

AVIS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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 2004.

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 loss after taxation in the year of £6,967,000 (2003: profit £23,612,000). No interim dividend was paid during the year (2003: £58,200,000). The Directors do not recommend the payment of a final dividend (2003: Nil). The retained loss made by the Company has been deducted from 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 2004 was 16 days (2003: 16 days).

Directors and their Interests

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

R J Coates (resigned 12 August 2004)
M R Smith (resigned 12 August 2004)
NA Bell (appointed 12 August 2004)
SBD Fillingham (appointed 12 August 2004)

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

M R Smith was also a Director of Avis Europe plc. His interests in the share capital of Avis Europe plc are disclosed in the statutory accounts of that company.

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)

At 31 December 2004 the following Directors had shares and share options outstanding in Avis Europe plc.

	At 31 December 2003	Granted during period	Lapsed during the period	At 31 December 2004
N Bell	24,500	-	-	24,500
R J Coates	155,000	-	155,000	-
S B D Fillingham	24,500	-	-	24,500

Charitable Donations

The Company made charitable donations of £36,195 during the year (2003: £4,000).

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 5 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.

AVIS MANAGEMENT SERVICES LIMITED

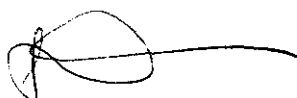
DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

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

A handwritten signature in black ink, consisting of a stylized 'J' and 'N' followed by a horizontal line.

J A Nicholson
Secretary
21 October 2005

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 2004 and of its loss 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

21 October 2005

AVIS MANAGEMENT SERVICES LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2004**

		Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
	<u>Notes</u>		
Turnover	2	82,502	82,317
Other administrative expenses		(57,830)	(42,962)
Exceptional administrative expenses	3	(36,248)	(12,191)
Total administrative expenses		<u>(94,078)</u>	<u>(55,153)</u>
Operating (loss)/profit	4	<u>(11,576)</u>	<u>27,164</u>
Net interest payable	5	(261)	(218)
(Loss)/profit on ordinary activities before taxation		<u>(11,837)</u>	<u>26,946</u>
Taxation	6	4,870	(3,334)
(Loss)/profit on ordinary activities after taxation		<u>(6,967)</u>	<u>23,612</u>
Dividends	7	-	(58,200)
Retained loss deducted from reserves	17	<u>(6,967)</u>	<u>(34,588)</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 7 to 17 form an integral part of these Financial Statements.

AVIS MANAGEMENT SERVICES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

		31 December 2004 <u>£000</u>	31 December 2003 <u>£000</u>
	<u>Notes</u>		
Fixed Assets			
Tangible assets	10	9,124	17,474
Current Assets			
Debtors	11	140,982	222,105
Creditors: Amounts Falling Due Within One Year	12	(147,525)	(232,237)
Net Current Liabilities		<u>(6,543)</u>	<u>(10,132)</u>
Creditors: Amounts falling due after more than one year	13	(603)	-
Total Assets less Current Liabilities		<u>1,978</u>	<u>7,342</u>
Provisions for liabilities and charges	15	(2,848)	(2,247)
Net (Liabilities)/Assets		<u><u>(870)</u></u>	<u><u>5,095</u></u>
Capital and Reserves			
Called-up Share Capital	16	10	10
Profit and Loss Account	17	(880)	5,085
Shareholder's Funds - Equity	18	<u><u>(870)</u></u>	<u><u>5,095</u></u>

The notes on pages 7 to 17 form an integral part of these Financial Statements.

Approved by the Board on 21 October 2005

Signed on behalf of the Board by



Stuart Fillingham
Director

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

Leased assets - over the period of the lease

(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. Exchange movements arising on the re-translation at closing rates and opening rates of the opening balances and results of overseas branches are taken directly to reserves. Where foreign currency borrowings are used to finance foreign branches, the resulting exchange movements are taken to reserves. Other exchange movements 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: Deferred Tax.

(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) Finance Leases

Assets held under finance leases are capitalised at fair value and depreciated over the period of the lease. Interest on finance leases is charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the finance obligation.

(i) 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.

