

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
COMPANY NUMBER: 802486

REGISTERED OFFICE:

**Avis House
Park Road
Bracknell, Berkshire
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AVIS RENT A CAR LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2009**

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AVIS RENT A CAR LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2009

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 Europe plc Group, an international car rental services company

During the year to 31 December 2009 the Company has continued to perform as expected, and has seen turnover marginally reduced to £124,143,000 (2008 £124,964,000) The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, has reported profit on ordinary activities before taxation for the year ended 31 December 2009 of £830,000 (2008 £782,000) through making arrangements for the provision of insurance policies to the customers of the Company These results are in line with management expectations During the year Avis Europe Risk Management Limited paid a dividend to the Company of £810,000 (2008 £850,000)

Net Debt has reduced by £36,779,000, to £82,812,000 (2008 £119,591,000) mainly due to fleet purchasing mix

Exceptional costs of £822,000 were incurred in the year (2008 of £6,770,000) 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 volume growth, despite the weakening economic environment, and plans to continue a program of tight cost control

Key Performance Indicators

The Company monitors a range of financial and non-financial performance indicators, reported on a periodic basis, to measure performance Of these, the key measures include rental revenue per day, billed days, average utilisation, operating margin and return on capital employed

Rental revenue per day is calculated by rental revenues divided by billed days Rental revenue per day is defined as revenue 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 Utilisation is calculated as the average period of time during which vehicles are on rent as a percentage of their holding period 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

The Directors of the Company state that the KPIs reflect those used for Avis Europe plc which are disclosed in the Group accounts

Risks and uncertainties

Risk mitigation is a key part of the management of the Company and we have a well established process to identify, manage and limit exposures that may have a negative impact on the business Summarised below are some of the key risks that may affect the Company's business These risks are largely consistent with those of Avis Europe plc which are disclosed in the Group accounts

AVIS RENT A CAR LIMITED

DIRECTORS' REPORT (continued)

Demand

The Company faces various risks associated with demand to its services, which in itself is subject to seasonal variations. There may be disruptions in air travel as a result of a significant event such as a terrorist incident or as a consequence of increased security measures being taken by authorities to prevent such an event. An economic downturn poses challenges for the Company given its capital intensity and short forward reservations require careful management of the business to manage capacity, costs and profitability.

The Company may also be faced with risks, from its competitors. However, it is worth noting that the Company is part of a Group that operates two of the four established global brands Avis, Budget, Hertz and Europcar (Vanguard).

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.

The effective cost of vehicles is dependent on the new purchase price, the level of discount, the amount of any marketing contributions and the residual value of the vehicles. There is a risk that the effective cost of vehicles increases, and because of competitive pressures the Company would be unable to pass on such an increased cost to customers.

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.

Liquidity Risk

The Company is funded by group undertakings (see Note 9). The group's committed bank facilities are unsecured and contain a number of financial covenants measured at 30th June and 31st December.

The nature of the car rental business model should mean that the Company has the capability to readily flex business size and hence funding requirements if required.

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 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 Europe plc group of companies, which are as disclosed in the consolidated Financial Statements of Avis Europe plc.

Results and Dividends

The Company made a loss after taxation for the year of £14,436,000 (2008: £16,854,000). The Directors do not recommend the payment of a dividend (2008: nil).

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT (continued)

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
G N Smith
K Bradshaw

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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.

AVIS RENT A CAR LIMITED
DIRECTORS' REPORT (continued)

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 25 days of purchases outstanding as at 31 December 2009 (31 December 2008: 27 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.

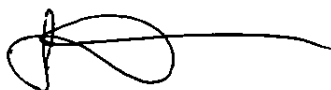
The Company follows the principles of equal opportunity in recruitment, development, remuneration and advancement. Every effort is made to offer part time and flexible working arrangements to those employees who have personal and family commitments.

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 will continue in office as auditors since the Company has elected to dispense with the annual reappointment of auditors, as permitted by Section 487 of the Companies Act 2006.

