

AVIS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

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 2003.

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 £23,612,000 (2002: £39,609,000). An interim dividend of £58,200,000 was paid during the year (2002: £46,000,000). The Directors do not recommend the payment of a final dividend (2002: 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 2003 was 16 days (2002: 16 days).

Directors and their Interests

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

M McCafferty (resigned 1 November 2003)
R J Coates (appointed 1 November 2003)
M R Smith

None of the Directors had any interests in the shares of the Company or in any material contracts with the Company. The Directors received no remuneration in respect of their services to the Company during the year (2002:nil). The remuneration for services as directors of Avis Europe plc are included in the statutory accounts of that Company.

M McCafferty and M R Smith were also Directors of Avis Europe plc. Their interests in the share capital of Avis Europe plc are disclosed in the statutory accounts of that company.

At 1 January and 31 December 2003 R J Coates had 155,000 options outstanding in Avis Europe plc. The terms and conditions relating to the Avis Europe plc Share Option Schemes are summarised in the Financial Statements of that Company.

AVIS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

There was no change in the Directors' interests between the year end and the date upon which these accounts were signed.

Charitable Donations

The Company made charitable donations of £4,000 during the year (2002: £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 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 17 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.

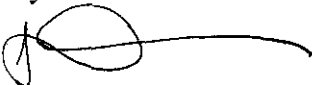
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Pricewaterhouse Coopers LLP 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

3 August 2004

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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Pricewaterhouse Coopers LLP

Chartered Accountant and Registered Auditors.

London

3 August 2004

AVIS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

		Year ended 31 December 2003 <u>£000</u>	Year ended 31 December 2002 <u>£000</u>
	<u>Notes</u>		
Turnover	2	82,317	68,348
Other administrative expenses		(42,962)	(32,345)
Exceptional administrative expenses	3	(12,191)	(221)
Total administrative expenses		<u>(55,153)</u>	<u>(32,566)</u>
Operating profit	4	<u>27,164</u>	<u>35,782</u>
Net interest (payable)/receivable	5	(218)	5,137
Profit on ordinary activities before taxation		<u>26,946</u>	<u>40,919</u>
Taxation on profit on ordinary activities	6	(3,334)	(1,310)
Profit on ordinary activities after taxation		<u>23,612</u>	<u>39,609</u>
Dividends	7	(58,200)	(46,000)
Loss deducted from reserves	15	<u>(34,588)</u>	<u>(6,391)</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.

The notes on pages 6 to 16 form an integral part of these Financial Statements.

AVIS MANAGEMENT SERVICES LIMITED

BALANCE SHEET

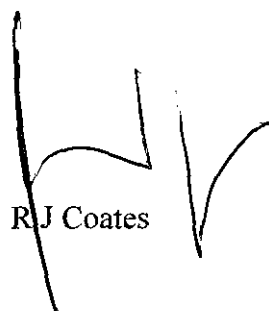
AS AT 31 DECEMBER 2003

		31 December 2003 <u>£000</u>	31 December 2002 <u>£000</u>
	<u>Notes</u>		
Fixed Assets			
Tangible assets	10	17,474	10,384
Current Assets			
Debtors	11	222,105	190,166
Creditors: Amounts Falling Due Within One Year	12	(234,484)	(160,867)
Net Current (Liabilities)/Assets		<u>(12,379)</u>	<u>29,299</u>
Total Assets less Current Liabilities		<u>5,095</u>	<u>39,683</u>
Capital and Reserves			
Called-up Share Capital	14	10	10
Profit and Loss Account	15	5,085	39,673
Shareholder's Funds - Equity	16	<u>5,095</u>	<u>39,683</u>

The notes on pages 6 to 16 form an integral part of these Financial Statements.

Approved by the Board on 3 August 2004

Signed on behalf of the Board by


R.J Coates

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 is included in the consolidated financial statements of Avis Europe plc, which are publicly available, and therefore 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

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 2003 £000	Year ended 31 December 2002 £000
Management fee and advertising income	37,791	40,018
Other income	44,526	28,330
	<u>82,317</u>	<u>68,348</u>
By geographical market:		
UK	8,970	11,106
Continental Europe	66,038	55,485
Other	7,309	1,757
	<u>82,317</u>	<u>68,348</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Exceptional Administrative Expenses

Restructuring costs of £12,191,000 (2002: £221,000) have been incurred comprising:

- completion of a plan started in 2002 to reduce a number of management and support positions across Europe;
- commencement of a project to re-engineer finance and information technology back office activities, which is scheduled to complete in the next few years; and
- recognition of a restructuring charge relating to the curtailment of a major software development project. This charge comprises the write off of previously capitalised development costs and other termination costs of amounts recoverable from the disposal of certain intellectual property rights.

4. Operating Profit

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
The operating profit is stated after charging/(crediting):		
Depreciation on tangible assets - ordinary	2,678	1,154
- exceptional	7,166	-
Operating lease charges:		
Plant and machinery	11	11
Land and buildings	1,561	1,594
Auditors' remuneration (for audit services)	260	262
Foreign exchange losses	1,503	1,843
Management fees charged to fellow subsidiaries	<u>(37,490)</u>	<u>(40,050)</u>

The Company bears the audit fee for certain other companies within the Avis Europe plc Group. During the year the Company incurred the following fees for non-audit services payable to its auditors in the UK in respect of services rendered:

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Non audit services are analysed as follows:		
Taxation advice	138	377
Due diligence and other non-statutory audit work	685	71
Accounting assistance	47	101
Other	<u>59</u>	<u>330</u>
	<u>929</u>	<u>879</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Net Interest (Payable)/Receivable

