two and five years	2,217	—	114	2,331
After more than five years	4,114	—	—	4,114
	14,684	3,928	301	18,913

At 31 December 1999, the Group had the following annual commitments under operating leases in the year ending 31 December 2000, analysed by the date of termination of the leases:

	Land and buildings €'000	Motor vehicles €'000	Others €'000	Total €'000
Expiring:				
Within one year	8,144	6,378	138	14,660
Between one and two years	5,320	—	152	5,472
Between two and five years	2,574	—	104	2,678
After more than five years	5,679	—	—	5,679
	21,717	6,378	394	28,489

	Land and buildings £'000	Motor vehicles £'000	Others £'000	Total £'000
Expiring:				
Within one year	5,082	3,980	86	9,148
Between one and two years	3,320	—	95	3,415
Between two and five years	1,606	—	65	1,671
After more than five years	3,544	—	—	3,544
	13,552	3,980	246	17,778

23 Pension costs

All operating subsidiary undertakings within the Group contribute to their local state pension scheme. Certain countries also have a company scheme which provides additional retirement benefits. The majority of these schemes are of the "defined benefit" type based on employees' salaries and length of service and are funded by investments held outside the Group.

All schemes are funded in accordance with generally accepted local actuarial practice and principles (the scheme in Germany is an unfunded scheme in line with local practice). In schemes where funding is non-insured, independent valuations are performed by independent qualified actuaries on a regular basis, generally every three years. In accordance with their recommendations contributions are paid to the schemes so as to provide the required benefits. The Group charges these contributions to the profit and loss account over the period benefiting from the employees' services.

In the year ended 31 December 2000 the Group's profit and loss account charge was €10,872,000 (£6,678,000) (1999: €8,095,000 (£5,388,000)) of which €7,453,000 (£4,579,000) (1999: €5,501,000 (£3,661,000)) related to the United Kingdom and Germany combined.

The main actuarial assumptions and results of the principal schemes' valuations are as follows:

	UK	Germany
Main assumptions:		
Rate of return on investments	7.0%	6.5%
Rate of salary increase	4.5%	3.5%
Rate of state pension increase	3.0%	3.5%
Value of schemes' assets	£35,394	
Value of balance sheet provision ('000)		DM 32,186
Value of past service liabilities ('000)	£41,109	DM 31,460
Past service (deficit)/surplus ('000)	£(5,715)	DM 725
Actuarial value of assets as a percentage of past service liabilities	86.1%	102.3%
Date of last valuation	30 June 1999	30 June 2000

The market value of the United Kingdom scheme as at 30 June 1999 was £43,942,000.

The schemes in the United Kingdom and Germany are defined benefit schemes and were valued using the projected unit cost method.

The above surpluses and deficits are being spread over the average remaining service lives of the employees.

24 Notes to the consolidated cash flow statement

(i) Reconciliation of operating profit to operating cash flow	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Operating profit	209,263	217,879	128,134	143,635
Depreciation on tangible fixed assets	336,944	259,863	206,395	172,568
Amortisation of goodwill	4,108	3,017	2,511	2,001
Adjustments arising on differences between sales proceeds and depreciated amounts	(15,330)	(8,594)	(9,251)	(5,498)
	325,722	254,286	199,655	169,071
Increase in debtors	(110,766)	(89,604)	(69,104)	(58,218)
(Decrease)/increase in creditors	(52,848)	3,394	(22,595)	1,562
Net cash inflow from operating activities	371,391	385,955	236,090	256,050

1. The first part of the document is a list of names and addresses of the members of the committee. The names are written in a cursive hand, and the addresses are written in a more formal, printed hand. The list is organized in two columns, with names on the left and addresses on the right. The names are: John A. Smith, James B. Jones, William C. Brown, and Thomas D. White. The addresses are: 123 Main Street, New York, N.Y.; 456 Elm Street, Boston, Mass.; 789 Oak Street, Philadelphia, Pa.; and 101 Pine Street, San Francisco, Calif.

