Notes to the Financial Statements
for the year ended 31 December

1 Segmental and geographic information

The activity of the Group is the supply of vehicle rental services. Revenue and operating profits are derived entirely from continuing activities.

Revenue by geographic market	2004 €m	2003 €m	2004 £m	2003 £m
United Kingdom	**213.0**	**213.7**	144.5	147.6
France	**228.2**	**227.6**	154.8	157.2
Germany	**169.3**	**167.0**	114.9	115.4
Spain	**185.4**	**186.2**	125.7	128.7
Italy	**161.6**	**156.8**	109.6	108.3
Others	**219.4**	**218.1**	148.8	150.7
	1,176.9	**1,169.4**	798.3	807.9

Revenue is by destination which is not materially different to revenue by origin.

The Group's share of turnover in its joint ventures (which has been excluded from the above table) is analysed as follows:

Joint ventures	2004 €m	2003 €m	2004 £m	2003 £m
Anji Car Rental and Leasing Company Limited	**6.3**	**4.1**	4.3	2.8
AutoCascade Limited	**–**	**0.3**	–	0.2
	6.3	**4.4**	4.3	3.0

The Group does not present a segmental analysis of operating profit and net operating assets as, in the opinion of the Directors, presentation of the information would be seriously prejudicial to the Group's commercial interests.

2 Operating profit

	2004 €m	2003 €m	2004 £m	2003 £m
Operating profit is stated after charging:				
Depreciation on vehicles – owned	**217.5**	**234.3**	147.5	162.0
Depreciation on vehicles – under finance leases	**94.0**	**88.0**	64.1	60.7
Depreciation on other tangible fixed assets	**18.6**	**15.6**	12.7	10.7
Operating exceptional tangible fixed assets impairment charge (see Note 3i)	**34.2**	**10.2**	23.3	7.0
Amortisation of goodwill	**2.6**	**4.8**	1.7	3.3
Operating exceptional goodwill impairment charge (see Note 3i)	**36.1**	**13.8**	25.3	9.7
Hire of plant and machinery (including motor vehicles)	**33.1**	**23.9**	22.6	16.5
Other operating lease rentals	**47.7**	**46.3**	32.6	31.9

Auditors' remuneration is as follows:

	2004 €m	2003 €m	2004 £m	2003 £m
Audit – UK	**0.6**	**0.5**	0.4	0.4
Audit – overseas	**0.7**	**0.7**	0.5	0.5
	1.3	**1.2**	0.9	0.9
Non audit – UK	**0.5**	**1.4**	0.3	1.0
Non audit – overseas	**0.7**	**1.0**	0.5	0.7
	1.2	**2.4**	0.8	1.7
Non audit services are analysed as follows:				
Taxation advice	**0.6**	**0.9**	0.4	0.7
Due diligence and other non-statutory audit work	**–**	**1.1**	–	0.8
Accounting assistance	**0.3**	**0.1**	0.2	0.1
Other	**0.3**	**0.3**	0.2	0.1
	1.2	**2.4**	0.8	1.7

The audit fee in respect of the Company was €0.3 million; £0.2 million (2003: €0.3 million; £0.2 million).

3 Net exceptional items

i) Operating exceptional items	2004 €m	2003 €m	2004 £m	2003 £m
a) Restructuring costs	**9.6**	**25.9**	6.6	18.2
b) Project termination costs	**44.4**	**–**	30.7	–
c) Goodwill impairment	**36.1**	**13.8**	25.3	9.7
d) Centrus receivables	**(16.7)**	**15.9**	(11.6)	11.2
e) Other items	**–**	**(4.9)**	–	(3.6)
	73.4	**50.7**	51.0	35.5

a) Restructuring costs of €9.6 million; £6.6 million have been incurred in the current year, comprising:

– the costs incurred in connection with the IT back-office project up to the point of termination (see below); and,

– further restructuring costs in connection with a software development project, curtailed in the prior year.

Restructuring costs incurred in 2003 of €25.9 million; £18.2 million, related to the reduction of a number of management and support positions across Europe, the integration and reorganisation programme following the acquisition of the Budget business, initial costs of the IT back-office project referred to above and the restructuring following the curtailment of a software development project, also referred to above.

b) Following the Group's decision to terminate the agreement with the principal contractor on the IT back-office project, termination costs of €44.4 million; £30.7 million have been recognised in the current year. The Group is taking mitigating action against these costs, which may lead to a net credit in future accounting periods.

c) As described in Note 10, the Group has recognised an impairment provision against the goodwill in respect of the Budget business and certain French licensee companies. In 2003, an impairment provision of €7.1 million; £5.0 million was recognised against certain businesses in Germany and an impairment provision of €6.7 million; £4.7 million was recognised against the business in Holland.

d) The exceptional charge in 2003 for Centrus amounting to €15.9 million; £11.2 million was to reduce the book values of credit hire receivables to anticipated recoverable amounts. This exceptional charge was in addition to the termination provisions referred to in (ii) below. In 2004, the collection of receivable balances has proved more successful than previously anticipated, such that the current year includes exceptional income of €16.7 million; £11.6 million reflecting a reversal of the credit receivable provisions recognised in previous periods.

e) Other exceptional items in 2003 comprised of a one-off repayment of VAT in respect of earlier years (€3.6 million; £2.6 million) and the net amount received in resolving a dispute which had been provided for as an exceptional charge in earlier periods.

In addition to the above, interest income in 2003 included an exceptional amount of €3.6 million; £2.6 million relating to the aforementioned VAT repayment (see Note 6).

ii) Loss on disposal of business and on termination of operation	2004 €m	2003 €m	2004 £m	2003 £m
a) Centrus	**–**	**54.4**	–	38.2
b) AutoCascade	**–**	**0.5**	–	0.4
	–	**54.9**	–	38.6

a) A strategic decision was made to terminate the operations of Centrus. As a consequence, in 2003 the Group recognised a provision for termination costs of €54.4 million, £38.2 million, comprising asset write-offs, redundancies and other termination costs, including a goodwill write-off of €31.8 million; £22.4 million.

b) In 2003, the sale of AutoCascade, a joint venture company, and a 10% interest in AutoBytel resulted in a combined loss of €0.5 million; £0.4 million.

4 Directors and employees

	2004 €m	2003 €m	2004 £m	2003 £m
Staff costs				
Wages and salaries	**226.6**	**218.4**	154.2	150.5
Social security costs	**38.4**	**37.9**	26.2	26.2
Other pension costs	**13.1**	**13.1**	8.9	9.0
	278.1	**269.4**	189.3	185.7

	2004 Number	2003 Number
Staff numbers (average full time equivalent)		
United Kingdom	**1,238**	**1,350**
France	**1,389**	**1,377**
Germany	**719**	**744**
Italy	**531**	**502**
Spain	**1,031**	**1,047**
Others	**1,131**	**1,084**
	6,039	**6,104**

5 Directors' remuneration, interests and transactions

Details of Directors' remuneration for the year are provided in the audited part of the Remuneration Report on pages 31 to 33.

6 Net interest payable

	2004 €m	2003 €m	2004 £m	2003 £m
Interest payable				
On finance charges payable under finance leases	**9.2**	**8.0**	6.3	5.5
On bank loans and overdrafts	**53.6**	**56.4**	36.5	38.9
On deferred consideration	**2.6**	**2.6**	1.8	1.8
Interest payable capitalised	**(0.7)**	**(0.6)**	(0.5)	(0.4)
Share of joint venture	**0.1**	**–**	–	–
	64.8	**66.4**	44.1	45.8
Interest receivable				
Subsidiaries – ordinary	**(3.7)**	**(3.6)**	(2.5)	(2.5)
Subsidiaries – exceptional item (see Note 3i)	**–**	**(3.6)**	–	(2.6)
	(3.7)	**(7.2)**	(2.5)	(5.1)
	61.1	**59.2**	41.6	40.7
Analysis of net interest payable				
Ordinary	**61.1**	**62.8**	41.6	43.3
Exceptional items (see Note 3i)	**–**	**(3.6)**	–	(2.6)
	61.1	**59.2**	41.6	40.7

Interest payable has been capitalised based on the average one month sterling money market rate for the year applied to the accumulated spend on major projects in development.

