AVIS RENT A CAR LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

COMPANY NUMBER: 802486

REGISTERED OFFICE:

Avis House
Park Road
Bracknell, Berkshire
RG12 2EW

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2011

Principal Activities

The Company's principal activity during the year was the renting of motor vehicles

Business Review and Future Developments

Avis Rent a Car Limited is the UK operation of the Avis Budget Group, Inc group of companies an international car rental services company

During the year to 31 December 2011 the Company continued to perform as expected, and turnover increased to £142,523,000 (2010 £133,873,000) The increased turnover is due to improved trading with key customers and expansion of the rental network

The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited paid a dividend to the Company of £745,000 (2010 £750,000)

Net debt decreased by £15,495,000 to £137,048,000 (2010 £152,543,000) mainly due to fleet purchasing

An exceptional charge of £1,887,000 was realised in the year (2010 credit of £3,564,000) Details can be found in Note 2

The Company has continued to perform in line with market conditions throughout the year The Directors expect the Company to continue to transact business as a car rental company in the coming year and forecast a competitive market with plans to continue a program of tight cost control

Subsequent to the year-end, on the 26th September 2012, Avis Europe Overseas Limited subscribed to an issue by the Company of 45,000,000 Ordinary Shares with a nominal value of £1 each for a cash consideration of £45,000,000 The Directors of the Company used the proceeds of this share issue to pay down indebtedness of the Company

Results and Dividends

The Company made a loss after taxation for the year of £19,937,000 (2010 £12,578,000) The performance was in line with expectations The Directors do not recommend the payment of a dividend (2010 nil)

Going Concern

The Company's parent company has confirmed its intention to support the Company so as to ensure it meets its liabilities as they fall due for at least 12 months after the date of approval of these Financial Statements The Directors therefore continue to adopt the going concern basis in preparing the Financial Statements

Key Performance Indicators (KPI's)

The Company monitors a range of financial and non-financial performance indicators, reported on a periodic basis, to measure performance These KPI's are defined in accordance with the Companies Act 2006 Of these, the key measures include rental turnover per day, billed days, average fleet utilisation, underlying pre-tax margin and return on capital employed

Rental turnover per day is calculated by rental turnover divided by billed days Rental turnover per day is defined as turnover excluding sale of fuel, sub-licensee income as well as other incidental operating income divided by billed days Billed days include any day or period less than a day for which a vehicle rental is invoiced to a customer Fleet utilisation is calculated as the average period of time during which vehicles are on rent as a percentage of their holding period Underlying pre-tax margin is calculated as underlying profit before tax divided by total rental income Underlying excludes exceptional charges Underlying is not a defined term under UK GAAP, and is not intended to be a substitute for, or superior to, UK GAAP measures

Return on capital employed is the ratio of underlying operating profit for the past 12 months to capital employed Capital employed is an average of current and previous two period end closing balances, comprising shareholders' funds plus net debt and other liabilities

Risks and uncertainties

Risk mitigation is a key part of the management of the Company and we have a consistent process to identify, manage and help mitigate exposure to issues that may have a negative impact on the business The relative importance of identified risks is reviewed regularly and in respect of all such risks we continue to monitor and respond to the changing environment Summarised below are some of the key risks that may affect the Company's business

Demand

The Company faces various risks associated with demand for its services, which in itself is subject to seasonal variations There may be disruptions in air travel for a number of reasons including natural disasters, terrorist activity or as a consequence of increased security measures being taken by authorities in anticipation of such a threat An economic downturn, particularly sudden, poses challenges for the Company given its capital intensity and limited visibility of forward reservations However, we have detailed management reporting systems that help to monitor daily rental patterns and future reservation trends The Company maintains a flexible business model to allow us to readily flex fleet and staff when required in response to changes in demand

The Company is dependent on the granting and renewal of concessionary arrangements at airports and railway stations We seek to maintain strong relationships with all relevant authorities and have a strong track record of renewing such contracts on a regular basis

Price

The Company is exposed to the risk of price movements in the market The car rental industry faces pressure from increased pricing transparency as a result of the growth of internet travel portals, other forms of e-commerce and rental brokers This transparency has increased the prevalence and intensity of price competition The Company has a team who review market prices and demand on a regular basis

Fleet

Loss or material change in the terms on which we obtain fleet vehicles from major vehicle suppliers could harm the performance of the Company In the event that we could not procure all of the required vehicles from current sources, vehicles could be obtained from other sources, such as dealers

Where difficulties are experienced in sourcing vehicles, or where prevailing economic conditions result in depressed used vehicle prices and reduced demand, these risks may be mitigated by extending the holding period of vehicles

Credit Risk

The Company manages credit risk by requesting payment in advance from individual customers, and performing credit checks where considered appropriate on corporate customers The Company uses a respected credit agency as part of an internal process for setting and reviewing credit lines

Liquidity Risk

The nature of the car rental business model is such that the Company has the ability to flex the size of the business and hence funding requirements as required The Company is primarily funded by group undertakings (see Note 9)

