

AVIS EUROPE INVESTMENTS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE TEN MONTH PERIOD ENDED 31 DECEMBER 1998

REGISTERED NUMBER: 3250132

AVIS EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the ten month period ended 31 December 1998.

Change in Accounting Period

During the period the Company changed its year end from 28 February to 31 December. Accordingly, the Financial Statements present results for the ten month period ended 31 December 1998.

Principal Activities

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

Review of the Business

The Company has performed satisfactorily during the period. 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 profit after tax in the period of £34,383,000 (17 months ended 28 February 1998: £82,024,000). An interim dividend of £19,000,000 was paid during the period (17 months ended 28 February 1998: £29,048,000). The Directors do not recommend the payment of a final dividend (17 months ended 28 February 1998: Nil). The profit retained 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 Company had no trade creditors at 31 December 1998.

Year 2000

The Avis Europe plc Group, of which the Company is a subsidiary, has carried out a thorough review of its operations to evaluate the ability of its information systems to properly recognise and process date-sensitive information notwithstanding the various problems associated with Year 2000.

The Directors have reviewed the plans of the Avis Europe plc Group and are confident that the Company's business critical systems will be Year 2000 compliant before the end of 1999.

The Company anticipates that the incremental cost associated with the Year 2000 problem will not have a material impact on the Company's financial position.

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DIRECTORS' REPORT (continued)

Directors and their Interests

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

W A Cathcart (Chairman) (resigned 31 January 1999)
D O Maloney (resigned 31 December 1998)

Subsequent to the period end C I Cowan and M McCafferty were appointed as Directors on 1 January 1999 and 1 February 1999 respectively.

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

W A Cathcart, C I Cowan, D O Maloney and M McCafferty are 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.

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 period.

The Directors consider that in preparing the Financial Statements on pages 5 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 Group 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 EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

Auditors

Following the merger between Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned during the year. To fill the casual vacancy the Directors appointed PricewaterhouseCoopers, who will 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, appearing to be 'J A Nicholson', with a long horizontal flourish extending to the right.

J A Nicholson
Secretary
24 February 1999

AVIS EUROPE INVESTMENTS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF AVIS EUROPE INVESTMENTS LIMITED

We have audited the Financial Statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 2, the Financial Statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

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 1998 and of its profit for the ten months then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants
and Registered Auditors.
LONDON
24 February 1999

AVIS EUROPE INVESTMENTS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE TEN MONTHS ENDED 31 DECEMBER 1998**

		10 months ended 31 December 1998 £000	Year ended 28 February 1998 £000
	<u>Notes</u>		
Income from Shares in Subsidiary Undertakings		34,383	82,024
Profit on Ordinary Activities Before Taxation		<u>34,383</u>	<u>82,024</u>
Taxation	4	-	-
Profit for the Financial Period	8	<u>34,383</u>	<u>82,024</u>
Dividends Payable		(19,000)	(29,048)
Amounts Transferred to Reserves	7	<u><u>15,383</u></u>	<u><u>52,976</u></u>

The Profit and Loss Account for the Company is entirely in respect of continuing operations.

All recognised gains and losses are included in the Profit and Loss Account.

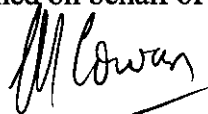
AVIS EUROPE INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>Notes</u>	31 December 1998 £000	28 February 1998 £000
Fixed Assets			
Investments	5	648,000	648,000
Current Assets			
Amounts Owed to Subsidiary Undertakings		72,104	56,721
		<u>72,104</u>	<u>56,721</u>
Creditors: Amounts Falling Due within One Year			
Amounts Owed to Subsidiary Undertakings		(3,745)	(3,745)
		<u>(3,745)</u>	<u>(3,745)</u>
Net Current Assets		68,359	52,976
Total Assets Less Current Liabilities		<u>716,359</u>	<u>700,976</u>
Capital and Reserves			
Called Up Share Capital	6	2,800	2,800
Share Premium Account	7	645,200	645,200
Profit and Loss Account	7	68,359	52,976
Total Shareholder's Funds - equity	8	<u>716,359</u>	<u>700,976</u>

Approved by the Board on 24 February 1999

Signed on behalf of the Board



C I Cowan

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 period, 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, 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) 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) 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, on the liability method, only to the extent that there is a reasonable probability that such deferred tax will be payable in the foreseeable future.

(e) 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.

(f) Dividends

Dividends are shown in the profit and loss account in the year in which they are received.

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 period (17 months ended 28 February 1998: Nil).

The average number of Directors during the period was 2 (17 months ended 28 February 1998: 3). There were no other employees (17 months ended 28 February 1998: Nil).

3. Auditors' Remuneration

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

4. Taxation

There is no tax charge or credit for the period.

5. Investments

**Shares in
Subsidiary
Undertakings
£000**

At 31 December 1998 and at 1 March 1998

648,000

The Company owns 100% of the ordinary and preference share capital of Cilva Holdings Limited and 100% of the preference share capital of Avis Europe Holdings Limited. Both companies are investment companies incorporated in the U.K.

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

6. Called Up Share Capital

**31 December 1998
and 28 February
1998
£000**

Authorised share capital:

5,000,000 Ordinary Shares of £1 each

5,000

Allotted and issued share capital:

2,800,002 Ordinary Shares of £1 each

2,800

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Statements of Movements on Reserves

	Share Premium Account £000	Profit and Loss Account £000	Total £000
At 1 March 1998	645,200	52,976	698,176
Amounts transferred to reserves	-	15,383	15,383
At 31 December 1998	<u>645,200</u>	<u>68,359</u>	<u>713,559</u>

8. Reconciliation to Shareholders' Funds

	10 months ended 31 December 1998 £000	17 months ended 28 February 1998 £000
Profit for the financial period	34,383	82,024
Dividends payable	(19,000)	(29,048)
Arising on shares issued	-	648,000
Net increase in shareholders' funds	<u>15,383</u>	<u>700,976</u>
Opening shareholders' funds	<u>700,976</u>	<u>-</u>
Closing shareholders' funds	<u>716,359</u>	<u>700,976</u>

9. Commitments and Contingencies

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.

AVIS EUROPE INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. 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. 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, which is incorporated in Belgium, is the D'Ieteren family.

11. 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.