7 Taxation

i) Analysis of (credit)/charge in year	2004 €m	2003 €m	2004 £m	2003 £m
Current tax:				
UK corporation tax on profits for the year before exceptional items	**10.6**	**17.8**	6.9	13.5
Tax on exceptional items	**(8.6)**	**(9.2)**	(6.0)	(6.9)
Adjustments in respect of prior years	**(6.7)**	**4.6**	(4.3)	3.4
	(4.7)	**13.2**	(3.4)	10.0
Foreign tax:				
Corporation tax on profits for the year before exceptional items	**11.0**	**17.1**	7.1	12.9
Tax on exceptional items	**(0.2)**	**(0.7)**	(0.1)	(0.5)
Adjustments in respect of prior years	**2.9**	**0.6**	1.9	0.4
	13.7	**17.0**	8.9	12.8
Total current tax (see Note 7ii)	**9.0**	**30.2**	5.5	22.8
Deferred tax:				
Origination and reversal of timing differences	**(5.1)**	**(20.7)**	(3.3)	(15.7)
Deferred tax on exceptional items	**(7.2)**	**–**	(5.0)	–
Adjustments in respect of prior years	**0.4**	**(5.7)**	0.2	(4.3)
Total deferred tax	**(11.9)**	**(26.4)**	(8.1)	(20.0)
Tax on loss on ordinary activities	**(2.9)**	**3.8**	(2.6)	2.8

ii) Factors affecting the tax charge for the year

The current tax charge for the year is lower than the rate of UK corporation tax (30%) explained as follows:

	2004 €m	2003 €m	2004 £m	2003 £m
Loss on ordinary activities before taxation	**(21.8)**	**(47.4)**	(17.6)	(32.5)
Tax at 30%	**(6.5)**	**(14.2)**	(5.3)	(9.7)
Differing rates applied to overseas profits	**(3.8)**	**(5.1)**	(2.3)	(3.9)
Goodwill amortisation and impairment charges not deductible for tax purposes	**5.3**	**13.8**	3.2	10.4
Expenses not deductible for tax purposes	**1.2**	**4.0**	0.7	3.0
Utilisation of tax losses	**(3.9)**	**(4.5)**	(2.4)	(3.4)
Timing differences	**12.0**	**20.1**	8.1	15.2
Adjustments in respect of prior years	**(3.7)**	**5.2**	(2.4)	3.9
Deferred assets not recognised	**6.9**	**8.4**	4.7	6.4
Other	**1.5**	**2.5**	1.2	0.9
Current tax	**9.0**	**30.2**	5.5	22.8

iii) Factors that may affect future tax charges

Unrelieved tax losses of €109.0 million; £75.5 million (2003: €78.9 million; £55.4 million) are carried forward and are available to reduce the tax liability in respect of future years.

8 Dividends

	2004 €m	2003 €m	2004 £m	2003 £m
Dividend per ordinary share:				
Interim dividend of 1.3 pence; 1.9 euro cents (2003: 1.3 pence; 1.8 euro cents)	**11.3**	**10.6**	7.6	7.6
Proposed final dividend of nil (2003: 2.6 pence; 3.7 euro cents)	**–**	**21.7**	–	15.2
	11.3	**32.3**	7.6	22.8

9 Earnings per share

Basic and diluted earnings per share are based on the loss for the year. Adjusted earnings per share do not include goodwill amortisation and net exceptional charges to highlight underlying trading performance.

	2004 €m	2003 €m	2004 £m	2003 £m
Loss for the year	**(18.9)**	**(51.3)**	(15.0)	(35.3)
Amortisation of goodwill	**2.6**	**4.8**	1.8	3.3
Net exceptional charges	**73.4**	**102.0**	51.0	71.5
Taxation on adjusting items	**(16.4)**	**(10.2)**	(11.5)	(7.7)
Adjusted profit before goodwill amortisation and exceptional items	**40.7**	**45.3**	26.3	31.8

	2004 Euro cents	2003 Euro cents	2004 Pence	2003 Pence
Basic and diluted loss per share	**(3.2)**	**(8.8)**	(2.6)	(6.0)
Basic loss per share	**(3.2)**	**(8.8)**	(2.6)	(6.0)
Amortisation of goodwill	**0.4**	**0.8**	0.3	0.6
Net exceptional charges	**12.5**	**17.5**	8.7	12.1
Taxation on adjusting items	**(2.8)**	**(1.7)**	(1.9)	(1.3)
Adjusted earnings per share	**6.9**	**7.8**	4.5	5.4

The weighted average number of shares in issue for the year was 585,159,253 (2003: 584,963,609). The Group has granted options to certain Directors and employees over ordinary shares of Avis Europe plc. Such shares constitute the only category of potentially dilutive ordinary shares and these did not increase the weighted average number of shares in either 2003 or 2004 as the option exercise prices were in excess of the market share price. Since these options were not dilutive, they had no impact on profit and loss in either year.

10 Goodwill

	€m	£m
Cost		
At 1 January 2004	**109.8**	77.2
Termination of operation	**(42.3)**	(29.8)
Exchange movements	**1.0**	0.1
At 31 December 2004	**68.5**	47.5
Accumulated amortisation		
At 1 January 2004	**64.4**	45.3
Charge for the year	**2.6**	1.7
Exceptional impairment charge (see Note 3i)	**36.1**	25.3
Termination of operation	**(42.3)**	(29.8)
Exchange movements	**0.5**	–
At 31 December 2004	**61.3**	42.5
Net book amount		
At 31 December 2004	**7.2**	5.0
At 31 December 2003	**45.4**	31.9

Goodwill of €1,080.4 million; £783.5 million arising before 1 March 1998 is fully written off to reserves (see Note 18).

As a consequence of the strategic decision in 2003 to terminate the operation of Centrus, see Note 3(ii), the business ceased trading in January 2004. The goodwill, which had been fully provided against in 2003, has therefore been removed from the balance sheet.

In accordance with the requirements of accounting standard FRS 11, Impairment of Fixed Assets and Goodwill, the Group has undertaken a review of the carrying value of fixed assets as at 31 December 2004. The impairment review was to ensure that the carrying value of the Group's assets are stated at no more than their recoverable amount, being the higher of net realisable value and value in use.

Following a reassessment of the long-term business plan for Budget, following the completion of the integration of the business acquired in March 2003, and a downturn of the profitability of our operations in France, the Directors have concluded that the recoverable amount of these businesses was less than the carrying amount of the associated assets. As a consequence, impairment provisions of €30.7 million; £21.5 million, against the goodwill relating to the Budget business and 5.4 million; £3.8 million, against the goodwill relating to certain acquired French licensee companies, have been recognised to write down the value of these assets to their recoverable amounts, representing a full provision against goodwill.

There is no cash flow impact arising from these impairment provisions.

The Directors have also reviewed the carrying values of the goodwill in the business in Greece and the Group's joint venture in China. Neither of these reviews result in the need for an impairment provision to be recognised.

In determining the value in use, the Directors calculated the present value of the estimated future cash flows expected to arise from the continuing use of the assets using a pre-tax discount rate in the range from 7% to 11%. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant businesses.

11 Tangible fixed assets

	Freehold land & buildings €m	Short leasehold property €m	Plant & equipment €m	Assets in the course of construction €m	Vehicles €m	Total €m
Cost						
At 1 January 2004	**31.3**	**42.3**	**78.3**	**19.7**	**1,470.2**	**1,641.8**
Additions	**9.0**	**5.4**	**11.2**	**22.2**	**2,374.2**	**2,422.0**
Disposals	**(1.7)**	**(2.4)**	**(14.1)**	**(34.2)**	**(2,386.7)**	**(2,439.1)**
Transfers	**–**	**–**	**8.0**	**(8.0)**	**–**	**–**
Exchange movements	**–**	**0.1**	**(0.9)**	**0.6**	**3.0**	**2.8**
At 31 December 2004	**38.6**	**45.4**	**82.5**	**0.3**	**1,460.7**	**1,627.5**
Accumulated depreciation						
At 1 January 2004	**4.0**	**15.2**	**55.8**	**–**	**156.9**	**231.9**
Charge for the year	**1.6**	**4.1**	**12.9**	**–**	**311.5**	**330.1**
Exceptional impairment charge (see Note 3i)	**–**	**–**	**–**	**34.2**	**–**	**34.2**
Disposals	**(1.6)**	**(2.3)**	**(13.7)**	**(34.2)**	**(311.3)**	**(363.1)**
Exchange movements	**(0.1)**	**(0.1)**	**(1.0)**	**–**	**0.7**	**(0.5)**
At 31 December 2004	**3.9**	**16.9**	**54.0**	**–**	**157.8**	**232.6**
Net book amount						
At 31 December 2004	**34.7**	**28.5**	**28.5**	**0.3**	**1,302.9**	**1,394.9**
At 31 December 2003	**27.3**	**27.1**	**22.5**	**19.7**	**1,313.3**	**1,409.9**

	Freehold land & buildings £m	Short leasehold property £m	Plant & equipment £m	Assets in the course of construction £m	Vehicles £m	Total £m
Cost						
At 1 January 2004	22.0	29.7	55.1	13.8	1,033.0	1,153.6
Additions	6.1	3.6	7.7	15.1	1,611.1	1,643.6
Disposals	(1.2)	(1.6)	(9.6)	(23.3)	(1,622.8)	(1,658.5)
Transfers	–	–	5.4	(5.4)	–	–
Exchange movements	(0.2)	(0.3)	(1.4)	–	(9.4)	(11.3)
At 31 December 2004	26.7	31.4	57.2	0.2	1,011.9	1,127.4
Accumulated depreciation						
At 1 January 2004	2.8	10.7	39.2	–	110.3	163.0
Charge for the year	1.1	2.8	8.8	–	211.6	224.3
Exceptional impairment charge (see Note 3i)	–	–	–	23.3	–	23.3
Disposals	(1.1)	(1.6)	(9.2)	(23.3)	(211.7)	(246.9)
Exchange movements	(0.1)	(0.2)	(1.4)	–	(0.9)	(2.6)
At 31 December 2004	2.7	11.7	37.4	–	109.3	161.1
Net book amount						
At 31 December 2004	24.0	19.7	19.8	0.2	902.6	966.3
At 31 December 2003	19.2	19.0	15.9	13.8	922.7	990.6

11 Tangible fixed assets continued

Assets held under finance leases are included in the above tangible fixed assets at the following amounts:

	2004			2003		
	Plant & equipment €m	**Vehicles €m**	**Total €m**	**Plant & equipment €m**	**Vehicles €m**	**Total €m**
Cost	**1.1**	**292.3**	**293.4**	**–**	**282.0**	**282.0**
Accumulated depreciation	**(0.1)**	**(21.9)**	**(22.0)**	**–**	**(24.4)**	**(24.4)**
Net book amount	**1.0**	**270.4**	**271.4**	**–**	**257.6**	**257.6**

	2004			2003		
	Plant & equipment £m	Vehicles £m	Total £m	Plant & equipment £m	Vehicles £m	Total £m
Cost	0.8	202.5	203.3	–	198.1	198.1
Accumulated depreciation	(0.1)	(15.2)	(15.3)	–	(17.1)	(17.1)
Net book amount	0.7	187.3	188.0	–	181.0	181.0

Cumulative capitalised interest payable included in the cost of tangible fixed assets amounts to €0.3 million; £0.2 million (2003: €0.3 million; £0.2 million).