Financial Risk Management Objectives and Policies

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's Financial exposure is to other companies in the Avis Budget EMEA Limited (formerly Avis Europe plc) group As such the Directors have not implemented a policy for the Company Instead, the Company's financial risk management objectives and policies are aligned to those of the Avis Budget EMEA group of companies

Directors

The Directors of the Company during the year up to the date of the signing of the Financial Statements are set out below

S B D Fillingham
P L Ford (resigned 23 May 2012)
R Sachdeva (appointed 23 May 2012, resigned 22 October 2012)
R L R De Lussu
K Bradshaw (resigned 27 January 2012)
K Ceille (appointed 1 March 2012)
M R Smith (appointed 30 July 2012)

Statement of Directors' Responsibilities

The Directors are responsible for preparing their Report and Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each Financial year Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing those Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions or disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Policy and practice on payment of creditors

The Company pays its creditors in accordance with their agreed terms of business The Company had an average of 27 days of purchases outstanding as at 31 December 2011 (31 December 2010 31 days)

Employment Policies and Practices

Details of the Company's employees during the year are set out in Note 3 to the Financial Statements

During the year the Company continued to focus on developing a lean, efficient and flexible organisation In this context the Company continued to focus on the positive elements of the business, celebrating successes, communicating regularly and openly at team level, giving employees direct contact with senior management, and continuing to provide training and development opportunities The Company has maintained the practice of keeping employees informed about current activities and progress by various methods, including newsletters, management presentations and in-house publications

The Company follows the principles of equal opportunity in recruitment, development, remuneration and advancement Every effort is made to offer part time and flexible working arrangements to those employees who have personal and family commitments

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Independent Auditors

PricewaterhouseCoopers LLP were auditors of the Company until 28 October 2011 when they were replaced by Deloitte LLP In accordance with Section 519 of the Companies Act 2006, PricewaterhouseCoopers LLP confirmed that there were no circumstances connected with their resignation which they considered should be brought to the notice of shareholders or creditors of the Company Deloitte LLP will continue in office as permitted by Section 487 of the Companies Act 2006

By order of the Board

J A Nicholson
Company Secretary

25 October 2012

Independent auditors' report to the members of Avis Rent a Car Limited

We have audited the Financial Statements of Avis Rent a Car Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet and the related notes 1-21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements In addition, we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited Financial Statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Anna Marks

Anna Marks (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading
25 October 2012

AVIS RENT A CAR LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £000	2010 £000
TURNOVER	1	142,523	133,873
Cost of sales		(98,607)	(82,779)
GROSS PROFIT		43,916	51,094
Administrative Expenses			
Exceptional items (see Note 2)		(1,887)	3,564
Other administrative expenses		(60,554)	(60,230)
		(62,441)	(56,666)
OPERATING LOSS	2	(18,525)	(5,572)
Income from shares in group undertakings		745	750
Interest payable and similar charges	4	(8,814)	(7,105)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(26,594)	(11,927)
Tax credit/(charge) on loss on ordinary activities	5	6,657	(651)
LOSS FOR THE FINANCIAL YEAR	13	(19,937)	(12,578)

The profit and loss for the Company is entirely in respect of continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical equivalents

The accompanying Notes on pages 11 to 28 form an integral part of these Financial Statements

AVIS RENT A CAR LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £000	2010 £000
Current tax credit on share options	5	367	-
Net gain recognised directly in equity	14	367	-
Loss for the Financial year	13	(19,937)	(12,578)
TOTAL RECOGNISED LOSS FOR THE FINANCIAL YEAR		(19,570)	(12,578)

The accompanying Notes on pages 11 to 28 form an integral part of these Financial Statements

AVIS RENT A CAR LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	6	144,683	168,286
Investments	7	3,800	3,800
		148,483	172,086
CURRENT ASSETS			
Debtors	8	58,913	62,069
Cash at bank and in hand		2	11
		58,915	62,080
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(214,060)	(221,719)
NET CURRENT LIABILITIES		(155,145)	(159,639)
TOTAL ASSETS LESS CURRENT LIABILITIES		(6,662)	12,447
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(545)	(646)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(5,064)	(4,502)
NET (LIABILITES)/ ASSETS		(12,271)	7,299
CAPITAL AND RESERVES			
Called up share capital	12	18,650	18,650
Share premium account	13	39,683	39,683
Profit and loss account deficit	13	(70,604)	(51,034)
Total shareholder's **(deficit)**/funds	14	(12,271)	7,299

The Financial Statements on pages 8 to 28 were approved by the board on 27 September 2012 and were signed on its behalf by

R L R De Lussu
Director
Avis Rent a Car Limited
Registered no 802486

1 ACCOUNTING POLICIES

These Financial Statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The following principle accounting policies have been applied consistently in the preparation of the Financial Statements

Going Concern

The company is trading with Net Current Liabilities due to trading losses The Company's parent has confirmed its intention to support the Company so as to ensure it meets its liabilities as they fall due for at least 12 months after the date of approval of these Financial Statements The Directors therefore continue to adopt the going concern basis in preparing the Financial Statements

