

AVIS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

REGISTERED NUMBER: 1972749



AVIS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2001.

Principal Activities

The Company is primarily engaged in the provision of management services to the subsidiary undertakings and licensees of the Avis Europe plc Group throughout Europe, Africa, Asia and the Middle East.

Review of the Business

The Company has continued to perform satisfactorily throughout the year. The Directors expect that the Company will continue to transact business as a management services company during the coming year.

Results and Dividends

The Company made a profit after taxation in the year of £43,061,000 (2000: £39,478,000). An interim dividend of £50,000,000 was paid during the year (2000: £35,000,000). The Directors do not recommend the payment of a final dividend (2000: Nil). The retained loss made by the Company has been transferred to reserves.

Payments to Creditors

It is the Company's practice to agree 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 average number of days taken by the Company to pay creditors in 2001 was 16 days (2000: 16 days).

Directors and their Interests

The Directors of the Company during the year are set out below:

C I Cowan (resigned 11 April 2002)

M McCafferty

R J Coates (appointed 11 April 2002, resigned 31 October 2002)

M R Smith (appointed 31 October 2002)

None of the Directors had any interests in the shares of the Company or in any material contracts with the Company.

C I Cowan and M McCafferty were also Directors of Avis Europe plc during the year. Their interests in the share capital of Avis Europe plc are disclosed in the statutory accounts of that company.

AVIS MANAGEMENT SERVICES LIMITED

INDEPENDENT DIRECTORS' REPORT (continued)

Charitable Donations

The Company made charitable donations of £19,000 during the year (2000: £10,000).

Employment Policies and Practices

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.

Statement of Directors Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 4 to 14 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.

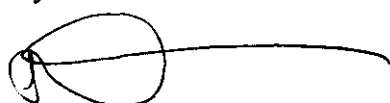
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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.

Auditors

PricewaterhouseCoopers continue in office as auditor since the company has elected to dispense with the annual reappointment of auditors as permitted by Section 386 of the Companies Act 1985.

By Order of the Board



J A Nicholson
Secretary
31 January 2003

AVIS MANAGEMENT SERVICES LIMITED

Independent Auditor's Report to the Members of Avis Management Services Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and the related notes which have been prepared under the historical cost convention 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 financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 not consistent 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 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.

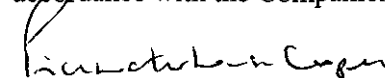
Basis of Audit Opinion

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 the company's affairs at 31 December 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountant and Registered Auditors.
London

31 January 2003

AVIS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

		Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
	<u>Notes</u>		
Turnover	2	79,730	80,156
Administrative Expenses		(37,763)	(28,870)
Operating Profit	3	<u>41,967</u>	<u>51,286</u>
Net Interest Receivable	4	11,692	3,496
Profit on Ordinary Activities Before Taxation		<u>53,659</u>	<u>54,782</u>
Taxation on profit on ordinary activities	5	(10,598)	(15,304)
Profit on Ordinary Activities After Taxation		<u>43,061</u>	<u>39,478</u>
Dividends	6	(50,000)	(35,000)
Amount (Deducted from)/Transferred to Reserves	14	<u>(6,939)</u>	<u>4,478</u>

The profit and loss account for the Company is entirely in respect of continuing operations.

In both the current and the prior year, all recognised gains and losses are included in the Profit and loss account and therefore a statement of recognised gains and losses has not been presented.

AVIS MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

		31 December 2001 £000	31 December 2000 £000
	<u>Notes</u>		
Fixed Assets			
Tangible assets	9	4,547	1,442
Current Assets			
Debtors	10	199,872	178,393
Cash at Bank		-	52
		<u>199,872</u>	<u>178,445</u>
Creditors: Amounts Falling Due Within One Year	11	(158,345)	(126,874)
Net Current Assets		<u>41,527</u>	<u>51,571</u>
Net Assets being Total Assets less Current Liabilities		<u>46,074</u>	<u>53,013</u>
Capital and Reserves			
Called-up Share Capital	13	10	10
Profit and Loss Account	14	46,064	53,003
		<u>46,074</u>	<u>53,013</u>
Shareholder's Funds - Equity	15	<u>46,074</u>	<u>53,013</u>

Approved by the Board on 31 January 2003

Signed on behalf of the Board



M R Smith

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

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

(a) Basis of Accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards

(b) Cash Flow Statement

The Company, which is a wholly owned subsidiary, has elected to utilise the exemption provided in Financial Reporting Standard 1 and not produce a cash flow statement.