At 31 December 2004, the Group had capital commitments contracted, but not provided for, amounting to €533.5 million; £369.5 million (2003: €863.9 million; £607.1 million).

12 Fixed asset investments

Group: Cost	**Own shares €m**	**Joint venture €m**	**Associate €m**	**Other investments €m**	**Total €m**
At 1 January 2004 (as previously reported)	**1.7**	**9.8**	**0.3**	**0.6**	**12.4**
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	**(1.7)**	**–**	**–**	**–**	**(1.7)**
At 1 January 2004 (as restated)	**–**	**9.8**	**0.3**	**0.6**	**10.7**
Share of loss	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Exchange movements	**–**	**(1.0)**	**–**	**–**	**(1.0)**
At 31 December 2004	**–**	**8.6**	**0.3**	**0.6**	**9.5**

Group: Cost	Own shares £m	Joint venture £m	Associate £m	Other investments £m	Total £m
At 1 January 2004 (as previously reported)	1.2	6.8	0.2	0.5	8.7
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	(1.2)	–	–	–	(1.2)
At 1 January 2004 (as restated)	–	6.8	0.2	0.5	7.5
Share of loss	–	(0.1)	–	–	(0.1)
Exchange movements	–	(0.8)	–	–	(0.8)
At 31 December 2004	–	5.9	0.2	0.5	6.6

Investment in joint venture
At the year end, the Group's interest in the joint venture, Anji Car Rental and Leasing Company Limited, comprised:

Group:	**2004 €m**	**2003 €m**	2004 £m	2003 £m
Share of gross assets	**13.7**	**12.0**	9.4	8.4
Share of gross liabilities	**(6.0)**	**(3.1)**	(4.1)	(2.2)
Net book amount of goodwill arising on acquisition	**0.9**	**0.9**	0.6	0.6
	8.6	**9.8**	5.9	6.8

12 Fixed asset investments continued

Europe Leisure Holdings NV

Europe Leisure Holdings NV is considered to be a quasi-subsidiary and consequently the assets and liabilities of the company and its subsidiary are consolidated in these Financial Statements. The summarised consolidated results of Europe Leisure Holdings NV are as follows:

Turnover, €18.6 million; £12.6 million (2003: €23.3 million; £16.1 million); Profit on ordinary activities before taxation, €3.1 million; £2.5 million (2003: €4.6 million; £3.2 million); Fixed assets, €4.5 million; £3.1 million (2003: €4.7 million; £3.3 million); Net current liabilities, €1.5 million; £1.0 million (2003: €3.3 million; £2.3 million) and Net cash inflow from operating activities, €1.1 million; £0.7 million (2003: €5.1 million; £3.5 million).

Company: **Cost**	Own shares £m	Subsidiaries £m	Total £m
At 1 January 2004 (as previously reported)	1.2	711.0	712.2
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	(1.2)	–	(1.2)
At 1 January (as restated) and 31 December 2004	–	711.0	711.0
Provision for impairment			
At 1 January 2004	–	–	–
Current year provision	–	396.0	396.0
At 31 December 2004	–	396.0	396.0
Net book amount			
At 31 December 2004	–	315.0	315.0
At 31 December 2003	–	711.0	711.0

The Directors of the Company have undertaken a review of the carrying value of the investments in subsidiary undertakings as at 31 December 2004 and have written down the carrying value to the market value as at 31 December 2004.

There is no direct cash flow impact arising from these impairment provisions.

13 Debtors

Group:	**2004** **€m**	**2003** **As restated*** **€m**	2004 £m	2003 As restated* £m
Trade debtors	**283.3**	**341.1**	196.3	239.7
Current taxation asset	**11.1**	**4.3**	7.7	3.0
Deferred taxation asset	**32.8**	**18.5**	22.7	13.0
Pension prepayments	**0.5**	**0.2**	0.3	0.1
Other debtors	**74.0**	**81.7**	51.3	57.4
Other prepayments	**96.1**	**68.9**	66.5	48.5
	497.8	**514.7**	344.8	361.7

Company:	2004 £m	2003 £m
Amounts owed by Group subsidiaries	80.9	166.1
Deferred taxation	0.5	–
	81.4	166.1

*Restated following the reclassification of certain comparative balances, see Accounting Policies on page 39.

14 Bank and other loans

Group:	2004 €m	2003 €m	2004 £m	2003 £m
Creditors amounts falling due within one year				
Bank loans, overdrafts and other loans	**92.7**	**135.1**	64.2	95.0
Loan notes	**52.0**	**33.9**	36.1	23.8
	144.7	**169.0**	100.3	118.8
Creditors amounts falling due after more than one year				
Bank loans	**44.8**	**370.1**	31.0	260.0
Loan notes	**619.9**	**408.4**	429.4	287.0
	664.7	**778.5**	460.4	547.0

15 Other creditors

Group:	2004 €m	2003 As restated* €m	2004 £m	2003 As restated* £m
Amounts falling due within one year				
Trade creditors	**449.9**	**366.0**	311.7	257.3
Corporation taxes	**29.3**	**43.6**	20.3	30.7
Other taxes and social security	**10.0**	**27.7**	6.9	19.4
Other creditors	**91.6**	**69.7**	63.4	49.0
Obligations under finance leases	**270.6**	**250.6**	187.5	176.0
Accruals and deferred income	**222.0**	**231.8**	153.8	162.8
Proposed dividend	**–**	**21.7**	–	15.2
	1,073.4	**1,011.1**	743.6	710.4
Amounts falling due after more than one year				
Other creditors falling due between one and two years	**0.2**	**1.0**	0.2	0.7
Other creditors falling due between two and five years	**0.8**	**0.8**	0.6	0.5
Other creditors falling due after more than five years	**31.1**	**30.9**	21.5	21.8
	32.1	**32.7**	22.3	23.0

Company:	2004 £m	2003 £m
Amounts falling due within one year		
Amounts due to subsidiaries	90.8	151.7
Other creditors	1.0	1.1
Proposed dividend	–	15.2
	91.8	168.0

*Restated following the reclassification of certain comparative balances, see Accounting Policies on page 39.

Other creditors falling due after more than one year represent deferred consideration arising on the acquisition of shares in Avis Europe Investment Holdings Limited from Avis Inc. and is payable in annual instalments of £1.9 million including interest calculated at a rate of 8%.

16 Provisions for liabilities and charges

Group:	Pensions €m	Deferred taxation €m	Insurance reserves €m	Other trading €m	Total €m
At 1 January 2004*	**24.4**	**47.8**	**20.3**	**33.5**	**126.0**
Profit and loss charge/(credit)	**3.0**	**(11.9)**	**16.3**	**4.0**	**11.4**
Transfer to debtors (see Note 13)	**–**	**14.3**	**–**	**–**	**14.3**
Transfer to creditors (see Note 15)	**–**	**–**	**(2.3)**	**–**	**(2.3)**
Utilisation	**(2.8)**	**(0.3)**	**(8.1)**	**(11.9)**	**(23.1)**
Exchange movements	**–**	**(0.3)**	**0.1**	**0.4**	**0.2**
At 31 December 2004	**24.6**	**49.6**	**26.3**	**26.0**	**126.5**

Group:	Pensions £m	Deferred taxation £m	Insurance reserves £m	Other trading £m	Total £m
At 1 January 2004*	17.2	33.6	14.2	23.5	88.5
Profit and loss charge/(credit)	2.0	(8.1)	11.1	2.7	7.7
Transfer to debtors (see Note 13)	–	9.7	–	–	9.7
Transfer to creditors (see Note 15)	–	–	(1.6)	–	(1.6)
Utilisation	(1.9)	(0.2)	(5.5)	(8.1)	(15.7)
Exchange movements	(0.3)	(0.6)	–	(0.1)	(1.0)
At 31 December 2004	17.0	34.4	18.2	18.0	87.6

*Restated following the reclassification of certain comparative balances, see Accounting Policies on page 39.

The pension provision arises from the difference between contributions paid to pension schemes and the amount charged to the profit and loss account. Further details are set out in Note 23.

Insurance reserves provide for uninsured losses under third party liabilities or claims. Due to the timescales and uncertainties involved in such claims, provision is made based upon the profile of claims experience, with provision made for potential claims for a number of years after policy inception.