(j) 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 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Management fee income	36,924	37,791
Other income	45,578	44,526
	<u>82,502</u>	<u>82,317</u>
By geographical market:		
UK	9,307	8,970
Continental Europe	65,640	66,038
Other	7,555	7,309
	<u>82,502</u>	<u>82,317</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Exceptional Administrative Expenses

Restructuring costs of £36,248,000 (2003: £12,191,000) have been incurred comprising:

- The costs incurred in connection with an IT back-office project up to the point of termination; and,
- Further restructuring costs in connection with a software development project, curtailed in the prior year. This charge comprises the write off of previously capitalised development costs and other termination costs.

4. Operating (Loss)/Profit

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
The operating (loss)/profit is stated after charging:		
Depreciation on tangible assets	3,035	2,678
Impairment of tangible assets	22,796	7,166
Operating lease charges:		
Plant and machinery	29	11
Land and buildings	1,607	1,561
Auditors' remuneration (for audit services)	349	260
Foreign exchange losses	381	1,503
Amounts owed from group undertakings forgiven in the financial year	5,419	-

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 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Non-audit services are analysed as follows:		
Taxation advice	29	138
Due diligence and other non-statutory audit work	47	685
Accounting assistance	156	47
Other	<u>47</u>	<u>59</u>
	<u>279</u>	<u>929</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Net Interest Payable

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Interest receivable:		
Bank interest	678	258
On loans to group undertakings	3,192	3,562
	<u>3,870</u>	<u>3,820</u>
Interest payable:		
On loans from group undertakings	(4,109)	(4,038)
On finance charges payable under finance leases	(22)	-
	<u>(4,131)</u>	<u>(4,038)</u>
Net interest payable	<u>(261)</u>	<u>(218)</u>

6. Taxation

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Analysis of charge in year		
Current Tax:		
UK corporation tax on profits for the year before exceptional items	9,463	1,386
Tax on exceptional items	(9,463)	(136)
Irrecoverable withholding tax	35	-
Adjustments in respect to prior years	<u>(4,814)</u>	<u>4,648</u>
	<u>(4,779)</u>	<u>5,898</u>
Foreign tax	-	1,250
Double tax relief	<u>-</u>	<u>(1,250)</u>
Total Current Tax	<u>(4,779)</u>	<u>5,898</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation (continued)

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Deferred Tax:		
Origination and reversal of timing differences	(533)	(2,719)
Adjustments in respect to prior years	<u>442</u>	<u>155</u>
	<u>(91)</u>	<u>(2,564)</u>
Tax on (loss)/profit on ordinary activities	<u>(4,870)</u>	<u>3,334</u>

Factors affecting the tax charge for the year:

The tax charge for the year is different from the rate of UK corporation tax (30%) and is explained as follows:

(Loss)/profit on ordinary activities before taxation	<u>(11,837)</u>	<u>26,946</u>
Tax at 30%	(3,551)	8,084
Expenses not deductible for tax purposes	2,615	3,638
Group relief received for no charge	404	(13,367)
Timing differences	532	2,895
Adjustments in respect of prior years	(4,814)	4,648
Foreign Tax	-	1,250
Double Tax Relief	-	(1,250)
Irrecoverable withholding tax	<u>35</u>	<u>-</u>
Current tax	<u>(4,779)</u>	<u>5,898</u>

7. Dividends

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Interim dividend of £nil per ordinary share (2003: £5,820 per ordinary share)	<u>-</u>	<u>58,200</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Directors' Emoluments and Employees

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Director's Emoluments		

Aggregate emoluments:

Remuneration for management services	<u>499</u>	<u>1,344</u>
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Highest paid Director:

Aggregate emoluments	<u>323</u>	<u>853</u>
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The accrued pension of the highest paid Director was £7,650 as at 31 December 2004 (31 December 2003: £16,000).

NA Bell and SBD Fillingham participate in the Company's pension scheme.

Employees

	Number	Number
Average number employed (including Directors)	<u>305</u>	<u>272</u>

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

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
Staff costs:		
Wages and salaries	21,482	21,205
Social security costs	1,382	1,256
Other pension costs	1,721	1,545
	<u>24,585</u>	<u>24,006</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: Retirement Benefits. 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 Company are based on pension costs across the participating members of the Group as a whole. During 2004, a charge of £1,720,766 (2003: £1,544,505) has been recorded in the profit and loss account.