(c) Tangible Fixed Assets

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

Plant and equipment - two to five years.

(d) 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.

(e) Deferred Taxation

Deferred taxation in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements is provided, using the liability method, only to the extent that there is a reasonable probability that such deferred tax will be payable to the Company in the foreseeable future.

(f) Dividends

Dividends are shown in the Profit and Loss Account in the period in which they are declared.

(g) Operating Leases

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.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Statement of Accounting Policies (continued)

(h) Turnover

Turnover includes management fees from Avis Europe plc Group companies, joint ventures and licensees, together with advertising and other income. Turnover is stated net of value added tax.

(i) Pension Costs

The cost of providing retirement pensions and related benefits is charged to the Profit and Loss Account over the periods benefiting from the employee's service.

2. Turnover

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Management fee and advertising income	42,819	39,080
Other income	36,911	41,076
	<u>79,730</u>	<u>80,156</u>
By geographical market:		
UK	13,044	12,769
Continental Europe	63,476	67,236
Other	3,210	151
	<u>79,730</u>	<u>80,156</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Operating Profit

	Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
The operating profit is stated after charging/(crediting):		
Depreciation on tangible assets	875	433
Operating lease charges:		
Plant and machinery	28	25
Land and buildings	1,525	1,550
Auditors' remuneration (for audit services)	203	183
Foreign exchange losses/(gains)	<u>454</u>	<u>(2,027)</u>

During the year the Company incurred £555,000 for non-audit services payable to its auditors (2000: £768,000) in respect of services rendered to Avis Management Services Limited.

Avis Management Services Limited bears the audit fee for certain companies within the Avis Europe plc Group.

4. Net Interest Receivable

	Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
Interest receivable:		
Bank interest	35	41
On loans to group undertakings	15,341	10,335
	<u>15,376</u>	<u>10,376</u>
Interest payable:		
On loans from group undertakings	(3,684)	(6,880)
	<u>11,692</u>	<u>3,496</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation

	Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
UK corporation tax at 30%	9,321	15,304
Irrecoverable withholding tax	2,309	-
Prior year adjustment	(1,032)	
	<u>10,598</u>	<u>15,304</u>

6. Dividends

	Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
Interim dividend of £5,000 per ordinary share (2000: £3,500 per ordinary share)	50,000	35,000
	<u>50,000</u>	<u>35,000</u>

7. Directors' Emoluments and Employees

	Year ended 31 December 2001 <u>£000</u>	Year ended 31 December 2000 <u>£000</u>
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Director's Emoluments

Aggregate emoluments:

Remuneration for management services	<u>664</u>	<u>611</u>
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Highest paid Director's Emoluments:

Salary	<u>349</u>	<u>332</u>
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M McCafferty and M R Smith participate in the Company's pension scheme. C I Cowan operated a personal pension plan. The accrued pension of the highest paid Director at 31 December 2001 was £10,000 (2000: £8,000).

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Directors' Emoluments and Employees (continued)

Employees

	Number	Number
Average number employed (including Directors)	<u>251</u>	<u>271</u>

All of the Company's employees are administration staff who are based in the UK.

	<u>£000</u>	<u>£000</u>
Staff costs:		
Wages and salaries	15,881	12,655
Social security costs	1,135	1,245
Other pension costs	1,414	1,364
	<u>18,430</u>	<u>15,264</u>

8. Pension Costs

The Company is one of the principal companies of a defined benefit scheme to which other companies in the Avis Europe plc group of companies are associated.

The particulars of the Scheme, including details of the most recent actuarial valuation, are presented in the financial statements of Avis Europe plc.

Any contributions made by the Company are based on pension costs across the participating members of the group as a whole.