Other trading provisions primarily comprise:

a) Certain statutory employee termination scheme provisions of €13.2 million; £9.2 million (2003: €12.6 million; £8.9 million) that are expected to crystallise within the next few years.

b) Dilapidation and environmental provisions of €6.7 million; £4.6 million (2003: €4.5 million; £3.2 million) to cover the costs of the remediation of certain properties held under operating leases. The fair values of these provisions, which are primarily euro denominated and non-interest bearing, are not materially different to the book values, and the ultimate expenditure is expected to be coterminous with the underlying lease periods (see Note 22).

c) Other short-term provisions of €6.1 million; £4.2 million (2003: €16.4 million; £11.5 million).

Deferred taxation provided and deferred taxation not recognised are as follows:

	Provided		Not recognised	
	2004 €m	2003 €m	2004 €m	2003 €m
Accelerated capital allowances	**21.5**	**22.0**	**0.1**	**0.3**
Other timing differences	**3.5**	**12.4**	**(3.1)**	**(6.2)**
Losses available for offset	**(8.2)**	**(5.1)**	**(35.1)**	**(23.9)**
	16.8	**29.3**	**(38.1)**	**(29.8)**

	Provided		Not recognised	
	2004 £m	2003 £m	2004 £m	2003 £m
Accelerated capital allowances	14.9	15.5	0.1	0.2
Other timing differences	2.5	8.7	(2.1)	(4.3)
Losses available for offset	(5.7)	(3.6)	(24.3)	(16.8)
	11.7	20.6	(26.3)	(20.9)

17 Called-up share capital

	2004			2003		
	Number	€m	£m	Number	€m	£m
Authorised share capital						
Ordinary shares of 1p each	**800,000,000**		8.0	**800,000,000**		8.0
Issued and fully paid share capital						
Ordinary shares of 1p each	**585,788,030**	**8.1**	5.9	**585,788,030**	**8.1**	5.9

There has been no new issue of share capital during the year. At 31 December, options outstanding under the Group's approved and unapproved share option schemes were as follows:

Date of grant	Number of ordinary shares 31 December 2004	Number of ordinary shares 31 December 2003	Exercise price range	Exercisable years
2004	**671,954**	–	**93.25p – 93.25p**	**2007 – 2014**
2003	**769,000**	840,000	**90.3p – 103.5p**	**2006 – 2013**
2002	**2,214,000**	2,510,900	**99.7p – 207.8p**	**2005 – 2012**
2001	**1,416,000**	1,784,000	**145.3p – 162.7p**	**2004 – 2011**
2000	**929,500**	1,044,000	**198.7p – 199.0p**	**2003 – 2010**
1999	**689,095**	839,095	**253.3p – 279.8p**	**2002 – 2009**
1998	**1,706,905**	2,064,405	**248.2p – 268.0p**	**2001 – 2008**
1997	**350,614**	2,351,737	**124.0p – 127.8p**	**2000 – 2007**

18 Reserves

Group:	Share premium €m	Own shares €m	Profit and loss €m	Total €m
At 1 January 2004 (as previously reported)	**876.0**	**–**	**(867.0)**	**9.0**
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	**–**	**(1.7)**	**–**	**(1.7)**
At 1 January 2004 (as restated)	**876.0**	**(1.7)**	**(867.0)**	**7.3**
Own shares released on vesting of share awards	**–**	**0.4**	**–**	**0.4**
Retained loss for the year	**–**	**–**	**(30.2)**	**(30.2)**
Exchange movements (net of taxation)	**–**	**(0.1)**	**(3.8)**	**(3.9)**
At 31 December 2004	**876.0**	**(1.4)**	**(901.0)**	**(26.4)**

Group:	Share premium £m	Own shares £m	Profit and loss £m	Total £m
At 1 January 2004 (as previously reported)	634.8	–	(628.6)	6.2
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	–	(1.2)	–	(1.2)
At 1 January 2004 (as restated)	634.8	(1.2)	(628.6)	5.0
Own shares released on vesting of share awards	–	0.3	–	0.3
Retained loss for the year	–	–	(22.6)	(22.6)
Exchange movements (net of taxation)	–	–	(1.2)	(1.2)
At 31 December 2004	634.8	(0.9)	(652.4)	(18.5)

Own shares are held by the Avis Europe Employee Share Trust, a discretionary trust, to partially satisfy options and awards granted under a number of the Group's share schemes. Further details in relation to these share schemes are provided in the Remuneration Report set out on page 29. At 31 December 2004, the Trust held 581,095 shares (2003: 749,017 shares), with a market value of 54 pence per share (2003: 95 pence per share), which have been recognised as a reduction in shareholders' funds. None of the shares held at the year end are under option to employees, nor have they been conditionally gifted to them. The Avis Europe Employee Share Trust has not waived its right to dividends on these shares.

Goodwill of €1,080.4 million; £783.5 million arising on acquisitions arising before 1 March 1998 has been written off to reserves.

18 Reserves continued

Company:	Share premium £m	Own shares £m	Profit and loss £m	Total £m
At 1 January 2004 (as previously reported)	634.8	–	69.6	704.4
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	–	(1.2)	–	(1.2)
At 1 January 2004 (as restated)	634.8	(1.2)	69.6	703.2
Own shares released on vesting of share awards	–	0.3	–	0.3
Retained loss for the year	–	–	(404.8)	(404.8)
At 31 December 2004	634.8	(0.9)	(335.2)	298.7

As allowed by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of the Company. The following table summarises the movements in the profit and loss reserve:

Company:	2004 £m	2003 £m
(Loss)/profit after tax before exceptional items	(1.2)	49.1
Exceptional impairment charge (see Note 12)	(396.0)	–
(Loss)/profit after tax	(397.2)	49.1
Dividends	(7.6)	(22.8)
Retained (loss)/profit for the year	(404.8)	26.3

As a consequence of the exceptional impairment charge, as described in Note 12, the deficit on the profit and loss reserve at 31 December 2004 was £335.2 million, such that the Company no longer has any distributable reserves. The Company is therefore unable to pay a dividend until distributable reserves are available.

19 Reconciliation of movements in shareholders' funds

Group:	**2004 €m**	**2003 €m**	2004 £m	2003 £m
Loss for the year	**(18.9)**	**(51.3)**	(15.0)	(35.3)
Dividends	**(11.3)**	**(32.3)**	(7.6)	(22.8)
Exchange movements (net of taxation)	**(3.8)**	**(8.8)**	(1.2)	(0.3)
Own shares released on vesting of share awards	**0.3**	**0.7**	0.3	0.4
Net decrease in shareholders' funds	**(33.7)**	**(91.7)**	(23.5)	(58.0)
Opening shareholders' funds (as previously reported)	**17.1**	**109.5**	12.1	70.4
Restatement following the adoption of UITF 38 (see Accounting Policies on page 39)	**(1.7)**	**(2.4)**	(1.2)	(1.5)
Opening shareholders' funds (as restated)	**15.4**	**107.1**	10.9	68.9
Closing shareholders' funds	**(18.3)**	**15.4**	(12.6)	10.9

20 Minority interests

Group:	**2004 €m**	**2003 €m**	2004 £m	2003 £m
Profit on ordinary activities after taxation	**–**	**0.1**	–	–
Dividends paid	**–**	**(0.1)**	–	(0.1)
Exchange movements	**0.1**	**(0.1)**	–	0.1
	0.1	**(0.1)**	–	–
Opening minority interests	**0.5**	**0.6**	0.3	0.3
Closing minority interests	**0.6**	**0.5**	0.3	0.3

21 Contingent liabilities

The Company and certain subsidiaries have provided unsecured guarantees to certain third parties within the normal course of business and have also issued guarantees in favour of certain lenders in respect of some of the Group's loan notes and borrowing facilities. At 31 December 2004 the guarantees provided by the Company amounted to €974.6 million; £675.1 million. Certain Group companies are defendants in a number of claims and legal proceedings incidental to their operations. The Directors do not expect that any of these contingencies will have a material impact on the results or financial position of the Group.

22 Financial commitments

At 31 December 2004 the Group had the following commitments under non-cancellable operating leases in respect of the year ending 31 December 2005:

Expiring:	**Land and buildings €m**	**Vehicles €m**	**Others €m**	**Total €m**
Within one year	**11.8**	**9.2**	**0.1**	**21.1**
Between one and two years	**6.8**	**2.4**	**0.1**	**9.3**
Between two and five years	**10.7**	**–**	**0.1**	**10.8**
After more than five years	**11.7**	**–**	**–**	**11.7**
	41.0	**11.6**	**0.3**	**52.9**

Expiring:	Land and buildings £m	Vehicles £m	Others £m	Total £m
Within one year	8.2	6.4	–	14.6
Between one and two years	4.7	1.7	0.1	6.5
Between two and five years	7.4	–	0.1	7.5
After more than five years	8.1	–	–	8.1
	28.4	8.1	0.2	36.7

At 31 December 2003 the Group had the following commitments under non-cancellable operating leases in respect of the year ended 31 December 2004:

Expiring:	**Land and buildings €m**	**Vehicles €m**	**Others €m**	**Total €m**
Within one year	**10.4**	**8.7**	**0.1**	**19.2**
Between one and two years	**6.2**	**1.2**	**0.1**	**7.5**
Between two and five years	**14.4**	**–**	**–**	**14.4**
After more than five years	**11.3**	**–**	**–**	**11.3**
	42.3	**9.9**	**0.2**	**52.4**

Expiring:	Land and buildings £m	Vehicles £m	Others £m	Total £m
Within one year	7.2	6.0	0.1	13.3
Between one and two years	4.3	0.9	–	5.2
Between two and five years	10.0	–	–	10.0
After more than five years	7.8	–	–	7.8
	29.3	6.9	0.1	36.3

23 Pensions

i) Pension schemes

Where applicable, subsidiaries contribute to the relevant state pension scheme. Certain subsidiaries operate schemes which provide retirement benefit, including those of the defined benefit type and in most cases are funded by investments held outside the Group.

