

Directors' report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

Principal activities

The Avis Europe plc Group ("the Group") is principally engaged in the supply of vehicle rental services throughout Europe, Africa, the Middle East and Asia. Details of the Group's activities and performance are set out in the Chairman's Statement on page 1 together with the Operating and Financial Review on pages 8 to 12.

The principal subsidiary undertakings are listed on page 55.

Results and dividends

The audited accounts for the year ended 31 December 2001 are set out on pages 27 to 54. The Group's profit for the year and amounts transferred to reserves are set out in the Profit and Loss Account on page 27.

The Directors are proposing a final dividend of 3.8p per ordinary share which, together with the interim dividend of 2.0p per ordinary share paid on 4 October 2001, makes a total of 5.8p per share for the year. Subject to shareholders' approval, the final dividend will be paid on 14 May 2002 to shareholders appearing on the share register at close of business on 8 March 2002.

Directors

The Directors of the Company who served during the period are listed below:

Alun Cathcart

Daniel Cardon de Lichtbuer (retired 18 April 2001)

John Chidsey (appointed 5 September 2001)

Christopher I Cowan

Roland D'leteren

Stephen P Holmes

Gilbert van Marcke de Lummen

Mark McCafferty

Malcolm Miller (appointed 21 February 2001)

Sir Bob Reid

Sir Peter Reynolds (retired 18 April 2001)

Dr Axel von Ruedorffer (appointed 27 June 2001)

Jacques de Smet

Wally Taylor

Dieter Woitscheck (appointed 8 January 2001)

On 8 January 2001 Dieter Woitscheck was appointed as an executive Director. Malcolm Miller, Dr Axel von Ruedorffer and John Chidsey were appointed as non-executive Directors on 21 February 2001, 27 June 2001 and 5 September 2001 respectively. In accordance with the

Articles of Association, John Chidsey and Axel von Ruedorffer will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

Stephen Holmes, Gilbert van Marcke de Lummen and Sir Bob Reid retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' interests

Details of Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 18 to 22.

Roland D'leteren is a Director and shareholder of s.a. D'leteren n.v. which holds 63,609,360 ordinary shares of 1p each in the capital of the Company. Roland D'leteren, Gilbert van Marcke de Lummen and Jacques de Smet are Directors of D'leteren Invest s.a., a wholly owned subsidiary of s.a. D'leteren n.v. which holds 267,506,385 ordinary shares of 1p each in the capital of the Company. Details of significant contracts entered into with s.a. D'leteren n.v. are disclosed below.

Except as stated above, none of the Directors had any interests in the shares of the Company or in any material contract or arrangement with the Company or any of its subsidiary undertakings.

Charitable and political donations

During the year ended 31 December 2001 the Group made charitable donations totalling €41,700 (£26,000) (31 December 2000: €50,313 (£30,804)). The Group made no political donations during the year (31 December 2000: €nil).

Payments to creditors

Given the number of countries in which the Group operates there is no standard creditor payment policy within the Group. It is the Group's practice to agree the 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 2001.

Share capital

The last Annual General Meeting authorised the Company to purchase up to 58,478,276 of its own ordinary shares. This authority will expire, and is due to be renewed, at the next Annual General Meeting. The Company has made no purchase of its own shares pursuant to this authority. Details of the share capital of the Company are set out in note 18 to the financial statements.

Directors' report

Substantial shareholdings

At 25 February 2002 the Company had been advised of the following notifiable interests in its issued ordinary share capital:

	% of issued share capital
D'leteren Invest s.a.	45.73
s.a. D'leteren n.v.	10.87
Fidelity International Limited	4.90

D'leteren Invest s.a. is a wholly owned subsidiary of s.a. D'leteren n.v.

An Agreement governing the relationship between s.a. D'leteren n.v. and the Company was entered into in connection with the Company's listing in 1997. It includes restrictions on s.a. D'leteren n.v.'s power to appoint Directors and obligations on those Directors to ensure that the majority of the Board is independent of s.a. D'leteren n.v. It also provides that all transactions between the Company and s.a. D'leteren n.v. will be on an arm's-length basis.

The Agreement also contains certain anti-dilution rights for s.a. D'leteren n.v. provided that the D'leteren Group owns more than 30% of the issued ordinary share capital of the Company.

During the year, the Group has entered into transactions with the s.a. D'leteren n.v. Group on an arm's-length basis with respect to the acquisition of vehicles, the provision of finance and the acquisition of financial derivatives. Further details of these transactions are set out in note 25 to the financial statements.

Employment policies and practices

The Group aims to ensure an organisation structure and working climate in which both the business and employees grow and develop. Employee satisfaction and people development are two of the six areas of strategic focus for the Group.

The employment policies of the Group embody the principles of diversity and are tailored to meet the local needs of individual countries.

The Group operates non-discriminatory policies and practices in relation to recruitment, development, compensation and advancement opportunities with regard to gender, religion, race, marital status, age, sexual orientation and non-job related disabilities. Avis requires the highest standards of honesty, integrity and fairness in dealings from all employees.

The Group's approach to employee involvement and development is an integral part of Avis Europe's published beliefs and values statements which state:

"We aim to stimulate duty, mutual loyalty and a sense of pride in working for Avis through employee involvement at all levels, continuous updating of knowledge and skills and attractive and competitive recognition and reward systems. We believe that employees should be actively encouraged to grow and develop their careers with Avis and we always seek first to appoint candidates from within the Group to fill positions at every level – both nationally and internationally. To this end, we will provide the environment to help employees improve and develop themselves."

Evidence of implementation of these philosophies during the year ended 31 December 2001 include:

- Establishment of a cross-functional employee satisfaction group chaired by the Chief Executive and including Managing Directors from a number of countries, the Group Finance Director and Chief Operating Director. The remit is to identify between two and three areas of employee focus annually and monitor performance improvement through the Group's new employee satisfaction survey. Similar multi-functional employee satisfaction groups have been established in each country to ensure equal focus on local employee issues.
- Continued development of corporate intranet capabilities which, together with electronic mail, in-house publications, newsletters and visible management programmes, ensure employees are kept abreast of current activities and progress. Details of the Company's financial performance and strategic development are communicated biannually by the Chief Executive. Employees from all countries are invited to submit questions that are answered during these presentations and made available to all employees by videotape and through an internal news release. Annual country roadshows ensure employees are involved with country plans and fully informed about local financial performance and operational progress.
- Biannual meetings of the Avis European Employee Council. Representatives of employees and management meet twice a year for an exchange of views and dialogue on subjects of transnational interest. A joint communiqué of each meeting's discussions is distributed to all employees.
- Further awards made under the Group's Spirit of Avis recognition and reward programme, in which employees have equal opportunity to participate.

The Group believes its employment practices encourage employee involvement, continuity and business

performance. Approximately 50% of the Group's employees have more than five years' service with Avis Europe and 78% of the 50 most senior executives throughout Europe have been promoted from within the Group. An employee retention and internal succession index were established during 2001 to measure performance on an ongoing basis.

Share schemes

The Group operates a number of share incentive schemes, details of which are set out in the Remuneration Report.

Corporate governance

Details of the Company's arrangements relating to corporate governance are set out on pages 18 to 22 and 23 to 25.

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint PricewaterhouseCoopers and to authorise the Directors to fix their remuneration.

By Order of the Board

Judith Nicholson Company Secretary

25 February 2002

Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the financial statements on pages 27 to 54 the Company has used appropriate accounting policies, consistently applied (with the exception explained on page 31 for the recognition of credit repair revenues) 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 responsible for the maintenance and integrity of the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.