Basis of Accounting

The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary undertaking of Avis Europe Overseas Limited, which is part of the group of companies owned by Avis Budget Group, Inc , a company incorporated in the United States of America, which itself prepares consolidated financial statements

Turnover

Turnover comprises charges for the rental of a vehicle and is recognised on a daily rental basis Other turnover including charges arising from the provision of services incidental to vehicle rental (such as the sale of fuel and the provision of foreign exchange services to rental customers) are recognised in line with underlying rental turnover Other turnover also includes fees receivable from sub-licensees which is ordinarily recognised as a contracted percentage of the rental turnover of each individual sub-licensee

Charges recovering the cost of damages incurred to vehicles are not recognised as turnover, but are netted against the related damage repair costs within cost of sales

Turnover relates to the Company's activities in the UK Further segment information has not been provided as in the opinion of the directors, this would be seriously prejudicial to the interests of the Company In the year there was a change in accounting policy for Revenue Accrual calculation (see Note 2)

Cost of Sales

Cost of sales includes selling, turnover related (e g commissions and credit card fees) and vehicle costs Contributions to vehicle costs from suppliers are credited over the holding period of the related vehicles Any such contributions dependent on performance criteria are recognised in the income statement only to the extent that it is considered probable that the criteria will be met

The Company participates in third party reward schemes (primarily airline frequent flyer loyalty programmes) which involves the purchasing of 'air miles' or 'points' which are then used in promotional activity These costs are recognised as part of selling costs upon customers qualifying to receive these rewards

Administrative expenses

Administrative expenses are recognised as an expense in the period in which they are incurred and include staff costs, non-vehicle related rental charges and other overheads

Exceptional items

Exceptional items are material non-recurring items that derive from events or transactions that fall within the ordinary activities of the Company, and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence

Fixed Asset Investments

Fixed asset investments are shown at cost less provisions for any impairment where the recoverable value is less than the cost Any impairment of fixed asset investments is charged to the Profit and Loss Account in the year in which it arises

1 ACCOUNTING POLICIES (continued)

Tangible Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Vehicle depreciation is based on estimates of future residual values or on guaranteed residual values Depreciation rates vary between 4% and 20% per annum, depending upon the type of vehicle

Depreciation on other assets is calculated so as to write down the cost of tangible assets to their estimated residual value in equal instalments over their useful economic lives, being

Freehold buildings	-	50 years or the life of the assets,
Leasehold property	-	the period of the lease,
Plant and equipment	-	2 to 10 years,
Freehold land	-	not depreciated

Leased Assets

Leases of vehicles (including vehicles subject to manufacturer repurchase agreements) and other property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate of return on the finance balance outstanding The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities The interest element of the finance cost is charged to the Profit and Loss account over the lease period The leased assets are depreciated over their expected useful lives on a basis consistent with similar owned vehicles or other property, plant and equipment If there is no reasonable certainty that ownership will be acquired by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation If these conditions are not met, no provision is recognised Provisions are measured at the value of the expenditures expected to be required to settle the obligation

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties, but self insures subject to excess limits and annual aggregate stop losses for total claims A provision is made for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company (subject to the overall stop losses) based on an assessment of the expected settlement on known claims, and after taking appropriate professional advice

Pension Arrangements

The Company is the principal sponsoring employer of a pension scheme to which other UK companies in the Avis Budget EMEA Limited group of companies are also associated The Company is unable to identify its share of assets and liabilities of the scheme and therefore in accordance with FRS 17, Retirement Benefits, the Company accounts for the scheme as a defined contribution scheme Pension costs are recognised in profit and loss account as contributions incurred

1 ACCOUNTING POLICIES (continued)

Dividends

Final dividends to the Company's shareholders are recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders Interim dividends are recognised when paid

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date 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 A Deferred tax asset is only recognised when there are expected to be suitable future taxable profits within the group against which to reverse the underlying timing differences

Share-based payments

Share–based payments are exclusively made in connection with employee stock option plans ("ESOPs")

Equity settled ESOPs are accounted for in accordance with FRS 20, Share based payments, such that the fair value of the employee service received in exchange for the grant of the option is recognised in the Profit and Loss account over the related performance period The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable

Foreign Currency

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the year-end Transactions in foreign currencies during the year are recorded at rates of exchange in effect when the transaction occurs Gains and losses on exchange are dealt with in the Profit and Loss Account

Cash Flow Statement

The Company is included in the consolidated financial statements of Avis Budget Group, Inc , which are publicly available, and therefore has elected to utilise the exemption provided in Financial Reporting Standard 1, Cash flow Statements (Revised 1996), and not produce a cash flow statement

Investments

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

2 OPERATING LOSS

Operating loss is stated after charging / (crediting)

