

AVIS EUROPE INVESTMENTS LIMITED

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

REGISTERED NUMBER: 3250132



AVIS EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2004.

Principal Activities

The Company is an intermediate holding company of the Avis Europe plc group of companies.

Review of the Business

The Company has continued to perform as expected throughout the year. The Directors expect the Company to continue to transact business as an intermediate holding company in the coming year.

Results and Dividends

The Company made a loss after tax in the year of £369,013,000 (year ended 31 December 2003: profit of £4,555,000). No interim dividend was paid during the year (year ended 31 December 2003: £47,000,000). The Directors do not recommend the payment of a final dividend (year ended 31 December 2003: nil). The deficit retained 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, to ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations. The Company had no trade creditors at 31 December 2004 (31 December 2003: nil).

Directors and their Interests

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

M R Smith (resigned 12 August 2004)
R J Coates (resigned 12 August 2004)
N A Bell (appointed 12 August 2004)
S B D Fillingham (appointed 12 August 2004)

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

M R Smith is 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.

AVIS EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

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

	<u>1 January 2004</u>	<u>Lapsed</u>	<u>31 December 2004</u>
R J Coates	155,000	155,000	-
N A Bell	24,500	-	24,500
S B D Fillingham	24,500	-	24,500

The terms and conditions relating to the Avis Europe plc share option schemes are summarised in the financial statements of that company.

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 10 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 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
Company Secretary
17 June 2005

AVIS EUROPE INVESTMENTS LIMITED

Independent auditors' report to the members of Avis Europe Investments Limited

We have audited the Financial Statements which comprise the profit and loss account and the 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 the 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.

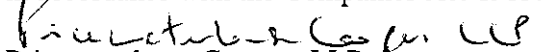
Basis of audit opinion

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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 June 2005

AVIS EUROPE INVESTMENTS 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>		
Income from shares in group undertakings		23,199	23,136
Other operating loss		(347,872)	-
Operating (loss) / profit	4	<u>(324,673)</u>	<u>23,136</u>
Interest payable on loans from group undertakings		(44,340)	(18,581)
(Loss) / profit on ordinary activities before taxation		<u>(369,013)</u>	<u>4,555</u>
Tax on (loss) / profit on ordinary activities	5	-	-
(Loss) / profit for the financial year		<u>(369,013)</u>	<u>4,555</u>
Dividends paid	6	-	(47,000)
Amount deducted from reserves	9	<u>(369,013)</u>	<u>(42,445)</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 total recognised gains and losses has not been presented.

The accompanying Notes on pages 6 to 10 form an integral part of these Financial Statements.

AVIS EUROPE INVESTMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

		31 December 2004 £000	31 December 2003 £000
	<u>Notes</u>		
Fixed assets			
Investments	7	1,387,189	1,028,731
Current assets			
Debtors: Amounts owed by group undertakings		23,199	112,702
		<u>23,199</u>	<u>112,702</u>
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		(1,089,621)	(451,653)
		<u>(1,089,621)</u>	<u>(451,653)</u>
Net current liabilities		(1,066,422)	(338,951)
Total assets less current liabilities being net assets		<u>320,767</u>	<u>689,780</u>
Capital and reserves			
Called-up share capital	8	2,800	2,800
Share premium account	9	645,200	645,200
Profit and loss account	9	(327,233)	41,780
Shareholder's funds - equity	10	<u>320,767</u>	<u>689,780</u>

The accompanying Notes on pages 6 to 10 form an integral part of these Financial Statements.

Approved by the Board on 17 June 2005



S B D Fillingham

Director

AVIS EUROPE INVESTMENTS 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. The Company has not presented group accounts as it is a wholly owned subsidiary undertaking of Avis Europe plc which prepares consolidated accounts.

(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) Investments

Investments are stated at cost unless in the opinion of the Directors there has been a permanent impairment in the value of an investment, when an appropriate provision is made.

(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 taxation deferred. 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 year in which they are declared.

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Directors' emoluments and employees

The Directors received no emoluments in respect of their services to the Company during the year (year ended 31 December 2003: nil).

The average number of Directors during the year was 2 (year ended 31 December 2003: 2). There were no other employees during the year (year ended 31 December 2003: nil).

3. Auditors' remuneration

The Auditors' remuneration is borne by Avis Management Services Limited, a fellow subsidiary undertaking.