In the year ended 31 December 2004 the profit and loss account charge in respect of pensions was €13.1 million; £8.9 million (2003: €13.1 million; £9.0 million) of which €8.6 million; £5.8 million (2003: €8.9 million; £6.1 million) related to principal defined benefit schemes in the United Kingdom and Germany.

The main actuarial assumptions and results of the valuations of these principal schemes are as follows:

	UK	Germany
Main assumptions:		
Rate of return on investments	**6.5%**	
Rate of salary increase	**4.0%**	**2.5%**
Rate of pension increase	**2.5%**	**1.5%**
Value of scheme's assets (m)	**€66.6**	
Value of balance sheet provision at date of last valuation (m)		**€22.7**
Value of past service liabilities (m)	**€80.1**	**€23.7**
Past service deficit (m)	**€(13.5)**	**€(1.1)**
Actuarial value of assets as a percentage of past service liabilities	**83.2%**	
Book provision as a percentage of past service liabilities		**95.4%**
Contribution rate for 2004 as a percentage of pensionable pay	**14.5%**	
Date of last valuation	**30 June 2002**	**31 December 2003**

ii) FRS 17 Retirement Benefits

In accordance with the transitional requirements of FRS 17, the transitional disclosures are set out below:

The valuations used for these disclosures have been based on the most recent actuarial valuations, updated by the scheme actuaries to assess the liabilities of the scheme and the market value of the scheme assets at each of the balance sheet dates.

	Funded schemes			Unfunded schemes		
a) Assumptions	2004	2003	2002	2004	2003	2002
Valuation method	Projected unit	Projected unit	Projected unit	Projected unit	Projected unit	Projected unit
Inflation rate	**2.7%**	**2.7%**	**2.2%**	**1.5%**	**1.5%**	**1.5%**
Discount rate	**5.2%**	**5.4%**	**5.4%**	**4.8%**	**5.4%**	**5.8%**
Expected rate of salary increases	**4.1%**	**4.1%**	**3.6%**	**2.5%**	**2.5%**	**3.5%**
Rate of pension increases in payment	**2.7%**	**2.7%**	**2.2%**	**1.5%**	**1.5%**	**1.5%**
Rate of pension increases in deferment	**2.7%**	**2.7%**	**2.2%**	–	–	–
Long term rate of return:						
– Equities	**7.7%**	**7.8%**	**8.5%**	–	–	–
– Bonds	**4.9%**	**5.4%**	**5.0%**	–	–	–
– Others	**3.8%**	**4.4%**	**4.5%**	–	–	–

b) Defined benefit scheme assets

	Funded schemes					
	2004 €m	**2003 €m**	**2002 €m**	2004 £m	2003 £m	2002 £m
Equities	**63.0**	**60.2**	**51.2**	43.7	42.3	33.0
Bonds	**31.1**	**11.3**	**10.1**	21.5	7.9	6.5
Other	**6.5**	**14.5**	**14.8**	4.5	10.2	9.5
Total market value of assets	**100.6**	**86.0**	**76.1**	69.7	60.4	49.0

No assets were held at each year end by the unfunded schemes.

23 Pensions continued

c) Components of defined benefit cost under FRS 17	**Funded schemes 2004 €m**	**Unfunded schemes 2004 €m**	**Total 2004 €m**	Funded schemes 2004 £m	Unfunded schemes 2004 £m	Total 2004 £m
Analysis of amounts that would be charged to operating profit:						
Current service cost	**8.2**	**0.9**	**9.1**	5.6	0.6	6.2
Past service costs	**–**	**0.3**	**0.3**	–	0.2	0.2
Total charged to operating profit in respect of defined benefit members	**8.2**	**1.2**	**9.4**	5.6	0.8	6.4
Analysis of amounts that would be charged/(credited) to other finance income:						
Interest on pension scheme liabilities	**7.0**	**1.3**	**8.3**	4.8	0.9	5.7
Expected return on pension scheme assets	**(6.3)**	**–**	**(6.3)**	(4.3)	–	(4.3)
Net charge to other finance income	**0.7**	**1.3**	**2.0**	0.5	0.9	1.4
Total potential profit and loss account charge before deduction for tax	**8.9**	**2.5**	**11.4**	6.1	1.7	7.8
Analysis of amounts that would be recognised in the statement of total recognised gains and losses:						
Actual return less expected return on pension scheme assets	**(2.6)**	**–**	**(2.6)**	(1.8)	–	(1.8)
Experience loss/(gain) on liabilities	**3.6**	**(0.4)**	**3.2**	2.5	(0.3)	2.2
Loss on change of assumptions (financial and demographic)	**2.5**	**3.4**	**5.9**	1.7	2.3	4.0
Exchange movements	**0.6**	**–**	**0.6**	–	(0.2)	(0.2)
Total loss that would be recognised in the statement of total recognised gains and losses before tax	**4.1**	**3.0**	**7.1**	2.4	1.8	4.2

	Funded schemes 2003 €m	**Unfunded schemes 2003 €m**	**Total 2003 €m**	Funded schemes 2003 £m	Unfunded schemes 2003 £m	Total 2003 £m
Analysis of amounts that would be charged to operating profit:						
Current service cost	**6.3**	**0.9**	**7.2**	4.3	0.7	5.0
Total charged to operating profit in respect of defined benefit members	**6.3**	**0.9**	**7.2**	4.3	0.7	5.0
Analysis of amounts that would be charged/(credited) to other finance income:						
Interest on pension scheme liabilities	**5.8**	**1.3**	**7.1**	4.0	0.9	4.9
Expected return on pension scheme assets	**(5.3)**	**–**	**(5.3)**	(3.7)	–	(3.7)
Net charge to other finance income	**0.5**	**1.3**	**1.8**	0.3	0.9	1.2
Total potential profit and loss account charge before deduction for tax	**6.8**	**2.2**	**9.0**	4.6	1.6	6.2
Analysis of amounts that would be recognised in the statement of total recognised gains and losses:						
Actual return less expected return on pension scheme assets	**(4.4)**	**–**	**(4.4)**	(3.0)	–	(3.0)
Experience (gain)/loss on liabilities	**(1.3)**	**0.6**	**(0.7)**	(1.0)	0.5	(0.5)
Loss on change of assumptions (financial and demographic)	**14.0**	**0.2**	**14.2**	9.6	0.1	9.7
Exchange movements	**(3.3)**	**–**	**(3.3)**	0.2	1.3	1.5
Total loss that would be recognised in the statement of total recognised gains and losses before tax	**5.0**	**0.8**	**5.8**	5.8	1.9	7.7

23 Pensions continued

d) History of experience gains and losses	Funded schemes 2004 €m	Funded schemes 2003 €m	Funded schemes 2002 €m	Funded schemes 2004 £m	Funded schemes 2003 £m	Funded schemes 2002 £m
(Gain)/loss on scheme assets amount	**(2.6)**	**(4.4)**	**18.0**	(1.8)	(3.0)	11.3
% of scheme assets carried forward	**(2.6)%**	**(5.1)%**	**23.7%**	(2.5)%	(5.0)%	23.1%
Experience loss/(gain) on scheme liabilities amount	**3.6**	**(1.4)**	**(0.1)**	2.5	(0.9)	(0.1)
% of scheme liabilities carried forward	**(2.4)%**	**1.1%**	**0.1%**	(2.4)%	1.0%	0.1%
Total actuarial loss that would be recognised in the statement of total recognised gains and losses amount	**4.1**	**5.0**	**15.5**	2.4	5.8	10.6
% of scheme liabilities carried forward	**2.7%**	**3.8%**	**13.3%**	2.3%	6.4%	14.1%