By order of the Board



J A Nicholson
Company Secretary

5th March 2010

AVIS RENT A CAR LIMITED

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 2009 which comprise the profit and loss account, the balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report 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 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 2009 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.



Sam Taylor (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and statutory Auditors
Reading

5 March 2010.

AVIS RENT A CAR LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	<u>2009</u> £000	<u>2008</u> £000
TURNOVER	1	124,143	124,964
Cost of sales		<u>(75,128)</u>	<u>(79,616)</u>
GROSS PROFIT		49,015	45,348
Administrative Expenses			
Exceptional Items		(822)	(6,770)
Other administrative expenses		(59,547)	(54,296)
		<u>(60,369)</u>	<u>(61,066)</u>
OPERATING LOSS	2	(11,354)	(15,718)
Income from shares in group undertakings		810	850
Interest payable and similar charges	4	(5,542)	(6,198)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(16,086)</u>	<u>(21,066)</u>
Tax credit on loss on ordinary activities	5	<u>1,650</u>	<u>4,212</u>
LOSS FOR THE FINANCIAL YEAR	13	<u><u>(14,436)</u></u>	<u><u>(16,854)</u></u>

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

In both the current and prior year, all recognised gains and losses are included in the profit and loss account and therefore a statement of recognised gains and losses has not been presented

The accompanying Notes on pages 10 to 27 form an integral part of these Financial Statements

AVIS RENT A CAR LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2009

		<u>2009</u>	<u>2008</u>
	Note	£000	£000
FIXED ASSETS			
Tangible assets	6	106,429	155,496
Investments	7	<u>3,800</u>	<u>3,800</u>
		110,229	159,296
CURRENT ASSETS			
Debtors	8	53,744	64,104
Cash at bank and in hand		<u>17</u>	<u>18</u>
		53,761	64,122
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(137,490)</u>	<u>(180,880)</u>
NET CURRENT LIABILITIES		<u>(83,729)</u>	<u>(116,758)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		26,500	42,538
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(749)	(851)
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(5,874)</u>	<u>(7,374)</u>
NET ASSETS		<u><u>19,877</u></u>	<u><u>34,313</u></u>
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	<u>(38,456)</u>	<u>(24,020)</u>
Total shareholder's funds - equity	14	<u><u>19,877</u></u>	<u><u>34,313</u></u>

The Financial Statements on pages 8 to 27 were approved by the board on 5th March 2010 and were signed on its behalf by



G N Smith
Director
Avis Rent a Car Limited
Registered no 802486

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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'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.

Basis of Accounting

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements as it is a wholly owned indirect subsidiary undertaking of Avis Europe plc, which itself prepares consolidated Financial Statements.

Turnover

Turnover includes vehicle rental income and fees receivable from licensees generated wholly in the UK, net of discounts and excluding value added tax. Turnover is recognised over the period for which the vehicle is available to the customer.

Cost of Sales

Cost of sales includes selling, revenue 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.

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.

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 12% and 40% per annum, depending upon the type of vehicle.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES (continued)

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 property	-	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

Vehicles and any other assets held under finance leases are capitalised at fair value and depreciated based on estimates of future residual values or on guaranteed residual values. Interest on leases is charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the finance obligation. Payments for assets held under operating leases are charged to the profit and loss account on a straight line basis.

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.

Pension Arrangements

The Company is the principal sponsoring employer of a defined benefit pension scheme to which other UK companies in the Avis Europe plc 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.

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.

Deferred Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. 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 FRS 19, Deferred Tax. A deferred tax asset is only recognised when there are expected to be suitable future taxable profits within the tax 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') of Avis Europe plc.