	2011 £000	2010 £000
Wages and salaries	22,505	21,297
Social security costs	1,897	1,912
Pension costs (see Note 15)	4,448	4,553
Staff Costs	**28,850**	**27,762**
Depreciation on vehicles - owned	4,893	11,485
Depreciation on vehicles - under finance lease	25,527	12,947
Depreciation on other owned tangible fixed assets	507	1,835
Operating lease rentals		
Other	3,260	3,246
Fees payable to the Company's auditors for the audit of the Company's annual Financial Statements	71	67
- Other Services - the audit of the accounts of the subsidiary pursuant to legislation	5	5
- Other Services - the auditing of turnover, as required by concession agreements	5	5
Foreign exchange (gains)/losses	(14)	43

Exceptional Items

	2011 £000	2010 £000
a) Restructuring costs	446	-
b) Disposal of Leasehold	-	(4,104)
c) Integration costs	1,029	-
d) HQ Property Costs	412	540
Exceptional items	1,887	(3,564)

a) Restructuring costs of £446,000 were incurred in the year primarily relating to the cost of redundancy

b) A net gain of £4,104,000 was made in the prior year relating to the disposal of a leasehold interest in a property

c) Net integration costs of £1,029,000, including £1,040,000 of share options costs were, incurred following the acquisition of Avis Europe plc by Avis Budget Group, Inc The balancing credit is an offset due to a change in accounting for revenue accruals

d) Property lease costs of £412,000 (2010 £540,000) were incurred in respect of the vacant former HQ building

3 DIRECTORS AND EMPLOYEES

The average monthly number of persons (including Directors) employed by the Company during the year was

	2011	2010
Operations	554	467
Sales and Reservations	56	48
Administration and Finance	194	143
	804	658

Aggregate emoluments paid to Directors were as follows	2011 £000	2010 £000
Remuneration	2,527	792
Retirement benefits - cash balance scheme	10	16
	2,537	808

Two directors received no remuneration in respect of their services to the Company

Four Directors (2010 Four Directors) participate in the Company's pension schemes

Following the closure of the Final Salary and Retirement Capital section to future accruals, retirement benefits are accruing to four Directors (2010 four Directors) under the company's Defined Contribution plan section of the pension scheme (see Note 15) However, contributions of these Directors are settled by another group company

Two of the Directors were entitled to options under the Long Term Incentive Plan All the options vested during the year At the year end, following the acquisition of the Company by Avis Budget Group, Inc , no options were outstanding under Share Option Schemes (see Note 12)

Highest paid Director	2011 £000	2010 £000
Aggregate emoluments	2,293	610
Company pension contributions to the cash balance scheme	10	10

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
On loans due to group undertakings	6,638	5,624
On finance leases	2,138	1,391
On bank loans and overdrafts	38	90
	8,814	7,105

5 TAXATION ON LOSS ON ORDINARY ACTIVITIES

i) Analysis of tax (credit) / charge in year

	2011 £000	2010 £000
Current Tax		
UK Corporation tax on loss for year	367	-
	367	-
Deferred Tax		
Origination and reversal of timing differences	(9,316)	221
Adjustments in respect of prior years	865	30
Remeasurement of deferred tax - change in rate	1,427	400
Total deferred tax (see Note 8)	(7,024)	651
Tax (credit)/charge on loss on ordinary activities	(6,657)	651

Tax credit taken directly to the statement of recognised gains and losses

UK corporation tax at 26 5%

Current tax credit on share options	(367)	-
	(367)	-

The prior year adjustments are as a result of correcting prior year estimated tax charges to actuals following preparation of the UK Group tax returns

ii) Factors affecting the current tax charge for the year

The current tax charge for the year is higher (2010 higher) than the standard rate of UK corporation tax (26 5%) (2010 28%) and is explained as follows

	2011 £000	2010 £000
Loss on ordinary activities before tax	(26,594)	(11,927)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 28%)	(7,047)	(3,340)
Expenses not taxable for tax purposes	(77)	(978)
Group relief surrendered for nil consideration	(1,456)	4,749
Timing differences	67	(1,131)
Timing differences on finance leased vehicles	11,474	(6,543)
Non-taxable dividend	(197)	(210)
Depreciation in (shortfall)/excess of capital allowances claimed	(2,224)	7,453
Difference in deferred tax rate	(173)	-
Current tax charge for the year	367	-

The Finance Act 2011 included legislation to reduce the main rate of corporation tax in the UK from 27% to 26%, with effect from 1 April 2011, and from 26% to 25%, with effect from 1 April 2012 Th effect of the reduction in tax rate on relevant deferred tax balances is reflected in the Financial Statements for the year ended 31 December 2011

6 TANGIBLE ASSETS

	Freehold Land and Buildings £000	Short Leasehold Property £000	Motor Vehicles £000	Plant & Equipment £000	Total £000
Cost					
As at 1 January 2011	738	16,435	178,285	7,515	202,973
Additions	-	464	158,341	156	158,961
Disposals	-	(1,407)	(173,939)	-	(175,346)
As at 31 December 2011	738	15,492	162,687	7,671	186,588
Depreciation					
As at 1 January 2011	722	11,707	14,780	7,478	34,687
Charge for the year	16	419	30,420	72	30,927
Disposals	-	(651)	(23,058)	-	(23,709)
As at 31 December 2011	738	11,475	22,142	7,550	41,905
Net book value					
As at 31 December 2011	-	4,017	140,545	121	144,683
As at 31 December 2010	16	4,728	163,505	37	168,286

