

AVIS EUROPE INVESTMENTS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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 2005.

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 £39,900,000 (year ended 31 December 2004: £369,013,000). No interim dividend was paid during the year (year ended 31 December 2004: nil) The Directors do not recommend the payment of a final dividend (year ended 31 December 2004: 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 2005 (31 December 2004: nil).

Directors and their Interests

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

N A Bell
S B D Fillingham

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 (2004: nil).

At 31 December 2005 the following Directors had share options outstanding in Avis Europe plc.

	<u>1 January 2005</u>	<u>Granted</u>	<u>31 December 2005</u>
N A Bell	24,500	4,727	29,227
S B D Fillingham	24,500	4,727	29,227

AVIS EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

Options were granted to the Directors in the year to offset the dilutive effect of a rights issue undertaken by Avis Europe plc in July 2005. The terms and conditions relating to the Avis Europe plc Share Option Schemes are summarised in the financial statements of that company.

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

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.

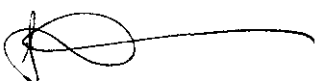
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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
23 October 2006

AVIS EUROPE INVESTMENTS LIMITED

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

We have audited the Financial Statements of Avis Europe Investments Limited for the year ended 31 December 2005 which comprise the profit and loss account and the balance sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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
23 October 2006

AVIS EUROPE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
	<u>Notes</u>		
Income from shares in group undertakings		23,136	23,199
Other operating loss		-	(347,872)
Operating profit / (loss)	4	<u>23,136</u>	<u>(324,673)</u>
Interest payable on loans from group undertakings		(63,036)	(44,340)
Loss on ordinary activities before taxation		<u>(39,900)</u>	<u>(369,013)</u>
Tax on loss on ordinary activities	5	-	-
Loss for the financial year being amount deducted from reserves	10	<u>(39,900)</u>	<u>(369,013)</u>

The profit and loss account for the Company is entirely in respect of continuing operations. There is no difference between the loss on ordinary activities before taxation and the retained loss deducted from reserves for the year stated above and their historical equivalents.

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 2005

		31 December 2005 £000	31 December 2004 £000
	Notes		
Fixed assets			
Investments	6	1,387,189	1,387,189
Current assets			
Debtors: Amounts owed by group undertakings	7	23,136	23,199
		<u>23,136</u>	<u>23,199</u>
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	8	(1,129,458)	(1,089,621)
		<u>(1,106,322)</u>	<u>(1,066,422)</u>
Net current liabilities			
		<u>(1,106,322)</u>	<u>(1,066,422)</u>
Total assets less current liabilities being net assets		<u>280,867</u>	<u>320,767</u>
Capital and reserves			
Called-up share capital	9	2,800	2,800
Share premium account	10	645,200	645,200
Profit and loss account	10	(367,133)	(327,233)
		<u>280,867</u>	<u>320,767</u>
Shareholder's funds - equity	11	<u>280,867</u>	<u>320,767</u>

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

Approved by the Board on 23 October 2006



S B D Billingham

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.

The Company has adopted FRS 21, Events after the balance sheet date, FRS 25, Financial instruments: disclosure and presentation, and FRS 28, Corresponding amounts, in these Financial Statements. The adoption of these standards represents a change in accounting policy. However, there was no impact in 2005 or in 2004 following these changes in accounting policy.

(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 approved.

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 2004: nil).

The average number of Directors during the year was 2 (year ended 31 December 2004: 2). There were no other employees during the year (year ended 31 December 2004: nil).

3. Auditors' remuneration

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

4. Operating profit / (loss)

Year ended	Year ended
31 December	31 December
2005	2004
<u>£000</u>	<u>£000</u>

Operating profit / (loss) is stated after charging:

Provision against investment in subsidiary undertakings (see Note 6)	-	347,872
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5. Taxation

31 December	31 December
2005	2004
<u>£000</u>	<u>£000</u>

(i) Analysis of charge in year

Current tax:

Tax on loss on ordinary activities	-	-
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(ii) Factors affecting the tax charge for the year

Loss on ordinary activities before taxation	(39,900)	(369,013)
Tax at 30%	(11,970)	(110,704)
Group relief surrendered for nil consideration	18,911	13,302
Non-taxable dividend	(6,941)	(6,960)
Expenses not deductible for tax purposes	-	104,362
Current tax	-	-

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Investments

	Shares in group undertakings £000
<u>Cost</u>	
At 1 January 2005 and At 31 December 2005	1,772,100
<u>Provision for impairment</u>	
At 1 January 2005 and At 31 December 2004	384,911
<u>Net book amount</u>	
At 31 December 2005	1,387,189
At 31 December 2004	1,387,189

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 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 2005, no further provision has been recognised (2004: a provision of £347,872,000 was 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.

7. Debtors: amounts owed by group undertakings

Amounts owed by group undertakings are unsecured, interest free and payable on demand.

8. Creditors: amounts falling due within one year

Amounts due to group undertakings are unsecured, carry an interest rate of 5.974% and are payable on demand.

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Called-up share capital

	31 December 2004 and 2005 <u>£000</u>
Authorised share capital:	
5,000,000 Ordinary Shares of £1 each	5,000
Allotted, issued and fully paid share capital:	
2,800,002 Ordinary Shares of £1 each	2,800

10. Statement of reserves

	At 1 January 2005 <u>£000</u>	Loss deducted from reserves <u>£000</u>	At 31 December 2005 <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>(367,630)</u>	<u>(39,900)</u>	<u>(407,530)</u>
Total profit and loss reserve	(327,233)	(39,900)	(367,133)
Share premium account	<u>645,200</u>	<u>-</u>	<u>645,200</u>
Total reserves	<u>317,967</u>	<u>(39,900)</u>	<u>278,067</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. The Directors are satisfied that the aggregate value of those assets whose value they have considered was not less than the aggregate amount at which those assets are stated in the Company's accounts.

As at 31 December 2004, in accordance with the requirements of FRS 11, the Directors undertook an impairment review of the carrying value of its investments in subsidiary undertakings and recognised an impairment provision to reduce the carrying value to the recoverable value as at 31 December 2004. As at 31 December 2005 there was no significant change in economic conditions and therefore no adjustment to the impairment provision was recognised.

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 £(407,530,000) (2004: deficit of £(367,630,000)).

AVIS EUROPE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Reconciliation of movement in shareholder's funds

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Loss for the financial year	(39,900)	(369,013)
Opening equity shareholder's funds	<u>320,767</u>	<u>689,780</u>
Closing equity shareholder's funds	<u>280,867</u>	<u>320,767</u>

12. 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 2005, the liabilities of the relevant other group undertakings amounted, in aggregate, to £nil (2004: £908,000).

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

13. 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.

14. 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.