	Unfunded schemes 2004 €m	Unfunded schemes 2003 €m	Unfunded schemes 2002 €m	Unfunded schemes 2004 £m	Unfunded schemes 2003 £m	Unfunded schemes 2002 £m
Experience (gain)/ loss on scheme liabilities amount	**(0.4)**	**0.7**	**(0.7)**	(0.3)	0.5	(0.4)
% of scheme liabilities carried forward	**1.4%**	**(2.9)%**	**3.1%**	1.4%	(2.8)%	3.1%
Total actuarial loss that would be recognised in the statement of total recognised gains and losses amount	**3.0**	**0.8**	**0.6**	1.8	1.9	0.9
% of scheme liabilities carried forward	**(10.4)%**	**3.5%**	**2.7%**	(9.3)%	11.2%	6.2%

e) Reconciliation to the balance sheet	Funded schemes 2004 €m	Unfunded schemes 2004 €m	Total 2004 €m	Funded schemes 2004 £m	Unfunded schemes 2004 £m	Total 2004 £m
Market value of scheme assets	**100.6**	**–**	**100.6**	69.7	–	69.7
Actuarial value of scheme liabilities	**(149.8)**	**(28.6)**	**(178.4)**	(103.8)	(19.8)	(123.6)
Deficit in the scheme	**(49.2)**	**(28.6)**	**(77.8)**	(34.1)	(19.8)	(53.9)
Value of balance sheet provision	**–**	**24.6**	**24.6**	–	17.0	17.0
Net position	**(49.2)**	**(4.0)**	**(53.2)**	(34.1)	(2.8)	(36.9)
Analysis of the movement in deficit in the scheme during the year:						
Deficit in the scheme at 1 January 2004	**(44.0)**	**(23.7)**	**(67.7)**	(30.9)	(16.7)	(47.6)
Contributions/benefits paid	**7.8**	**0.6**	**8.4**	5.3	0.4	5.7
Current service cost	**(8.2)**	**(0.9)**	**(9.1)**	(5.6)	(0.6)	(6.2)
Past service cost	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
Other finance charge	**(0.7)**	**(1.3)**	**(2.0)**	(0.5)	(0.9)	(1.4)
Actuarial loss	**(3.5)**	**(3.0)**	**(6.5)**	(2.4)	(2.0)	(4.4)
Exchange (loss)/gain	**(0.6)**	**–**	**(0.6)**	–	0.2	0.2
Deficit in the scheme at 31 December 2004	**(49.2)**	**(28.6)**	**(77.8)**	(34.1)	(19.8)	(53.9)

	Funded schemes 2003 €m	Unfunded schemes 2003 €m	Total 2003 €m	Funded schemes 2003 £m	Unfunded schemes 2003 £m	Total 2003 £m
Market value of scheme assets	**86.0**	**–**	**86.0**	60.4	–	60.4
Actuarial value of scheme liabilities	**(130.0)**	**(23.7)**	**(153.7)**	(91.3)	(16.7)	(108.0)
Deficit in the scheme	**(44.0)**	**(23.7)**	**(67.7)**	(30.9)	(16.7)	(47.6)
Value of balance sheet provision	**–**	**22.7**	**22.7**	–	15.9	15.9
Net position	**(44.0)**	**(1.0)**	**(45.0)**	(30.9)	(0.8)	(31.7)
Analysis of the movement in deficit in the scheme during the year:						
Deficit in the scheme at 1 January 2003	**(40.1)**	**(21.2)**	**(61.3)**	(25.8)	(13.6)	(39.4)
Contributions paid	**7.9**	**0.5**	**8.4**	5.4	0.4	5.8
Current service cost	**(6.3)**	**(0.9)**	**(7.2)**	(4.3)	(0.7)	(5.0)
Other finance charge	**(0.5)**	**(1.3)**	**(1.8)**	(0.3)	(0.9)	(1.2)
Actuarial loss	**(8.3)**	**(0.8)**	**(9.1)**	(5.7)	(0.6)	(6.3)
Exchange gain/(loss)	**3.3**	**–**	**3.3**	(0.2)	(1.3)	(1.5)
Deficit in the scheme at 31 December 2003	**(44.0)**	**(23.7)**	**(67.7)**	(30.9)	(16.7)	(47.6)

23 Pensions continued

	Net assets 2004 €m	Profit and loss reserve 2004 €m	Net assets 2004 £m	Profit and loss reserve 2004 £m
Excluding pension deficit as reported	**(17.7)**	**(901.0)**	(12.3)	(652.4)
Adjustment for unfunded scheme book provision	**24.6**	**24.6**	17.0	17.0
Pension deficit	**(77.8)**	**(77.8)**	(53.9)	(53.9)
Related deferred tax asset	**13.6**	**13.6**	9.4	9.4
Including pension deficit	**(57.3)**	**(940.6)**	(39.8)	(679.9)

	Net assets 2003 €m	Profit and loss reserve 2003 €m	Net assets 2003 £m	Profit and loss reserve 2003 £m
Excluding pension deficit as reported*	**15.9**	**(867.0)**	11.2	(628.6)
Adjustment for unfunded scheme book provision	**22.7**	**22.7**	15.9	15.9
Pension deficit	**(67.7)**	**(67.7)**	(47.6)	(47.6)
Related deferred tax asset	**12.1**	**12.1**	8.5	8.5
Including pension deficit	**(17.0)**	**(899.9)**	(12.0)	(651.8)

*As restated, see Note 1

24 Financial instruments

The Group's objectives and policies for the use of financial instruments, including derivatives, are detailed in the Operating and Financial Review on pages 8 to 11. Amounts dealt with in this Note include cash, overdrafts, loan notes, commercial paper, deferred consideration and finance leases, but no other assets and liabilities.

Where applicable, amounts within this Note take account of interest rate swaps and currency swaps.

i) Maturity of financial liabilities
The maturity profile of the Group's financial liabilities as at 31 December was as follows:

	2004 €m	2003 €m	2004 £m	2003 £m
Amounts falling due within one year				
Obligations under finance leases	**270.6**	**250.6**	187.5	176.0
Commercial paper	**44.4**	**23.3**	30.7	16.4
Bank loans, overdrafts and other loans	**48.3**	**111.8**	33.5	78.6
Loan notes	**52.0**	**33.9**	36.1	23.8
	415.3	**419.6**	287.8	294.8
Amounts falling due within one to two years				
Bank loans	**–**	**28.5**	–	20.0
Loan notes	**24.9**	**52.0**	17.2	36.6
Deferred consideration	**0.2**	**1.0**	0.2	0.7
	25.1	**81.5**	17.4	57.3
Amounts falling due within two to five years				
Bank loans	**44.8**	**341.6**	31.0	240.0
Loan notes	**253.2**	**278.4**	175.4	195.7
Deferred consideration	**0.9**	**0.8**	0.6	0.5
	298.9	**620.8**	207.0	436.2
Amounts falling due after five years				
Loan notes	**341.8**	**78.0**	236.8	54.7
Deferred consideration	**31.0**	**30.9**	21.5	21.8
	372.8	**108.9**	258.3	76.5
Total	**1,112.1**	**1,230.8**	770.5	864.8
Analysed as follows:				
Commercial paper	**44.4**	**23.3**	30.7	16.4
Bank loans, overdrafts and other loans	**93.1**	**481.9**	64.5	338.6
Loan notes	**671.9**	**442.3**	465.5	310.8
Sub total – bank and other loans	**809.4**	**947.5**	560.7	665.8
Obligations under finance leases	**270.6**	**250.6**	187.5	176.0
Deferred consideration (see Note 15)	**32.1**	**32.7**	22.3	23.0
Total	**1,112.1**	**1,230.8**	770.5	864.8

Avis Finance Company plc runs a €200.0 million (2003: €200.0 million) Belgian commercial paper programme, guaranteed by the Company. Amounts borrowed under this programme are repayable in less than one year.

24 Financial instruments continued

The loan notes comprise the following:

	2004		2003	
	Principal m	**Maturing**	Principal m	Maturing
Issued				
June 1998	**$57.5**	**In 2005**	$95.0	In 2004 and 2005
August 2000	**$150.0**	**In 2007 and 2010**	$150.0	In 2007 and 2010
November 2001	**€25.0**	**In 2006**	€25.0	In 2006
March 2002	**€25.0**	**In 2007**	€25.0	In 2007
June 2002	**€26.8**	**In 2012**	€26.8	In 2012
July 2002	**€120.0**	**In 2007**	€120.0	In 2007
June 2004	**$240.0**	**In 2011, 2012 and 2014**	–	–
June 2004	**€65.0**	**In 2012**	–	–

ii) Analysis of interest rate exposure and currency of financial liabilities

The interest rate and currency profile of the financial liabilities of the Group as at 31 December are as follows:

	2004			2003		
	Fixed rate €m	**Floating rate €m**	**Total €m**	**Fixed rate €m**	**Floating rate €m**	**Total €m**
Currency						
Euro	**613.6**	**337.2**	**950.8**	**615.1**	**364.6**	**979.7**
Sterling	**89.9**	**40.7**	**130.6**	**88.8**	**142.7**	**231.5**
Other	**–**	**30.7**	**30.7**	**0.8**	**18.8**	**19.6**
	703.5	**408.6**	**1,112.1**	**704.7**	**526.1**	**1,230.8**

	2004			2003		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Currency						
Euro	425.1	233.8	658.9	432.2	256.1	688.3
Sterling	62.2	28.2	90.4	62.4	100.3	162.7
Other	–	21.2	21.2	0.6	13.2	13.8
	487.3	283.2	770.5	495.2	369.6	864.8

US$207.5 million (2003: US$245.0 million) of proceeds from the loan notes issued in June 1998 and August 2000 are swapped to a fixed rate euro liability. €60.0 million (2003: €60.0 million) of the proceeds from the loan notes issued in July 2002 are swapped to a floating rate euro liability. US$240.0 million (2003: nil) of the proceeds from the loan notes issued in June 2004 are swapped to a euro liability at a floating rate of interest until June 2005 and a fixed rate thereafter.

Apart from the swap proceeds of the loan notes mentioned above, the floating rate financial liabilities principally comprise finance leases, bank loans, commercial paper and overdrafts bearing interest at various rates set with reference to the prevailing EURIBOR or equivalent. Included in these floating rate amounts are borrowings subject to interest rate caps and collars with an aggregate notional principal of €70.0 million; £48.5 million (2003: €60.0 million; £42.2 million).