7 INVESTMENTS

	Shares in subsidiary undertakings £000
Cost of investments at 1 January 2011 and 31 December 2011	13,000
Provisions for impairment As at 1 January 2011 and 31 December 2011	(9,200)
Net book value as at 1 January 2011 and 31 December 2011	3,800

7 INVESTMENTS (CONTINUED)

Details of the Company's investments are as follows

Name of entity and principal activity	Country of Incorporation	Holding	Proportion Held
Avis Truck Leasing Limited (non trading)	England and Wales	Ordinary Shares	100%
Avis Pension Trustees Limited (non trading)	England and Wales	Ordinary Shares	100%
Avis Rent A Car (Isle of Man) Limited (non trading)	Isle of Man	Ordinary Shares	100%
Barcelsure Limited (non trading)	England and Wales	Ordinary Shares	100%
Avis Europe Risk Management Limited (insurance broker)	England and Wales	Ordinary Shares	100%

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

8 DEBTORS

	2011 £000	2010 £000
Trade debtors	28,009	29,439
Amounts owed by group undertakings	6,605	8,775
Bank deposits	-	923
Deferred tax asset	17,835	10,811
Other debtors	477	7,991
Prepayments and accrued income	5,987	4,130
	58,913	62,069

Amounts owed by group undertakings are unsecured, interest free and payable on demand The maximum credit risk exposure is the carrying amount of the amounts owed by fellow subsidiaries No allowance for bad debts has been made as all amounts owed by fellow subsidiaries are expected to be fully recoverable

8 DEBTORS (CONTINUED)

Deferred tax assets have been recognised during the year as follows

	2011 £000	2010 £000
Accelerated capital allowances	25,164	31,375
Short term timing differences	(7,329)	(20,564)
Deferred tax asset	17,835	10,811

Deferred tax movement in the year

Balance as at 1 January	10,811	11,462
Profit and loss movement (See Note 5)	7,024	(651)
Balance as at 31 December	17,835	10,811

As recently announced in the 2012 Budget, from 1 April 2012 the rate will now decrease to 24% with further reductions proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 As these tax rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period We estimate the future rate changes to 22% would further reduce our deferred tax asset as 31 December 2011 from £17,835,407 to £15,695,157 The actual impact will be dependent on our deferred tax position at that time

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Trade creditors	21,568	27,779
Amounts due to fellow group subsidiary undertakings	78,976	164,707
Bank and other loans	69,796	-
Taxation and social security	15,904	1,512
Accruals and deferred income	27,816	27,721
	214,060	221,719

Within amounts owed to group undertakings, £73,215,000 (2010 £157,608,000) is unsecured Inter-company loans are fixed rate with a weighted average cost for amounts owed by fellow subsidiaries at 31st December 2011 of 6 25% (2010 6 8%) There were no floating rate inter-company loans The remaining balance of £5,761,000 (2010 £7,099,000) with other group undertakings is unsecured, interest free and payable on demand

Within amounts owed to banks and other loans, £69,796,000 (2010 £0) is secured, carrying an average interest rate of 3 6% and payable on demand

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2,011 £000	2010 £000
Accruals and deferred income		
Within 2 years	203	203
In more than 2 years, but less than 5 years	304	304
In more than 5 years	38	139
	545	646

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance Reserves £000	Other Trading £000	Total £000
At 1 January 2011	1,377	3,125	4,502
Charged in the year	2,444	281	2,725
Utilised in the year	(2,090)	(73)	(2,163)
At 31 December 2011	1,731	3,333	5,064

Insurance Reserves represent provisions for losses under third party liabilities or claims Due to the timescales and uncertainties involved in such claims, provision is made upon the profile of claims experience, allowing for potential claims for a number of years after policy inception

Other trading provisions primarily comprise dilapidation provisions to cover the costs of remediation of certain properties held under operating leases, the ultimate expenditure of which is expected to be coterminous with the underlying remaining lease periods

12 CALLED UP SHARE CAPITAL

	2011		2010	
	Number	£000	Number	£000
Allotted and fully paid share capital				
At 31 December	18,650,100	18,650	18,650,100	18,650

Share Option Schemes

At the year end, following the acquisition of Avis Europe plc by Avis Budget Group, Inc, no options in the shares of Avis Europe plc were outstanding under the Share Option Schemes or the Long Term Incentive Plan operated by Avis Europe plc Movements in the number of outstanding shares options andconditional share awards under the Approved and Unapproved schemes and the Long Term Incentive Plan were as follows All movements in both the current and prior year had zero weighted average exercise prices