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.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES (continued)

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 a wholly-owned indirect subsidiary undertaking of Avis Europe plc and is included in the consolidated Financial Statements of Avis Europe plc, which are publicly available and therefore has elected to utilise the exemption provided in Financial Reporting Standard 1, Cash flow Statements (Revised 1996), and not produce a cash flow statement.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

2 OPERATING LOSS

Operating loss is stated after charging

	<u>2009</u>	<u>2008</u>
	£000	£000
Wages and salaries	21,398	20,816
Social security costs	1,799	1,931
Pension costs (see Note 15)	<u>4,519</u>	<u>3,777</u>
Staff Costs	27,716	26,524
Depreciation on vehicles - owned	7,443	5,037
Depreciation on vehicles - under finance lease	12,455	21,141
Depreciation on other owned tangible fixed assets	2,305	4,095
Operating lease rentals		
Other	3,302	4,930
Fees payable to the Company's auditors for the audit of the Company's annual Financial Statements	66	65
- 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	<u>47</u>	<u>30</u>

Exceptional Items

	<u>2009</u>	<u>2008</u>
	£000	£000
Restructuring costs	822	4,233
Pensions cost	-	232
Onerous lease	-	<u>2,305</u>
Exceptional items	<u>822</u>	<u>6,770</u>

Exceptional costs of £822,000 were incurred in the year. These costs reflect a rationalisation of operations which commenced in the prior year, including redundancies, the closure of certain low margin rental locations and vacant property provisions following the transfer of the staff of the UK business head office into the Group headquarters building.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3 DIRECTORS AND EMPLOYEES

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

	<u>2009</u>	<u>2008</u>
Operations	439	458
Sales and Reservations	41	40
Administration and Finance	<u>116</u>	<u>120</u>
	<u>596</u>	<u>618</u>

	<u>2009</u>	<u>2008</u>
Aggregate emoluments paid to Directors were as follows	<u>£000</u>	<u>£000</u>
Remuneration	752	525
Retirement benefits - cash balance scheme	<u>15</u>	<u>9</u>
	<u>767</u>	<u>534</u>

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

Retirement benefits were accruing to two Directors (2008 two Directors) under the Company's Final Salary section of the pension scheme (see Note 15)

Following the closure of the Final Salary section to future accruals, retirement benefits are accruing to four Directors (2008 four Directors) under the company's Retirement Capital plan section of the pension scheme (see Note 15) However, contributions of these Directors are settled by another group company

	<u>2009</u>	<u>2008</u>
Highest paid Director	<u>£000</u>	<u>£000</u>
Aggregate emoluments	583	413
Company pension contributions to the cash balance scheme	<u>9</u>	<u>5</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
On loans due to group undertakings	4,031	3,753
On finance leases	1,421	2,439
On bank loans and overdrafts	<u>90</u>	<u>6</u>
	<u>5,542</u>	<u>6,198</u>

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

5 TAXATION ON LOSS ON ORDINARY ACTIVITIES

i) Analysis of tax credit in year

	2009 £000	2008 £000
<u>Current Tax</u>		
Adjustments in respect of prior years	-	13
	-	13
<u>Deferred Tax</u>		
Origination and reversal of timing differences	(4,386)	805
Adjustments in respect of prior years	2,736	(5,030)
Total deferred tax (note 8)	(1,650)	(4,225)
Tax credit on loss on ordinary activities	(1,650)	(4,212)

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 (2008 higher) than the standard rate of UK corporation tax 2009 (28%) (2008 28.5%) and is explained as follows

	2009 £000	2008 £000
Loss on ordinary activities before tax	(16,086)	(21,066)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(4,504)	(6,004)
Group relief surrendered for nil consideration	-	6,805
Expenses not deductible for tax purposes	345	260
Non-taxable dividend	(227)	(242)
Depreciation in excess of capital allowances	490	1,959
Other timing differences	7,788	(2,764)
Utilisation of tax losses	(3,892)	-
Other	-	(14)
Adjustments in respect of prior years	-	13
Current tax charge for the year	-	13

In 2008, the standard rate of 28.5% represents the change in rate as announced in the 2007 Budget (30% to 31 March 2008 and 28% thereafter)

