

## Statement of Accounting Policies

### Basis of preparation

The financial statements present the consolidated results for the year ended 31 December 2000 in both euro and sterling. As a significant proportion of the Group's revenues, costs and funding arise in the euro zone, the Directors consider that the Group's functional currency is the euro. Accordingly, the Group's statutory accounts are prepared in euro. The Company's statutory accounts continue to be reported in sterling.

### Principal accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding year, is set out below.

### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The implementation of new accounting standards, required to be implemented in 2000, had no material impact on the financial statements.

### Basis of consolidation

The Group's financial statements consolidate the results of the Company and its subsidiary undertakings. The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal.

The accounting dates of the Group's subsidiary undertakings and associated undertakings are governed by local legal requirements and some are not coterminous with the Group's 31 December year end. For those companies without coterminous year ends, management accounts for the period ended 31 December 2000 have been consolidated. The accounting dates of the Group's principal subsidiary undertakings and associated undertakings are shown on page 52.

In the opinion of the Directors, the expense of providing additional statutory accounts for periods coterminous with the Group's period end, together with the consequential delay in producing the Group's financial statements, would outweigh any benefit to shareholders.

### Associate and joint venture undertakings

Undertakings in which the Group has an interest comprising not less than 20% and not more than 50% of the equity capital, and in respect of which it is in a position to exercise significant influence over commercial and operating policy decisions, are treated as associated undertakings and are accounted for using the equity method. Undertakings in which the Group has a joint control along with other parties are treated as joint ventures and are accounted for using the gross equity method.

### Goodwill

Goodwill arising on acquisition represents the excess of consideration paid over the fair values attributed to the net assets acquired. Useful economic lives are determined for each individual acquisition and are based on the particular circumstances. Goodwill on subsidiaries acquired after 28 February 1998 is capitalised and amortised over useful economic lives of 20 years.

Goodwill arising prior to 28 February 1998 of €1,080,421,000 (£783,462,000), was written off immediately against reserves as a matter of accounting policy and, as permitted by FRS 10, has not been reinstated in the balance sheet. On disposal of a business, the attributable goodwill is transferred from reserves to the profit and loss account in arriving at the profit or loss on disposal.

### Revenue

Revenue includes vehicle rental income (net of value added taxes and discounts) and fees receivable from licensees.

### Cost of sales

Cost of sales includes contributions to operating costs from vehicle manufacturers which are credited over the average depreciable lives of the vehicles. Where contributions depend on the volume of vehicle purchases, they are taken to income only to the extent that it is considered that the volume levels will be met.

### Fixed asset investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

### Employee share plans

Investments in own shares are held by the employee share ownership trust for awards and grants under share option and share award schemes. The difference between the purchase price of the shares and the exercise price of the awards and options, net of any hedges, is charged to the profit and loss account over the period to which the options and awards are granted.

### Tangible fixed assets

#### Vehicles

Vehicles are stated at cost after deducting discounts received, less depreciation. Depreciation is based on estimates of future residual values or on guaranteed residual values, when they are agreed at the time of purchase. Depreciation rates vary between 12% and 40% per annum, depending on the type of vehicle.

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### Other assets

Depreciation is calculated so as to write down the cost of tangible assets to their residual values in equal instalments over their estimated useful lives, which are as follows:

Leasehold property	the period of the lease
Leasehold improvements	the shorter of the period of the lease or the life of the asset
Plant and equipment	2 to 10 years
Freehold buildings	50 years
Freehold land	Not depreciated

### Major projects

All directly attributable costs on major capital projects are capitalised and depreciated from the date on which the project becomes fully operational over the expected useful lives of the project components.

### Leases

Vehicles and other assets leased under finance leases are capitalised at fair value and depreciated as described above. Interest on leases is charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance on finance of the obligation for each accounting period. Vehicles and other assets held under operating leases are not capitalised. Lease payments are charged against the profit and loss account in the period to which they relate.

### Current asset investments

Marketable securities held as current assets are stated at cost adjusted for any amortised premium or discount.

### Pension arrangements

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' service. The difference between this charge and the contributions paid is included as an asset or liability in the balance sheet.

### Taxation

Deferred taxation in respect of timing differences between profits as computed for taxation purposes and

profits as stated in the financial statements is provided, on the liability method, only to the extent that there is a reasonable probability that such deferred taxation will be payable in the foreseeable future.

### Foreign currency

Foreign currency assets and liabilities are translated at the rates of exchange ruling at the year end. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. Profits and losses on exchange are dealt with in the profit and loss account.

The results of overseas subsidiary undertakings and associated undertakings are translated at average rates.

Exchange differences arising from the retranslation at closing rates of the opening balance sheets and results of subsidiary undertakings and associated undertakings are taken directly to reserves. Where foreign currency borrowings are used to finance foreign subsidiary undertakings, including goodwill, the resulting foreign exchange differences are taken to reserves.

The average euro/sterling exchange rate used for the year was 1.645 (1999: 1.503) and the rate as at the year end was 1.636 (1999: 1.602).

### Financial instruments

Transactions in derivative financial instruments are for risk management purposes only.

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. To the extent that such instruments are matched against an underlying asset or liability, they are accounted for using hedge accounting.

Gains or losses on interest rate instruments are matched against the corresponding interest charge or interest receivable in the profit and loss account over the life of the instrument. For foreign exchange instruments, gains or losses and premiums or discounts are matched to the underlying transactions being hedged.