Number ('000)	Approved and Unapproved Share Schemes	Long Term Incentive Plan	Total
1 January 2010	128 6	4,050 6	4,179 2
Granted in the year	-	456 6	456 6
Forfeited in the year	(44 0)	-	(44 0)
Adjustment - Rights Issue[1]	28 8	631 3	660 1
Adjustment - share consolidation[1]	(102 1)	(4,624 6)	(4,726 7)
Outstanding options as at 31 December 2010	11 3	513 9	525 2
Exercisable options as at 31 December 2010	11 3	-	11 3
Outstanding options as at 1 January 2011	11 3	513 9	525 2
Granted in the year	-	191 2	191 2
Lapsed in the year	(11 3)	(127 6)	(138 9)
Exercised in the year	-	(429 1)	(429 1)
Time pro-rata options		(148 4)	(148 4)
Outstanding options as at 31 December 2011	-	-	-
Exercisable options as at 31 December 2011	-	-	-

[1] Represents the effect of grant adjustments arising upon the Avis Europe plc Rights Issue and the share consolidation

Approved and Unapproved Share Schemes
Avis Europe plc adopted the Approved and Unapproved Share Schemes on 25 February 1997 No options have been granted under these schemes since April 2004 Outstanding options granted under the Share Option Schemes were exercisable as at 3 October 2011, however all existing options as at that date were granted with an exercise price greater than 315 pence per Avis Europe share All such options lapsed by 31 December 2011

12 CALLED UP SHARE CAPITAL (continued)

The Avis Europe plc Long Term Incentive Plan

The Long Term Incentive Plan ("LTIP") was adopted by Avis Europe plc in May 2008 and comprised awards of Avis Europe shares structured as nil or nominal cost options or conditional awards Awards normally vest three years after grant, providing certain performance conditions are met

Outstanding options under the LTIP would have normally vested on 7 October 2011, 20 March 2012, 15 April 2013 and 17 March 2014 The number of Avis Europe shares which may be acquired by participants on the vesting and/or exercise of their award was determined by the extent to which the applicable performance conditions were satisfied, with 50 per cent of each award being subject to an earnings per share measure, and 50 per cent, to a return on capital employed measure

The Avis Europe plc Remuneration Committee met and reviewed the performance targets of the 2008 LTIP (whose awards vest on 7 October 2011) on 27 February 2011 At this meeting the Remuneration Committee confirmed that these awards would vest as to 50 per cent of the Avis Europe shares over which they were granted on the basis of the performance conditions measured at 31 December 2010

As a result of the acquisition of Avis Europe plc by Avis Budget Group, Inc the Remuneration Committee determined on 27 September 2011 that taking account the extent to which performance conditions were satisfied, all other outstanding awards would vest in full To encourage the retention of senior executives and management, the Remuneration Committee exercised its discretion to waive the time pro-rating which would have ordinarily applied to the awards that were due to vest in April 2013 and March 2014 on the basis that a participant would not be entitled to receive the benefit of the additional Avis Europe shares, unless they remained in employment until 31 December 2011 or, if their employment is terminated before that date, it has been terminated not by reason of (i) fraud (ii) gross misconduct (iii) serious breach or non-observance of this contract of employment or (iv) the participant resigning or giving notice of resignation, other than in repudiatory breach of contract by their employer The Remuneration Committee further determined that the additional benefit would be satisfied by payment of a cash lump sum equal to 315 pence (less any relevant exercise price) for each additional Avis Europe share the participant would otherwise have received as a result of the waiver of the time pro-rating reduction The cash sum was paid in January 2012 or earlier if a participant left for any reason not referred to above

FRS 20, Share-Based Payment, requires that the fair value of all share options and conditional share awards issued after 7 November 2002 is charged to the Income Statement Certain options from the approved and unapproved schemes were issued before 7 November 2002 and therefore the fair values of these granted options are not recognised For options issued after 7 November 2002, the fair value of the option must be assessed on the date of each issue The Group uses a stochastic valuation model at each issue date, re-assessing the input assumptions on each occasion The weighted average of the assumptions used in each valuation and the resulting weighted average fair value per option, for options issued in the year, were as follows

	Long Term Incentive Plan	
Weighted average	2011	2010
Option exercise price (pence)	-	-
Vesting period (years)	3 0	3 0
Option life (years)	3 0	3 0
Expected volatility (%)	92 4%	91 2%
Risk free rate of return (%)	2 3%	2 3%
Share Price (pence)	184 8	257 0
Fair value per option (pence) - post Rights Issue and share consolidation	184 8	257 0

Expected volatility was determined by reference to the volatility in the share price using rolling one year periods for the five years immediately preceding the grant date The risk free rate of return is based upon UK gilt rates with an equivalent term to the options granted

For options issued prior to July 2003, an expected dividend yield of 6 4% was applied, based on historic dividend yield performance For options issued after July 2003, future dividend assumptions were aligned to the dividend expectations publicly announced by the Group

Subsequent to the year-end, and in order to continue to encourage the retention of senior executives and management, certain employees of the Company were invited to participate in the LTIP already in place and organised by the ultimate parent undertaking, Avis Budget Group, Inc The Company did not incur any cost or liability in relation to this Plan prior to the end of the financial year Full disclosures relating to this Plan will be made in the financial statements for the year-ending 31 December 2012

