

AVIS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

REGISTERED NUMBER: 1972749



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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 2002.

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 £39,609,000 (2001: £43,061,000). An interim dividend of £46,000,000 was paid during the year (2001: £50,000,000). The Directors do not recommend the payment of a final dividend (2001: Nil). The retained profit 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 2002 was 16 days (2001: 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, M R Smith 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 £10,000 during the year (2001: £19,000).

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 15 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.

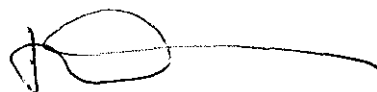
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Following the conversion of our auditors, PricewaterhouseCoopers, to a limited liability partnership ("LLP"), from 1 January 2003, PricewaterhouseCoopers resigned on 26 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. PricewaterhouseCoopers LLP will continue in office 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

28 November 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.

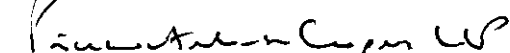
Basis of Audit Opinion

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 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountant and Registered Auditors.

London

28 November 2003

AVIS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

		Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
	<u>Notes</u>		
Turnover	2	68,348	79,730
Administrative Expenses		(32,345)	(37,763)
Exceptional Administrative Expenses	3	(221)	-
Total Administrative Expenses		<u>(32,566)</u>	<u>(37,763)</u>
Operating Profit	4	<u>35,782</u>	<u>41,967</u>
Net Interest Receivable	5	5,137	11,692
Profit on Ordinary Activities Before Taxation		<u>40,919</u>	<u>53,659</u>
Taxation on profit on ordinary activities	6	(1,310)	(10,598)
Profit on Ordinary Activities After Taxation		<u>39,609</u>	<u>43,061</u>
Dividends	7	(46,000)	(50,000)
Amount deducted from reserves	15	<u>(6,391)</u>	<u>(6,939)</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 2002

		31 December 2002 <u>£000</u>	31 December 2001 <u>£000</u>
	<u>Notes</u>		
Fixed Assets			
Tangible assets	10	10,384	4,547
Current Assets			
Debtors	11	190,166	199,872
Creditors: Amounts Falling Due Within One Year	12	(160,867)	(158,345)
Net Current Assets		<u>29,299</u>	<u>41,527</u>
Net Assets being Total Assets less Current Liabilities		<u>39,683</u>	<u>46,074</u>
Capital and Reserves			
Called-up Share Capital	14	10	10
Profit and Loss Account	15	39,673	46,064
Shareholder's Funds - Equity	16	<u>39,683</u>	<u>46,074</u>

Approved by the Board on 28 November 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

Assets under construction – two 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

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(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 2002 £000	Year ended 31 December 2001 £000
Management fee and advertising income	40,018	42,819
Other income	28,330	36,911
	<u>68,348</u>	<u>79,730</u>
By geographical market:		
UK	11,106	13,044
Continental Europe	55,485	63,476
Other	1,757	3,210
	<u>68,348</u>	<u>79,730</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Exceptional Items

Exceptional administrative expenses during the year arose as a result of business conditions following 11 September 2001. Action was taken to reduce a number of management and support positions, incurring severance costs of £221,000 (2001: nil).

4. Operating Profit

	Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
The operating profit is stated after charging/(crediting):		
Depreciation on tangible assets	1,154	875
Operating lease charges:		
Plant and machinery	11	28
Land and buildings	1,594	1,525
Auditors' remuneration (for audit services)	262	203
Foreign exchange losses	1,843	454
Management fees charged to fellow subsidiaries	(40,050)	(40,519)

During the year the Company incurred £879,000 for non-audit services payable to its auditors in the UK (2001: £555,000) in respect of services rendered to Avis Management Services Limited.

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

5. Net Interest Receivable

	Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
Interest receivable:		
Bank interest	4	35
Other interest	298	-
On loans to group undertakings	7,786	15,341
	<u>8,088</u>	<u>15,376</u>
Interest payable:		
On loans from group undertakings	(2,951)	(3,684)
	<u>5,137</u>	<u>11,692</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation

	Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
Analysis of charge in year		
Current Tax:		
UK corporation tax on profits for the year before exceptional items	11,483	9,321
Tax on exceptional items	(66)	-
Irrecoverable withholding tax	1,423	2,309
Adjustments in respect of prior years	<u>(8,539)</u>	<u>(1,032)</u>
Total Current Tax	4,301	10,598
Deferred tax:		
Origination and reversal of timing differences	<u>(2,991)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>1,310</u>	<u>10,598</u>
Factors affecting the tax charge for the year:		
The tax charge for the year is lower than the rate of UK corporation tax (30%) explained as follows:		
Profit on ordinary activities before taxation	<u>40,919</u>	<u>53,659</u>
Tax at 30%	12,276	16,098
Expenses not deductible for tax purposes	1,218	1,094
Group relief received for no charge	(2,492)	(7,163)
Timing differences	415	(708)
Adjustments in respect of prior years	(8,539)	(1,032)
Irrecoverable withholding tax	<u>1,423</u>	<u>2,309</u>
Current tax	<u>4,301</u>	<u>10,598</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Dividends

	Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
Interim dividend of £4,600 per ordinary share (2001: £5,000 per ordinary share)	<u>46,000</u>	<u>50,000</u>

8. Directors' Emoluments and Employees

	Year ended 31 December 2002 <u>£000</u>	Year ended 31 December 2001 <u>£000</u>
Director's Emoluments		

Aggregate emoluments:

Remuneration for management services	<u>1,143</u>	<u>902</u>
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Highest paid Director's Emoluments:

Salary	<u>366</u>	<u>349</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 2002 was £13,000 (2001: £10,000).

Employees

	Number	Number
Average number employed (including Directors)	<u>230</u>	<u>251</u>

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

	<u>£000</u>	<u>£000</u>
Staff costs:		
Wages and salaries	16,259	15,881
Social security costs	1,216	1,135
Other pension costs	1,508	1,414
	<u>18,983</u>	<u>18,430</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. 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 also associated.

The company is unable to identify its share of underlying assets and liabilities of the scheme, and accordingly has not provided separate transitional disclosures under FRS 17. However, the deficit, including details of the most recent actuarial valuation, are presented in the accounts of Avis Europe plc.

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

During 2002, a charge of £1,508,022 (2001:£1,414,420) has been recorded in the profit and loss account. It has been agreed with the trustees that contributions for 2003 will be at the rate of 14.5% of salary.

10. Tangible Assets

	Plant and Equipment £000	Assets Under Construction £000	Total £000
Cost:			
At 1 January 2002	5,623	3,050	8,673
Additions	<u>1,584</u>	<u>5,407</u>	<u>6,991</u>
At 31 December 2002	<u>7,207</u>	<u>8,457</u>	<u>15,664</u>
Accumulated depreciation:			
At 1 January 2002	4,126	-	4,126
Charge for the year	<u>1,154</u>	<u>-</u>	<u>1,154</u>
At 31 December 2002	<u>5,280</u>	<u>-</u>	<u>5,280</u>
Net book value:			
At 31 December 2002	<u>1,927</u>	<u>8,457</u>	<u>10,384</u>
At 31 December 2001	<u>1,497</u>	<u>3,050</u>	<u>4,547</u>

11. Debtors

	31 December 2002 £000	31 December 2001 £000
Trade debtors	2,456	2,280
Amounts owed by group undertakings	178,124	177,424
Other debtors	6,595	20,168
Deferred Tax Asset (See note 13)	2,991	-
	<u>190,166</u>	<u>199,872</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Creditors: Amounts Falling Due Within One Year

	31 December 2002 £000	31 December 2001 £000
Bank overdrafts	1,008	1,060
Trade creditors	1,040	985
Amounts owed to group undertakings	141,711	131,650
Corporation tax	5,651	7,823
Other taxes and social security	1,447	182
Other creditors	2,692	14,565
Accruals and deferred income	7,318	2,080
	<u>160,867</u>	<u>158,345</u>

13. Deferred Taxation

	31 December 2002 £000	31 December 2001 £000
<u>Provided</u>		
Accelerated capital allowances	934	-
Other timing differences	2,057	-
	<u>2,991</u>	<u>-</u>
<u>Unprovided</u>		
Accelerated capital allowances	-	876
Other timing differences	-	1,700
	<u>-</u>	<u>2,576</u>
Deferred tax asset	<u>2,991</u>	<u>2,576</u>

The deferred tax asset was not recognised at 31 December 2001 because it was not considered recoverable.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Called-up Share Capital

	31 December 2002 and 2001 £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.

15. Profit and Loss Account

	£000
At 1 January 2002	46,064
Retained loss deducted from reserves	(6,391)
At 31 December 2002	<u>39,673</u>

16. Reconciliation of Movements in Shareholder's Funds

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Profit for the financial year	39,609	43,061
Dividends	(46,000)	(50,000)
Net decrease in shareholder's funds	<u>(6,391)</u>	<u>(6,939)</u>
Opening shareholder's funds	46,074	53,013
Closing shareholder's funds	<u>39,683</u>	<u>46,074</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial Commitments

Annual commitments under operating leases in the period ending 31 December 2002 may be analysed as follows:

	Land and Buildings £000	Plant and Machinery £000	Total £000
Expiring:			
Within one year	69	-	69
Within two to five years	-	11	11
After more than five years	1,525	-	1,525
	<u>1,594</u>	<u>11</u>	<u>1,605</u>

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	69	28	97
After more than five years	1,525	-	1,525
	<u>1,594</u>	<u>28</u>	<u>1,622</u>

18. 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.