4. Operating loss

	Year ended 31 December 2004 <u>£000</u>	Year ended 31 December 2003 <u>£000</u>
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Operating loss is stated after charging:

Provision against investment in subsidiary undertakings (see Note 7)	<u>347,872</u>	<u>-</u>
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5. Taxation

	31 December 2004 <u>£000</u>	31 December 2003 <u>£000</u>
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(i) Analysis of charge in year

Current tax:

Tax on (loss) / profit on ordinary activities	<u>-</u>	<u>-</u>
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(ii) Factors affecting the tax charge for the year

(Loss) / profit on ordinary activities before taxation	<u>(369,013)</u>	<u>4,555</u>
Tax at 30%	(110,704)	1,367
Group relief surrendered for nil consideration	13,302	5,574
Non-taxable dividend	(6,960)	(6,941)
Expenses not deductible for tax purposes	104,362	-
Current tax	<u>-</u>	<u>-</u>

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Dividends

	31 December 2004 <u>£000</u>	31 December 2003 <u>£000</u>
Dividend per ordinary share		
Interim dividend paid of nil (2003: £16.79) per share	<u>-</u>	<u>47,000</u>

7. Investments

	Shares in group undertakings <u>£000</u>
<u>Cost</u>	
At 1 January 2004	1,065,770
Additions	<u>706,330</u>
At 31 December 2004	<u>1,772,100</u>
<u>Provision for impairment</u>	
At 1 January 2004	37,039
Current year provision	<u>347,872</u>
At 31 December 2004	<u>384,911</u>
<u>Net book amount</u>	
At 31 December 2004	<u>1,387,189</u>
At 31 December 2003	<u>1,028,731</u>

The Company owns 100% of the ordinary share capital of Cilva Holdings Limited and 100% of the preference share capital of Avis Europe Holdings Limited. Cilva Holdings Limited and Avis Europe Holdings Limited are both intermediate holding companies of the Avis Europe plc group, incorporated in the United Kingdom.

In May 2004, the Company subscribed for a further 7,063,298,280 10p ordinary shares in Cilva Holdings Limited for a cash consideration at par of £706,330,000. The additional share capital has been issued in order to facilitate the repayment by Cilva Holdings Limited of loans made to it by Avis Europe Holdings Limited, an indirect subsidiary undertaking of the Company.

In accordance with the requirements of FRS 11, the Directors have undertaken an impairment review of the carrying value of its investments in subsidiary undertakings. As a consequence of this review as at 31 December 2004, a further provision of £347,872,000 (2003: nil) has been recognised in respect of the Company's investment in Cilva Holdings Limited.

In the opinion of the Directors, the value of the Company's investments are not less than the amount at which they are now stated in the balance sheet.

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Called-up share capital

	31 December 2003 and 2004 <u>£000</u>
Authorised share capital:	
5,000,000 Ordinary Shares of £1 each	<u>5,000</u>
Allotted, issued and fully paid share capital:	
2,800,002 Ordinary Shares of £1 each	<u>2,800</u>

9. Statement of reserves

	At 1 January 2004 <u>£000</u>	Loss deducted from reserves <u>£000</u>	At 31 December 2004 <u>£000</u>
Revaluation of investment in subsidiary undertaking	(37,039)	-	(37,039)
Other non-distributable reserves	<u>77,436</u>	<u>-</u>	<u>77,436</u>
Total non-distributable reserves	40,397	-	40,397
Distributable reserves	<u>1,383</u>	<u>(369,013)</u>	<u>(367,630)</u>
Total profit and loss reserve	41,780	(369,013)	(327,233)
Share premium account	<u>645,200</u>	<u>-</u>	<u>645,200</u>
Total reserves	<u>686,980</u>	<u>(369,013)</u>	<u>317,967</u>

The Directors review the carrying value of the Company's investments on an annual basis, and revalued certain of the Company's investments in subsidiary undertakings as at 31 December 2003 to their recoverable amount based upon their value in use. Prior to 1 January 2004, the Directors considered the value of the remaining fixed assets without actually revaluing those assets, and were satisfied that these are worth, in total, not less than the aggregate amount at which they are stated in the Company's accounts.

As at 31 December 2004, in accordance with the requirements of FRS 11, the Directors have undertaken an impairment review of the carrying value of its investments in subsidiary undertakings and have recognised an impairment provision so as to reduce the carrying value to the implied market value as at 31 December 2004.

In accordance with Section 275 of the Companies Act 1985, the provision made in respect of the revaluation of the Company's investment in Cilva Holdings Limited prior to 1 January 2004 does not fall to be classified as a realised loss, whereas the impairment provision recognised in the year ended 31 December 2004 is classified as realised. Therefore the carried forward deficit on distributable reserves of the Company was £(367,630,000) (2003: surplus of £1,383,000).

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Reconciliation of movement 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	(369,013)	4,555
Dividends paid	-	(47,000)
Net decrease in shareholder's funds	(369,013)	(42,445)
Opening equity shareholder's funds	<u>689,780</u>	<u>732,225</u>
Closing equity shareholder's funds	<u>320,767</u>	<u>689,780</u>

11. Commitments and contingencies

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 the other group undertakings. As at 31 December 2004, the liabilities of the relevant other group undertakings amounted, in aggregate, to £908,000 (2003: £3,886,000).

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

12. Ultimate parent undertaking

The Company is a subsidiary undertaking of Avis Europe Investment Holdings Limited, which is part of the group owned by Avis Europe plc. Both 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, which is incorporated in Belgium. The Financial Statements of both companies can be obtained from Avis House, Park Road, Bracknell, Berkshire. The ultimate controlling party of s.a. D'Ieteren n.v. is the D'Ieteren family.

13. 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.