13 RESERVES

	Share Premium £000	Profit and loss account -Deficit £000	Total £000
As at 1 January 2011	39,683	(51,034)	(11,351)
Loss for the year	-	(19,937)	(19,937)
Current tax credit on share based payments	-	367	367
As at 31 December 2011	39,683	(70,604)	(30,921)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £000	2,010 £000
Opening equity shareholder's funds	7,299	19,877
Net gains recognised directly in equity (see statement of recognised gains and losses)	367	-
Loss for the year	(19,937)	(12,578)
Total shareholders **(deficit)**/funds	(12,271)	7,299

15 PENSION COSTS

The Company is one of the participating companies of the Avis UK Pension Plan (the Plan), to which other UK subsidiary companies of the Avis Budget EMEA Limited (formerly Avis Europe plc) group are also associated

The previous full defined benefit scheme (the 'Final Salary' section) in the UK was closed to new joiners in 2003 and existing members in 2007 The 'Retirement Capital Plan' (RCP) section was introduced in 2003 and closed to new members in 2011, at which time existing members joined a new 'Defined Contribution' (DC) section of the Plan for future service All new joiners from July 2011 are eligible to join the DC section The participating companies of the Plan retain investment and inflation risk, as well as longevity risk in the Final Salary Section of the plan Assets for the Final Salary and RCP sections are pooled and the investment strategy is set by the Plan Trustees following consultation with the Employer The three sections above form part of the Avis UK Pension Plan

There is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities Accordingly, in accordance with FRS17, Retirement Benefits, the Company accounts for the scheme as if it were a defined contribution scheme Any contributions made by the Company are based on pension costs across the members of the participating companies of the Plan as a whole During 2011, a charge of £4,448,000 (2010 £4,553,000) has been recorded in the Company's profit and loss account, reflecting contributions to the Retirement Capital Plan and Defined Contribution sections, and additional deficit funding of the Final Salary section

An actuarial valuation of the Plan was prepared as at 31 March 2008, being the first valuation carried out subject to the requirements of the Pensions Act 2004 Resulting from this process, it was agreed with the trustees that, under a nine-year recovery plan, the annual cash contributions to fund the deficit would be increased effective January 2009 to £8,224,000 However, the January and July 2011 deficit payments totalling £8,224,000 were made in October 2010 and the deficit payment of £4,112,000 due in January 2012 was paid in December 2011 The next actuarial valuation was prepared as at 31 March 2011, resulting in a further change to the deficit funding profile Contribution deficit payments of £2,453,000 become payable each 1 July and 1 January commencing 1 July 2012 and ending 1 January 2017 Starting in April 2013, an additional conditional contribution will be payable depending on the level of profit for the Avis Budget EMEA Limited (formerly Avis Europe plc) group for the twelve months ending the preceding 31 December, with the last conditional payment being in April 2016 (based on 2015 profit)

As the Final Salary and the RCP Sections of the Plan are closed to future service, the Employer does not make normal contributions in respect of those Sections The Employer contribution to the Retirement Capital Plan Section was 8 5% (2010 8 5%) of pensionable salary In addition, through the transition period 2007-2011, for those former Final Salary members who joined the Retirement Capital Plan Section the Employer paid the member contribution to the extent that they were less than 4% During the transition period the contribution rate for former Final Salary members was April 2007 0%, April 2008 1%, April 2009 2%, April 2010 3% and April 2011 4% (being the full contribution) From July 2011 Company contributions to the DC plan depend on member choices The contribution levels are Tier 1 employee 3%, Company 6%, Tier 2 employee 4%, Company 8% For former Final Salary and RCP members who transferred to the DC Plan in July 2011, the Company pays an additional 1% for 3 years and there is an additional Tier 3 employee 5%, Company 10% for the first 5 years

15 PENSION COSTS (continued)

Further details of the scheme as at 31 December are shown below The valuations are based on the 2008 actuarial valuation of the Plan, 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

a) Assumptions

	2011	**2010**	**2009**
Valuation method	Projected Unit	Projected unit	Projected unit
Inflation rate*	2 3%	3 1%	3 7%
Discount rate	4 7%	5 4%	5 7%
Expected rate of salary increases	4 8%	5 4%	5 5%
Rate of pension increases in payment	2 0%	2 6%	2 9%
Rate of pension increases in deferment	2 3%	3 1%	3 9%
Long term rate of return			
- Equities	6 9%	7 7%	8 0%
- Bonds	4 0%	5 0%	5 7%
- Other	4 6%	4 2%	3 8%

* The inflation rate assumption in 2011 and 2010 was set with reference to the Consumer Prices Index (2009 Retail Prices Index)