9. Tangible Assets

	Plant and Equipment
	<u>£000</u>
Cost:	
At 1 January 2001	4,693
Additions	<u>3,980</u>
At 31 December 2001	<u>8,673</u>
Accumulated depreciation:	
At 1 January 2001	3,251
Charge for the year	<u>875</u>
At 31 December 2001	<u>4,126</u>
Net book value:	
At 31 December 2001	<u>4,547</u>
At 31 December 2000	<u>1,442</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Debtors

	31 December 2001 <u>£000</u>	31 December 2000 <u>£000</u>
Trade debtors	2,280	2,777
Amounts owed by group undertakings	177,424	145,445
Amounts owed by joint ventures	-	2,409
Other debtors	20,168	24,410
Prepayments and accrued income	-	3,352
	<u>199,872</u>	<u>178,393</u>

11. Creditors: Amounts Falling Due Within One Year

	31 December 2001 <u>£000</u>	31 December 2000 <u>£000</u>
Bank overdrafts	1,060	964
Trade creditors	985	170
Amounts owed to group undertakings	131,650	85,793
Corporation tax	7,823	11,301
Other taxes and social security	182	289
Other creditors	14,565	19,042
Accruals and deferred income	1,842	9,315
Prepayments and accrued income	238	-
	<u>158,345</u>	<u>126,874</u>

12. Deferred Taxation

	31 December 2001 <u>£000</u>	31 December 2000 <u>£000</u>
Accelerated capital allowances	876	431
Other timing differences	1,700	1,190
Deferred tax asset	<u>2,576</u>	<u>1,621</u>

The above potential deferred taxation asset has not been recognised in the financial statements as in the Directors' opinion the reversal of the timing differences giving rise to this asset are unlikely to result in a payment to this company.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Called-up Share Capital

	31 December 2001 and 2000 £000
Authorised Share Capital :	
1,000,000 Ordinary Shares of £ 1 each	<u>1,000</u>
Allotted and Issued Share Capital :	
10,000 Ordinary Shares of £ 1 each	<u>10</u>

The capital of the Company comprises only ordinary share capital participating equally as to dividends, voting rights and return of capital upon winding up.

14. Profit and Loss Account

	£000
At 1 January 2001	53,003
Retained loss deducted from reserves	(6,939)
At 31 December 2001	<u>46,064</u>

15. Reconciliation of Movements in Shareholder's Funds

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Profit for the financial year	43,061	39,478
Dividends	(50,000)	(35,000)
Net (decrease)/increase in shareholder's funds	<u>(6,939)</u>	<u>4,478</u>
Opening shareholder's funds	53,013	48,535
Closing shareholder's funds	<u>46,074</u>	<u>53,013</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial Commitments

Annual commitments under operating leases in the period ending 31 December 2001 may be analysed as follows:

	Land and Buildings £000	Plant and Machinery £000	Total £000
Expiring:			
Within one year	-	28	28
After more than five years	1,525	-	1,525
	<u>1,525</u>	<u>28</u>	<u>1,553</u>

Annual commitments under operating leases in the period ending 31 December 2000 may be analysed as follows:

	Land and Buildings £000	Plant and Machinery £000	Total £000
Expiring:			
Within one year	25	25	50
After more than five years	1,525	-	1,525
	<u>1,550</u>	<u>25</u>	<u>1,575</u>

17. Contingent Liabilities

The Company has entered into a netting arrangement with its bankers, under which the Company's funds may be used to offset the liabilities of the other Group undertakings.

The Directors are of the opinion that these arrangements will not have a material impact on the results and financial position of the Company.

18. Ultimate Parent Undertaking

The Company is a subsidiary undertaking of Avis Finance Company (No.2) Limited which is part of the Group owned by Avis Europe plc. Both of these parent undertakings are registered in England and Wales. Avis Europe plc is the smallest parent undertaking to consolidate the financial statements of the Company. The largest parent undertaking to consolidate the financial statements of the Company is s.a. D'Ieteren n.v. The financial statements of both companies can be obtained from Avis House, Park Road, Bracknell, Berkshire, RG12 2EW. The ultimate controlling party of s.a. D'Ieteren n.v, which is incorporated in Belgium, is the D'Ieteren family.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Related Party Transactions

The Company has taken advantage of the exemption within FRS 8: Related Party Transactions, for wholly owned subsidiary undertakings not to disclose transactions with other entities within the same group. The consolidated financial statements for Avis Europe plc in which the Company is included are publicly available at the address given above.