10. Tangible Assets

	Plant and Equipment £000	Assets Under Construction £000	Total £000
Cost:			
At 1 January 2004	18,310	13,931	32,241
Additions	2,422	15,059	17,481
Disposals	(2,402)	-	(2,402)
Transfers	<u>28,755</u>	<u>(28,755)</u>	<u>-</u>
At 31 December 2004	47,085	235	47,320
Accumulated depreciation:			
At 1 January 2004	14,767	-	14,767
Charge for the year	3,035	-	3,035
Exceptional impairment charge	22,796	-	22,796
Disposals	<u>(2,402)</u>	<u>-</u>	<u>(2,402)</u>
At 31 December 2004	38,196	-	38,196
Net book value:			
At 31 December 2004	<u>8,889</u>	<u>235</u>	<u>9,124</u>
At 31 December 2003	<u>3,543</u>	<u>13,931</u>	<u>17,474</u>

Assets held under finance leases are included in the plant and equipment figures above as follows:

	£000
Cost:	
At 1 January 2004	-
Additions	<u>796</u>
At 31 December 2004	796
Accumulated depreciation:	
At 1 January 2004	-
Charge for the year	<u>80</u>
At 31 December 2004	80
Net book value:	
At 31 December 2004	<u>716</u>
At 31 December 2003	<u>-</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Debtors

	31 December	31 December
	2004	2003
	<u>£000</u>	<u>£000</u>
Trade debtors	2,589	3,013
Amounts owed by group undertakings	121,473	201,514
Other debtors	7,918	12,023
Deferred tax asset (See note 14)	5,646	5,555
Corporation tax	3,356	-
	<u>140,982</u>	<u>222,105</u>

12. Creditors: Amounts Falling Due Within One Year

	31 December	31 December
	2004	2003
	<u>£000</u>	<u>£000</u>
Bank overdrafts	409	1,011
Trade creditors	2,832	694
Amounts owed to group undertakings	112,216	200,811
Corporation tax	-	4,440
Obligations under finance leases	155	-
Other taxes and social security	1,874	2,425
Other creditors	1,455	2,006
Accruals and deferred income	28,584	20,850
	<u>147,525</u>	<u>232,237</u>

13. Creditors: Amounts Falling Due After More Than One Year

	31 December	31 December
	2004	2003
	<u>£000</u>	<u>£000</u>
Net obligations under Finance Leases:		
Amounts falling due between one and two years	155	-
Amounts falling due between two and five years	448	-
Amounts falling due after more than five years	-	-
	<u>603</u>	<u>-</u>

14. Deferred Taxation

	31 December	31 December
	2004	2003
	<u>£000</u>	<u>£000</u>
Provided:		
Accelerated capital allowances	528	1,837
Other timing differences	5,118	3,718
	<u>5,646</u>	<u>5,555</u>
Unprovided:	-	-
Deferred tax asset	<u>5,646</u>	<u>5,555</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Provisions for liabilities and charges

£000

At 1 January 2004	2,247
Profit and loss charge	2,700
Cash payments	<u>(2,099)</u>
At 31 December 2004	<u>2,848</u>

Provisions comprise:

a) Re-organisation provisions of £2,207,000 (31 December 2003: £1,896,000) that are expected to crystallise within the next few years.

b) Other short-term provisions of £641,000 (31 December 2003: £351,000).

16. Called-up Share Capital

**31 December
2004
and
2003
£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.

17. Profit and Loss Account

£000

At 1 January 2004	5,085
Foreign exchange movements	1,002
Retained loss deducted from reserves	<u>(6,967)</u>
At 31 December 2004	<u>(880)</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Reconciliation of Movements in Shareholder's Funds

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
(Loss)/profit for the financial year	(6,967)	23,612
Dividends	-	(58,200)
Foreign exchange movements	1,002	-
Net decrease in shareholder's funds	<u>(5,965)</u>	<u>(34,588)</u>
Opening shareholder's funds	5,095	39,683
Closing shareholder's funds	<u>(870)</u>	<u>5,095</u>

19. Financial Commitments

Annual commitments under operating leases as at 31 December 2004 may be analysed as follows:

	Land and Buildings <u>£000</u>	Plant and Machinery <u>£000</u>	Total <u>£000</u>
Expiring:			
Within one year	58	28	86
Within two to five years	-	-	-
After more than five years	1,525	-	1,525
	<u>1,583</u>	<u>28</u>	<u>1,611</u>

Annual commitments under operating leases as at 31 December 2003 may be analysed as follows:

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

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. 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 2004, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £881,466.

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.

21. 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.

22. 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.