	Year ended 31 December 2003 <u>£000</u>	Year ended 31 December 2002 <u>£000</u>
Interest receivable:		
Bank interest	258	4
Other interest	-	298
On loans to group undertakings	3,562	7,786
	<u>3,820</u>	<u>8,088</u>
Interest payable:		
On loans from group undertakings	(4,038)	(2,951)
	<u>(218)</u>	<u>5,137</u>

6. Taxation

	Year ended 31 December 2003 <u>£000</u>	Year ended 31 December 2002 <u>£000</u>
Analysis of charge in year		
Current Tax:		
UK corporation tax on profits for the year before exceptional items	1,386	11,483
Tax on exceptional items	(136)	(66)
Irrecoverable withholding tax	-	1,423
Adjustments in respect to prior years	<u>4,648</u>	<u>(8,539)</u>
	5,898	4,301
Foreign tax	1,250	-
Double tax relief	<u>(1,250)</u>	<u>-</u>
Total Current Tax	5,898	4,301

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation (continued)

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Deferred Tax:		
Origination and reversal of timing differences	(2,719)	(2,991)
Adjustments in respect to prior years	<u>155</u>	<u>-</u>
	<u>(2,564)</u>	<u>(2,991)</u>
Tax on profit on ordinary activities	<u>3,334</u>	<u>1,310</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>26,946</u>	<u>40,919</u>
Tax at 30%	8,084	12,276
Expenses not deductible for tax purposes	3,638	1,218
Group relief received for no charge	(13,367)	(2,492)
Timing differences	2,895	415
Adjustments in respect of prior years	4,648	(8,539)
Foreign Tax	1,250	
Double Tax Relief	(1,250)	
Irrecoverable withholding tax	<u>-</u>	<u>1,423</u>
Current tax	<u>5,898</u>	<u>4,301</u>

7. Dividends

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Interim dividend of £5,820 per ordinary share (2002: £4,600 per ordinary share)	<u>58,200</u>	<u>46,000</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Directors' Emoluments and Employees

	Year ended 31 December 2003 <u>£000</u>	Year ended 31 December 2002 <u>£000</u>
Director's Emoluments		

Aggregate emoluments:

Remuneration for management services	<u>1,344</u>	<u>1,143</u>
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Highest paid Director's Emoluments:

Salary	<u>319</u>	<u>366</u>
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R J Coates and M R Smith participate in the Company's pension scheme. The accrued pension of the highest paid Director at 31 December 2003 was £16,000 (2002: £13,000).

Employees

	Number	Number
Average number employed (including Directors)	<u>272</u>	<u>262</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	21,205	16,259
Social security costs	1,256	1,216
Other pension costs	1,545	1,508
	<u>24,006</u>	<u>18,983</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 2003, a charge of £1,544,505 (2002: £1,508,022) has been recorded in the profit and loss account. It has been agreed with the trustees that contributions for 2004 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 2003	7,207	8,457	15,664
Additions	2,272	14,662	16,934
Disposals	(357)	-	(357)
Transfers	<u>9,188</u>	<u>(9,188)</u>	-
At 31 December 2003	18,310	13,931	32,241
Accumulated depreciation:			
At 1 January 2003	5,280	-	5,280
Charge for the year	2,678	-	2,678
Exceptional charge	7,166	-	7,166
Disposals	<u>(357)</u>	-	<u>(357)</u>
At 31 December 2003	14,767	-	14,767
Net book value:			
At 31 December 2003	<u>3,543</u>	<u>13,931</u>	<u>17,474</u>
At 31 December 2002	<u>1,927</u>	<u>8,457</u>	<u>10,384</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Debtors

	31 December 2003 £000	31 December 2002 £000
Trade debtors	3,013	2,456
Amounts owed by group undertakings	201,514	178,124
Other debtors	12,023	6,595
Deferred Tax Asset (See note 13)	5,555	2,991
	<u>222,105</u>	<u>190,166</u>

12. Creditors: Amounts Falling Due Within One Year

	31 December 2003 £000	31 December 2002 £000
Bank overdrafts	1,011	1,008
Trade creditors	694	1,040
Amounts owed to group undertakings	200,811	141,711
Corporation tax	4,440	5,651
Other taxes and social security	2,425	1,447
Other creditors	2,006	2,692
Accruals and deferred income	23,097	7,318
	<u>234,484</u>	<u>160,867</u>

13. Deferred Taxation

	31 December 2003 £000	31 December 2002 £000
Provided:		
Accelerated capital allowances	1,837	934
Other timing differences	3,718	2,057
	<u>5,555</u>	<u>2,991</u>
Unprovided:	-	-
Deferred tax asset	<u>5,555</u>	<u>2,991</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Called-up Share Capital

**31 December
2003
and
2002
£000**

Authorised Share Capital:

1,000,000 Ordinary Shares of £1 each

1,000

Allotted and Issued Share Capital:

10,000 Ordinary Shares of £1 each

10

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 2003

39,673

Retained loss deducted from reserves

(34,588)

At 31 December 2003

5,085

16. Reconciliation of Movements in Shareholder's Funds

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Profit for the financial year	23,612	39,609
Dividends	(58,200)	(46,000)
Net decrease in shareholder's funds	<u>(34,588)</u>	<u>(6,391)</u>
Opening shareholder's funds	39,683	46,074
Closing shareholder's funds	<u>5,095</u>	<u>39,683</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 2003 may be analysed as follows:

	Land and Buildings £000	Plant and Machinery £000	Total £000
Expiring:			
Within one year	36	11	47
After more than five years	1,525	-	1,525
	<u>1,561</u>	<u>11</u>	<u>1,572</u>

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>

18. Contingent Liabilities

The Company has entered into a cross-guarantee arrangement with its bankers, under which the Company's funds may be used to offset the liabilities of other group undertakings. As at 31 December 2003, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £3,860,000.

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

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. 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.

20. 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.