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Notes to the Financial Statements

for the year ended 31 December 2000

24 Notes to the consolidated cash flow statement continued

(ii) Reconciliation of net cash inflow to movement in net debt	2000 €'000	1999 €'000	2000 £'000	1999 £'000
(Decrease)/increase in cash in the year	(15,243)	7,159	(9,261)	4,746
Cash flow from decrease in debt and leasing finance	606,303	696,851	370,998	454,048
Cash flow from increase/(decrease) in liquid resources	4,070	(669)	2,485	(443)
Movement in net debt resulting from cash flows	595,130	703,341	364,222	458,351
Loans and finance leases acquired with subsidiary undertakings	(1,708)	(13,805)	(1,066)	(9,068)
New finance leases	(874,545)	(871,131)	(534,673)	(576,520)
Exchange adjustments	(3,141)	(19,526)	9,876	60,370
Movement in net debt	(284,264)	(201,121)	(161,641)	(66,867)
Net debt at beginning of the year	(946,279)	(745,158)	(590,520)	(523,653)
Net debt at end of the year	(1,230,543)	(946,279)	(752,161)	(590,520)

(iii) Analysis of changes in net debt	At 1 January 2000 €'000	Cash flow €'000	Movement in cash on short- term deposit €'000	Other non-cash €'000	Exchange adjustments €'000	At 31 December 2000 €'000
Cash	43,944	(15,243)	5,858	-	(204)	34,355
Debt due within one year	(338,614)	(116,764)	-	(1,708)	(387)	(457,473)
Debt due after one year	(336,995)	(119,386)	-	-	(265)	(456,646)
Finance leases	(320,109)	842,453	-	(874,545)	(2,406)	(354,607)
	(995,718)	606,303	-	(876,253)	(3,058)	(1,268,726)
Current asset investments	5,495	(1,788)	-	-	121	3,828
	(946,279)	589,272	5,858	(876,253)	(3,141)	(1,230,543)

	At 1 January 2000 £'000	Cash flow £'000	Movement in cash on short- term deposit £'000	Other non-cash £'000	Exchange adjustments £'000	At 31 December 2000 £'000
Cash	27,423	(9,261)	3,574	-	(737)	20,999
Debt due within one year	(211,310)	(72,437)	-	(1,066)	5,186	(279,627)
Debt due after one year	(210,300)	(71,630)	-	-	2,808	(279,122)
Finance leases	(199,762)	515,065	-	(534,673)	2,619	(216,751)
	(621,372)	370,998	-	(535,739)	10,613	(775,500)
Current asset investments	3,429	(1,089)	-	-	-	2,340
	(590,520)	360,648	3,574	(535,739)	9,876	(752,161)

Other non-cash movements represent the effect of the acquisitions made and the inception of new finance leases during the year.

Aegis Motor Insurance Limited, a subsidiary undertaking of the Group is required by trust deed to maintain reserve cash deposit balances. Such reserve balances amount to cash deposits of €5,649,000 (£3,453,000) (1999: €7,439,000 (£4,642,000)) and current asset investments of €3,828,000 (£2,340,000) (1999: €5,495,000 (£3,429,000)).

(iv) Purchase of subsidiary, joint venture and associate undertakings

The total cash consideration in respect of the acquisition of subsidiary, joint venture and associate undertakings was €49,032,000 (£30,582,000). Further details of total consideration are given in note 12.

25 Related party transactions

The transactions and balances which are required to be disclosed in accordance with the requirements of FRS 8 "Related party disclosures" are as follows:

	2000 €'000	1999 €'000	2000 £'000	1999 £'000
Purchases from joint ventures	98	—	60	—
Sales to joint ventures	7,441	—	4,556	—
Net amounts owing from joint ventures	4,746	—	2,901	—
Net loans owing from joint ventures	2,182	—	1,334	—
Purchases from majority shareholder	42,720	44,427	26,134	29,590
Sales to majority shareholder	38,746	36,109	23,703	24,050
Interest payable to majority shareholder	2,472	499	1,510	332
Dividends paid and proposed to the majority shareholder	31,511	27,741	19,202	17,878
Dividends paid and proposed to the majority shareholder remaining outstanding at the year end	20,575	19,102	12,576	11,920
Net current amounts owing to majority shareholder	10,870	14,401	6,644	8,987
Loans owing to majority shareholder	100,865	11,259	61,653	7,026

26 Majority shareholder

The Company's ultimate majority shareholder is s.a. D'leteren n.v. which is incorporated in Belgium. The ultimate controlling party of s.a. D'leteren n.v. is the D'leteren family. Avis Europe plc is the smallest company that consolidates the results of the Company and its subsidiary undertakings. s.a. D'leteren n.v. is the largest company that consolidates the results of the Company and its subsidiary undertakings. Copies of s.a. D'leteren n.v.'s financial statements are available from Avis House, Park Road, Bracknell, Berkshire RG12 2EW.

Independent Auditors' Report to the Members of Avis Europe plc

for the year ended 31 December 2000

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes, including the additional disclosures in the Remuneration Report specified for our review by the Financial Services Authority, and the accounting policies set out in the Statement of Accounting Policies.

Respective Responsibilities of Directors and Auditors

The Directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibility.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is inconsistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only: the Directors' Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 affairs of the Company and the Group at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
21 February 2001