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009	821	18,848	156,146	7,028	182,843
Additions	123	107	131,452	677	132,359
Disposals	(206)	(2,061)	(179,204)	(186)	(181,657)
As at 31 December 2009	<u>738</u>	<u>16,894</u>	<u>108,394</u>	<u>7,519</u>	<u>133,545</u>
Depreciation					
As at 1 January 2009	758	12,163	8,349	6,077	27,347
Charge for the year	35	1,271	19,898	999	22,203
Disposals	(100)	(2,061)	(20,087)	(186)	(22,434)
As at 31 December 2009	<u>693</u>	<u>11,373</u>	<u>8,160</u>	<u>6,890</u>	<u>27,116</u>
Net book value					
As at 31 December 2009	<u>45</u>	<u>5,521</u>	<u>100,234</u>	<u>629</u>	<u>106,429</u>
As at 31 December 2008	<u>63</u>	<u>6,685</u>	<u>147,797</u>	<u>951</u>	<u>155,496</u>

7 INVESTMENTS

	Shares in subsidiary undertakings £000
Cost of investments at 1 January 2009 and 31 December 2009	<u>13,000</u>
Provision	
As at 1 January 2009 and 31 December 2009	<u>(9,200)</u>
Net book value as at 31 December 2009 and 31 December 2008	<u>3,800</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7 INVESTMENTS (CONTINUED)

Details of the Company's investments are as follows

<u>Name of entity and principal activity</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Proportion Held</u>
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%

8 DEBTORS

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Trade debtors	25,034	34,786
Amounts owed by group undertakings	6,766	10,862
Bank loans and overdrafts	1,277	-
Deferred tax asset	11,462	9,812
Other debtors	4,100	3,418
Prepayments and accrued income	<u>5,105</u>	<u>5,226</u>
	<u>53,744</u>	<u>64,104</u>

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

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

8 DEBTORS (CONTINUED)

Deferred tax assets have been recognised during the year as follows

	<u>2009</u>	<u>2008</u>
	£000	£000
Accelerated capital allowances	25,120	26,903
Short term timing differences	(13,658)	(20,740)
Losses	<u>-</u>	<u>3,649</u>
Deferred tax asset	<u><u>11,462</u></u>	<u><u>9,812</u></u>

Deferred tax movement in the year

Balance as at 1st January	9,812	5,587
Profit and loss movement (Note 5)	<u>1,650</u>	<u>4,225</u>
Balance as at 31st December	<u><u>11,462</u></u>	<u><u>9,812</u></u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2009</u>	<u>2008</u>
	£000	£000
Trade creditors	17,176	27,450
Amounts due to fellow group subsidiary undertakings	91,704	127,940
Bank loans and overdrafts	-	224
Taxation and social security	1,771	1,455
Accruals and deferred income	<u>26,839</u>	<u>23,811</u>
	<u><u>137,490</u></u>	<u><u>180,880</u></u>

Within amounts owed to group undertakings, £88,601,000 (2008 £124,713,000) is unsecured, carrying an interest rate of 6.25% and is payable on demand. The remaining balance of £3,103,000 (2008 £3,227,000) with other group undertakings is unsecured, interest free and payable on demand.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

**10 CREDITORS AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR**

	<u>2009</u>	<u>2008</u>
	£000	£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	<u>242</u>	<u>344</u>
	<u>749</u>	<u>851</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance Reserves £000	Other Trading £000	Total £000
At 1 January 2009	5,327	2,047	7,374
Charged in the year	287	431	718
Utilised in the year	<u>(2,205)</u>	<u>(13)</u>	<u>(2,218)</u>
At 31 December 2009	<u>3,409</u>	<u>2,465</u>	<u>5,874</u>

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.

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12 CALLED UP SHARE CAPITAL

	2009		2008	
	Number	£000	Number	£000
Authorised Ordinary Shares of £1 each	<u>30,000,000</u>	<u>30,000</u>	<u>30,000,000</u>	<u>30,000</u>
	2009		2008	
	Number	£000	Number	£000
Issued and fully paid share capital At 31 December	<u>18,650,100</u>	<u>18,650</u>	<u>18,650,100</u>	<u>18,650</u>

Share and share option schemes

In accordance with the Company's remuneration policy, certain senior management of the Company participate in the share incentive plans of Avis Europe plc. Details of these individual plans are disclosed in the Remuneration Report of Avis Europe plc.