The weighted average interest rate and the weighted average period of the fixed rate liabilities are as follows:

	2004		2003	
	Weighted average fixed interest rate %	**Weighted average period for which rate is fixed Years**	**Weighted average fixed interest rate %**	**Weighted average period for which rate is fixed Years**
Currency				
Euro	**5.9**	**2.8**	**5.9**	**2.8**
Sterling	**6.5**	**3.5**	**6.5**	**4.5**
	5.9	**2.9**	**5.9**	**3.0**

Deferred consideration of €32.1 million; £22.3 million (2003: €32.1 million; £22.5 million) bears an interest rate of 8.0% (2003: 8.0%) fixed for 33 years (2003: 34 years). This sterling denominated amount has been excluded from the above analysis.

Excluded from the above tables are forward start interest rate swaps. They have aggregate notional principals of €50.0 million (2003: €480.0 million), which commence in 2006 (2003: commencing in 2004 and 2006) and will run for four years (2003: between three months and four years). The swaps will convert the prevailing floating interest rate to an average fixed rate of 5.2% (2003: 2.9%).

24 Financial instruments continued

iii) Investment in financial assets

The Group's financial assets are represented by fixed asset investments, cash and current asset investments. Fixed asset investments of €0.6 million; £0.5 million (2003: €0.6 million; £0.5 million) primarily comprise equity minority interests in overseas companies. Cash balances of €21.3 million; £14.8 million (2003: €36.4 million; £25.6 million) are floating rate assets which earn interest at various rates set out with reference to prevailing EURIBID or equivalent. The current asset investments comprise finance lease collateral of €67.5 million; £46.8 million (2003: €100.1 million; £70.3 million), plus shares in a liquidity fund and fixed deposits totalling €25.5 million; £17.6 million (2003: €16.0 million; £11.3 million). These current asset investments attract interest with reference to EURIBID, LIBOR or equivalent.

The currency profile of these financial assets of the Group at 31 December are as follows:

	2004 €m	**2003 €m**	2004 £m	2003 £m
Currency				
Euro	**96.9**	**128.0**	67.2	90.0
Sterling	**16.7**	**21.0**	11.6	14.8
Other	**1.3**	**4.1**	0.9	2.9
	114.9	**153.1**	79.7	107.7

iv) Currency exposures

Monetary assets and liabilities denominated in currencies other than the functional currency of the relevant entity, excluding currency funding for overseas net investment (which is dealt with in the Statement of Total Recognised Gains and Losses), are not material to the Group.

v) Committed borrowing facilities

The committed borrowing facilities of the Group, drawn and undrawn, are as follows:

	2004			**2003**		
	Drawn €m	**Undrawn €m**	**Total €m**	**Drawn €m**	**Undrawn €m**	**Total €m**
Revolving syndicated credit facility	**85.1**	**436.4**	**521.5**	**389.1**	**154.9**	**544.0**
Bilateral facilities and finance leases	**248.3**	**218.2**	**466.5**	**224.3**	**253.5**	**477.8**
	333.4	**654.6**	**988.0**	**613.4**	**408.4**	**1,021.8**

	2004			2003		
	Drawn £m	Undrawn £m	Total £m	Drawn £m	Undrawn £m	Total £m
Revolving syndicated credit facility	58.9	302.3	361.2	273.4	108.8	382.2
Bilateral facilities and finance leases	172.0	151.2	323.2	157.6	178.1	335.7
	230.9	453.5	684.4	431.0	286.9	717.9

The drawn amount of the revolving syndicated credit facility includes €40.3 million; £27.9 million of letters of credit (2003: €19.0 million; £13.4 million).

The maturity profile of the Group's undrawn committed facilities at 31 December is as follows:

	2004 €m	**2003 €m**	2004 £m	2003 £m
Expiring within one year	**218.2**	**253.5**	151.2	178.0
Expiring within one and two years	**136.5**	**130.5**	94.5	91.7
Expiring within two and five years	**299.9**	**24.4**	207.8	17.2
	654.6	**408.4**	453.5	286.9

At 31 December there are additional uncommitted facilities available to the Group of €1,025.1 million; £710.1 million (2003: €1,300.9 million; £913.6 million).

24 Financial instruments continued

vi) Fair value of financial assets and liabilities

Given the short-term nature of the financial assets, the fair values are not considered to be materially different from their book amounts. Accordingly, no further analysis is given with regard to financial assets.

Financial liabilities	2004 Book amount €m	2004 Fair value €m	2003 Book amount €m	2003 Fair value €m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term borrowings	**405.5**	**406.3**	**416.2**	**416.8**
Long-term borrowings	**628.0**	**647.9**	**767.5**	**798.4**
Derivative financial instruments held to manage the interest rate and currency profile (included in debt):				
Interest rate swaps, caps and collars	**–**	**4.6**	**–**	**6.3**
Forward rate agreements	**–**	**–**	**–**	**0.3**
Cross currency interest rate swaps	**77.8**	**96.6**	**47.1**	**46.3**
Forward foreign currency contracts and foreign exchange options	**0.8**	**(2.0)**	**–**	**0.8**
	1,112.1		**1,230.8**	
Amounts included in accrued interest in respect of derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps, caps and collars	**(0.6)**		**(0.3)**	
Cross currency interest rate swaps	**(2.3)**		**(2.3)**	
Forward foreign currency contracts and foreign exchange options	**(0.3)**		**(0.3)**	
	(3.2)		**(2.9)**	
	1,108.9	**1,153.4**	**1,227.9**	**1,268.9**

Financial liabilities	2004 Book amount £m	2004 Fair value £m	2003 Book amount £m	2003 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term borrowings	281.0	281.4	292.4	292.8
Long-term borrowings	435.0	448.8	539.2	561.0
Derivative financial instruments held to manage the interest rate and currency profile (included in debt):				
Interest rate swaps, caps and collars	–	3.2	–	4.5
Forward rate agreements	–	–	–	0.2
Cross currency interest rate swaps	53.9	67.0	33.2	32.7
Forward foreign currency contracts and foreign exchange options	0.6	(1.4)	–	0.5
	770.5		864.8	
Amounts included in accrued interest in respect of derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps, caps and collars	(0.4)		(0.2)	
Cross currency interest rate swaps	(1.7)		(1.7)	
Forward foreign currency contracts and foreign exchange options	(0.2)		(0.2)	
	(2.3)		(2.1)	
	768.2	799.0	862.7	891.7

In order to reconcile the principal amounts with the financial liabilities shown in Notes 24i and 24ii, the book amounts presented above have been analysed between principal and accrued interest. In line with standard practice, the fair values are presented as a combined amount.

The fair value of borrowings and interest rate instruments is calculated by discounting relevant future cash flows, including accrued interest, by the market yield curve at the relevant balance sheet date. Currency derivatives are translated at the rates of exchange quoted at the relevant balance sheet date.

24 Financial instruments continued

Gains and losses on hedges

Gains and losses on financial instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on financial instruments used for hedging, and the movements therein, are as follows:

	2004			2003		
	Gains €m	Losses €m	Net gains/(losses) €m	Gains €m	Losses €m	Net gains/(losses) €m
Gains and losses on hedges at 1 January	6.5	(16.0)	(9.5)	23.3	(30.4)	(7.1)
Arising in previous years included in current year income	(1.4)	12.4	11.0	(17.1)	24.9	7.8
Gains and losses not included in income						
Arising in previous years	5.1	(3.6)	1.5	6.2	(5.5)	0.7
Arising in current year	0.7	(26.0)	(25.3)	0.3	(10.5)	(10.2)
Gains and losses on hedges at 31 December	5.8	(29.6)	(23.8)	6.5	(16.0)	(9.5)
Of which:						
Gains/(losses) expected to be recognised within one year	4.3	(10.7)	(6.4)	1.4	(12.4)	(11.0)
Gains/(losses) expected to be recognised after more than one year	1.5	(18.9)	(17.4)	5.1	(3.6)	1.5

	2004			2003		
	Gains £m	Losses £m	Net gains/(losses) £m	Gains £m	Losses £m	Net gains/(losses) £m
Gains and losses on hedges at 1 January	4.6	(11.4)	(6.8)	9.1	(13.7)	(4.6)
Arising in previous years included in current year income	(1.0)	8.9	7.9	(5.1)	10.1	5.0
Gains and losses not included in income						
Arising in previous years	3.6	(2.5)	1.1	4.0	(3.6)	0.4
Arising in current year	0.4	(18.1)	(17.7)	0.6	(7.8)	(7.2)
Gains and losses on hedges at 31 December	4.0	(20.6)	(16.6)	4.6	(11.4)	(6.8)
Of which:						
Gains/(losses) expected to be recognised within one year	3.0	(7.5)	(4.5)	1.0	(8.9)	(7.9)
Gains/(losses) expected to be recognised after more than one year	1.0	(13.1)	(12.1)	3.6	(2.5)	1.1