The key demographic assumption is longevity By its very nature, longevity can be difficult to predict Assumptions regarding future longevity experience are set based on advice from actuaries, published statistics and experience in each territory The longevity assumption for the scheme is based on the "2000" series tables along with certain improvements (known as "medium cohort") which makes allowances for increases in longevity projections Within the context of increasing life expectancy, a further 1% per annum minimum level of improvement within the medium cohort allowance is also applied The longevity assumption in the scheme applied a post retirement life expectancy for a member aged 65 in 2011 of 22 years (2010 22 years) for males, and 24 years (2010 24 years) for females

b) Components of defined benefit cost under FRS17

	2011	**2010**
	£000	**£000**
Current service cost	1,200	2,300
Interest on pension scheme liabilities	8,100	8,300
Expected return on pension scheme assets	(8,200)	(7,200)
Other finance cost	(100)	1,100
Actual return less expected return on pension scheme assets	300	(6,500)
Experience loss/(gains) arising on the scheme liabilities	3,600	(300)
Changes in assumptions underlying the present value of the scheme liabilities	100	(2,700)
Actuarial loss/(gain)	4,000	(9,500)

15 PENSION COSTS (continued)

c) Net deficit in the scheme

	2011	2010
	£000	£000
Equities	56,560	70,350
Bonds	64,600	47,800
Other	22,300	15,600
Total market value of assets	143,400	133,750
Actuarial value of scheme liabilities	(163,000)	(153,700)
Net deficit in the scheme	(19,600)	(19,950)

As the Company accounts for the scheme as a defined contribution scheme, no reconciliation of the above overall scheme deficit to the Company balance sheet is provided

d) Analysis of movement in deficit in the scheme during the year

	2011	2010
	£000	£000
Deficit in the scheme at 1 January	(19,950)	(44,600)
Contributions paid	5,000	18,550
Current service cost	(1,200)	(2,300)
Curtailments	-	-
Other finance cost	550	(1,100)
Actuarial gain/(loss)	(4,000)	9,500
Deficit in the scheme at 31 December	(19,600)	(19,950)

e) History of experience gains and losses

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	(300)	6,500	9,900	(20,200)	(1,300)
% of scheme assets	0 2%	4 8%	9 5%	(23 4)%	(1 3)%
Experience gains arising on the scheme liabilities	(3,600)	300	2,600	900	7,100
% of scheme liabilities	2 2%	0 2%	1 7%	0 8%	5 2%
Actuarial gain/(loss)	(4,000)	9,500	(16,300)	8,700	5,800
% of scheme liabilities	2 5%	6 2%	10 9%	7 4%	4 2%

16 CAPITAL COMMITMENTS

At 31 December 2011 the Company had capital commitments contracted for but not provided amounting to £29,816,000 (2010 £14,733,000)

17 FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire				
Within one year	1,712	-	1,204	-
Between one and five years	788	14	971	14
After more than five years	941	-	1,168	-
	3,441	14	3,343	14

18 CONTINGENT LIABILITIES

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 other Group undertakings As at 31 December 2011, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £1,000 (2011 £11,000)

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

19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company ıs a subsıdıary undertakıng of Avıs Europe Overseas Lımıted whıch ıs part of the group of companıes owned by Avıs Budget EMEA Lımıted (formerly Avıs Europe plc) Both these parent undertakıngs are regıstered ın England and Wales

Untıl 2 October 2011, Avıs Budget EMEA Lımıted (formerly known as Avıs Europe plc) was the smallest parent undertakıng to consolıdate the Fınancıal Statements of the Company The largest parent undertakıng to consolıdate the Fınancıal Statements of the Company was s a D'Ieteren n v , whıch ıs ıncorporated ın Belgıum The ultımate controllıng party of s a D'Ieteren n v ıs the D'Ieteren famıly

On 14 June 2011, the boards of dırectors of Avıs Budget Group, Inc and Avıs Europe plc reached agreement on the terms of a cash acquısıtıon by AE Consolıdatıon Lımıted (a wholly owned subsıdıary of Avıs Budget Group, Inc) of Avıs Europe plc effected by means of Scheme of Arrangement under Part 26 of the Companıes Act 2006 The effectıve date of the Scheme of Arrangement was 3 October 2011, at whıch tıme Avıs Budget Group, Inc became the Company's ultımate holdıng company and the smallest and largest parent undertakıng to consolıdate the Fınancıal Statements of the Company Avıs Budget Group, Inc ıs ıncorporated ın the Unıted States of Amerıca and regıstered on NASDAQ The fınancıal statements of Avıs Budget Group, Inc are publıcly avaılable at www avısbudgetgroup com

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptıon wıthın Paragraph 3(c) of FRS 8, Related party dısclosures, for wholly owned subsıdıary undertakıngs not to dısclose transactıons wıth other entıtıes wıthın the same group The consolıdated fınancıal statements for Avıs Budget Group, Inc , ın whıch the Company ıs ıncluded, are publıcly avaılable at www avısbudgetgroup com

21 SUBSEQUENT EVENT

On the 26th September 2012, Avıs Europe Overseas Lımıted subscrıbed to an ıssue by the Company of 45,000,000 Ordınary Shares wıth a nomınal value of £1 each for a cash consıderatıon of £45,000,000 The Dırectors of the Company to used the proceeds of thıs share ıssue to pay down ındebtedness of the Company