25 Notes to the consolidated cash flow statement

i) Reconciliation of operating profit to operating cash flow	2004			2003		
	Before exceptional items €m	Exceptional items €m	€m	Before exceptional items €m	Exceptional items €m	€m
Group operating profit	**112.8**	**(73.4)**	**39.4**	**118.0**	**(50.7)**	**67.3**
Depreciation on tangible fixed assets	**330.1**	**–**	**330.1**	**337.9**	**–**	**337.9**
Operating exceptional fixed asset impairment charge (see Note 3i)	**–**	**34.2**	**34.2**	**–**	**9.0**	**9.0**
Amortisation of goodwill	**2.6**	**–**	**2.6**	**4.8**	**–**	**4.8**
Operating exceptional goodwill impairment charge (see Note 3i)	**–**	**36.1**	**36.1**	**–**	**13.8**	**13.8**
Adjustments arising on differences between sales proceeds and depreciated amounts	**(3.7)**	**–**	**(3.7)**	**(6.8)**	**–**	**(6.8)**
Decrease in debtors	**51.6**	**(15.7)**	**35.9**	**(6.5)**	**14.5**	**8.0**
(Decrease)/increase in creditors	**(18.1)**	**2.2**	**(15.9)**	**20.4**	**9.6**	**30.0**
Cash flow on termination of operation	**–**	**(4.4)**	**(4.4)**	**–**	**(0.1)**	**(0.1)**
Net cash inflow from operating activities	**475.3**	**(21.0)**	**454.3**	**467.8**	**(3.9)**	**463.9**

	2004			2003		
	Before exceptional items £m	Exceptional items £m	£m	Before exceptional items £m	Exceptional items £m	£m
Group operating profit	75.1	(51.0)	24.1	82.7	(35.5)	47.2
Depreciation on tangible fixed assets	224.3	–	224.3	233.4	–	233.4
Operating exceptional fixed asset impairment charge (see Note 3i)	–	23.3	23.3	–	6.2	6.2
Amortisation of goodwill	1.7	–	1.7	3.3	–	3.3
Operating exceptional goodwill impairment charge (see Note 3i)	–	25.3	25.3	–	9.7	9.7
Adjustments arising on differences between sales proceeds and depreciated amounts	(2.5)	–	(2.5)	(4.6)	–	(4.6)
Decrease in debtors	37.7	(10.9)	26.8	(3.4)	10.6	7.2
(Decrease)/increase in creditors	(15.4)	1.7	(13.7)	13.7	7.3	21.0
Cash flow on termination of operation	–	(3.0)	(3.0)	–	–	–
Net cash inflow from operating activities	320.9	(14.6)	306.3	325.1	(1.7)	323.4

ii) Interest received

Interest received in 2003 of €7.2 million; £5.1 million includes €3.6 million; £2.6 million of exceptional interest income, as described in Note 3i to the Financial Statements.

iii) Reconciliation of net cash flow to movement in net debt	2004 €m	2003 €m	2004 £m	2003 £m
Decrease in cash in the year	**(15.2)**	**(3.3)**	(11.7)	(1.6)
Cash flow from decrease in debt and leasing finance	**875.6**	**764.4**	603.0	521.5
Cash flow from (increase)/decrease in liquid resources	**(23.4)**	**4.5**	(16.7)	4.2
Movement in net debt resulting from cash flows	**837.0**	**765.6**	574.6	524.1
Loans and finance leases on acquisition of subsidiaries	**–**	**(18.9)**	–	(12.8)
New finance leases	**(753.5)**	**(719.0)**	(512.4)	(494.6)
Exchange movements	**(3.6)**	**6.9**	3.4	(56.5)
Movement in net debt	**79.9**	**34.6**	65.6	(39.8)
Net debt at beginning of the year	**(1,045.6)**	**(1,080.2)**	(734.6)	(694.8)
Net debt at end of the year	**(965.7)**	**(1,045.6)**	(669.0)	(734.6)

25 Notes to the consolidated cash flow statement continued

iv) Analysis of changes in net debt	At 1 January 2004 €m	Cash flow €m	Other non-cash €m	Exchange movements €m	At 31 December 2004 €m
Cash	**36.4**	**(15.2)**	**–**	**0.1**	**21.3**
Debt due within one year	**(169.0)**	**81.4**	**(52.0)**	**(5.1)**	**(144.7)**
Debt due after one year	**(778.5)**	**61.8**	**52.0**	**–**	**(664.7)**
Finance leases	**(250.6)**	**732.4**	**(753.5)**	**1.1**	**(270.6)**
	(1,198.1)	**875.6**	**(753.5)**	**(4.0)**	**(1,080.0)**
Current asset investments	**116.1**	**(23.4)**	**–**	**0.3**	**93.0**
	(1,045.6)	**837.0**	**(753.5)**	**(3.6)**	**(965.7)**

	At 1 January 2004 £m	Cash flow £m	Other non-cash £m	Exchange movements £m	At 31 December 2004 £m
Cash	25.6	(11.7)	–	0.9	14.8
Debt due within one year	(118.8)	50.5	(34.5)	2.5	(100.3)
Debt due after one year	(547.0)	54.5	34.5	(2.4)	(460.4)
Finance leases	(176.0)	498.0	(512.4)	2.9	(187.5)
	(841.8)	603.0	(512.4)	3.0	(748.2)
Current asset investments	81.6	(16.7)	–	(0.5)	64.4
	(734.6)	574.6	(512.4)	3.4	(669.0)

Other non-cash movements represent the effect of the inception of new finance leases during the year, and the conversion of debt from long-term to short-term.

Aegis Motor Insurance Limited, a subsidiary of the Group, is required by insurers to maintain reserve cash deposit balances to settle claims. These reserves comprise of cash amounting to €3.3 million; £2.3 million (2003: €5.9 million; £4.1 million).

v) Reconciliation of fixed asset cash flows

The following table reconciles the movement in fixed assets to the cash flows presented in the Cash Flow Statement on page 37.

	2004 €m	2003 €m	2004 £m	2003 £m
Fixed asset additions	**2,422.0**	**2,652.8**	1,643.6	1,827.1
New finance leases	**(753.5)**	**(719.0)**	(512.4)	(494.6)
Increase in vehicle creditors	**(95.0)**	**(86.6)**	(63.4)	(70.2)
Exchange movements on vehicle creditors	**0.5**	**(3.4)**	(4.6)	13.1
Purchase of tangible fixed assets	**1,574.0**	**1,843.8**	1,063.2	1,275.4
Fixed asset disposals	**2,076.0**	**2,290.7**	1,411.6	1,575.8
Adjustments arising on differences between sales proceeds and depreciated amounts	**3.7**	**6.8**	2.5	4.6
Decrease in vehicle debtors	**3.6**	**20.1**	3.7	5.4
Exchange movements on vehicle debtors	**0.1**	**(0.5)**	(0.1)	7.4
Sale of tangible fixed assets	**2,083.4**	**2,317.1**	1,417.7	1,593.2

vi) Purchase of subsidiaries and joint venture

The total cash consideration in respect of the acquisition of subsidiaries and joint venture is summarised as follows:

	2004 €m	2003 €m	2004 £m	2003 £m
Acquisition of subsidiaries	**–**	**40.5**	–	27.4
Acquisition of joint venture	**–**	**11.4**	–	7.7
	–	**51.9**	–	35.1
Deferred consideration movement	**2.3**	**(3.0)**	1.6	(2.1)
Purchase of subsidiaries and joint venture	**2.3**	**48.9**	1.6	33.0

26 Related party transactions

The transactions and balances which are required to be disclosed in accordance with the requirements of FRS 8, Related Party Disclosures, are as follows:

	2004 €m	2003 €m	2004 £m	2003 £m
Sales to joint venture	**0.3**	**0.1**	0.2	0.1
Purchases from majority shareholder	**48.3**	**48.8**	33.0	33.7
Sales to majority shareholder	**41.0**	**41.2**	28.0	28.4
Interest payable to majority shareholder	**1.8**	**3.4**	1.2	2.3
Dividends paid and proposed to majority shareholder	**6.7**	**19.3**	4.5	13.6
Dividends proposed to majority shareholder outstanding at the year end	**–**	**12.9**	–	9.1
Net current amounts owing to a subsidiary of majority shareholder	**24.1**	**19.4**	16.7	13.6
Loans owing to a subsidiary of majority shareholder	**34.0**	**57.1**	23.5	40.1

27 Majority shareholder

The Company's ultimate majority shareholder is s.a. D'Ieteren n.v. which is incorporated in Belgium. The ultimate controlling party of s.a. D'Ieteren n.v. is the D'Ieteren family. Avis Europe plc is the smallest company that consolidates the results of the Company and its subsidiaries. s.a. D'Ieteren n.v. is the largest company that consolidates the results of the Company and its subsidiaries.

Copies of s.a. D'Ieteren n.v.'s financial statements are available from The Investor Relations Department, Avis House, Park Road, Bracknell, Berkshire RG12 2EW.

28 Exchange rates

Monthly profit and loss and other period statements of overseas operations are translated at the relevant rate of exchange for that month. Except for the balance sheet which is translated at the closing rate, each line item in these Financial Statements represents a weighted average rate.

The rates of exchange between the euro (the main currency that principally affects the Group) and sterling were as follows:

	Sterling to Euro		Euro to Sterling	
	Year ended 31 December 2004	**Year ended 31 December 2003**	Year ended 31 December 2004	Year ended 31 December 2003
Weighted average reported rate for revenue	**1.474**	**1.447**	0.678	0.691
Weighted average reported rate for operating profit before goodwill amortisation and operating exceptional items	**1.503**	**1.381**	0.665	0.724
Year end rate	**1.444**	**1.423**	0.693	0.703