At the year end, options outstanding in relation to the Company's management and employees under all schemes were as follows:

At 31 December 2009	No of options	Exercise price range		Exercise period	
Date of grant	('000)	From	To	From	To
Approved and Unapproved Share Option Schemes					
2003	23.2	86.8p	86.8p	2006	2013
2002	25.0	83.6p	83.6p	2005	2012
2001	59.6	121.8p	136.4p	2004	2011
2000	20.8	166.6p	166.8p	2003	2010
	<u>128.6</u>				
Long Term Incentive Plan					
2009	1,688.2	-	-	2012	2013
2008	1,649.0	-	-	2011	2012
2007	713.4	-	-	2010	2011
Total	<u><u>4,179.2</u></u>				

At 31 December 2008	No of options	Exercise price range		Exercise period	
Date of grant	('000)	From	To	From	To
Approved and Unapproved Share Option Schemes					
2003	23.2	86.8p	86.8p	2006	2013
2002	25.0	83.6p	83.6p	2005	2012
2001	65.0	121.8p	136.4p	2004	2011
2000	20.8	166.6p	166.8p	2003	2010
	<u>134.0</u>				
Long Term Incentive Plan					
2008	1,649.0	-	-	2011	2012
2007	713.4	-	-	2010	2011
Total	<u><u>2,496.4</u></u>				

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12 CALLED UP SHARE CAPITAL (continued)

	Approved and Unapproved Share Schemes	Long Term Incentive Plan	Total
Number ('000)			
1 January 2008	204.9	713.4	918.3
Granted in the year	-	1,649.0	1,649.0
Forfeited in the year	(70.9)	-	(70.9)
Outstanding options as at 31 December 2008	134.0	2,362.4	2,496.4
Exercisable options as at 31 December 2008	134.0	-	134.0
Outstanding options as at 1 January 2009	134.0	2,362.4	2,496.4
Granted in the year	-	1,688.2	1,688.2
Forfeited in the year	(5.4)	-	(5.4)
Outstanding options as at 31 December 2009	128.6	4,050.6	4,179.2
Exercisable options as at 31 December 2009	128.6	-	128.6

All the movements in the number of outstanding options under the Long Term Incentive Plan during the current year had zero weighted average exercise prices. Exercisable options comprise outstanding options where the vesting period has completed, irrespective as to whether the option exercise price is above or below the current share price.

Movements in the weighted average exercise prices of the Approved and Unapproved Share Schemes during the year is as follows:

	Approved and Unapproved Share Schemes
Weighted average exercise price (pence)	
Outstanding options as at 1 January 2008	131.9
Forfeited in the year	153.9
Outstanding options as at 31 December 2008	119.1
Exercisable options as at 31 December 2008	119.1
Outstanding options as at 1 January 2009	119.1
Forfeited in the year	129.1
Outstanding options as at 31 December 2009	118.7
Exercisable options as at 31 December 2009	118.7

	Approved and Unapproved Share Schemes	Long Term Incentive Plan
Weighted average remaining contract lives (years):		
At 31 December 2009	2.4	2.2
At 31 December 2008	3.4	2.6

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:

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12 CALLED UP SHARE CAPITAL (continued)

	Long Term Incentive Plan	
	2009	2008
Weighted average		
Share price (pence)	5.1	8.5
Option exercise price (pence)	-	-
Vesting period (years)	3.0	3.0
Option life (years)	3.5	3.5
Expected volatility (%)	84.5%	51%
Risk free rate of return (%)	3.0%	3.7%
Fair value per option (pence)	5.1	8.5

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.

13 RESERVES

	Share Premium £000	Profit and loss account -Deficit £000	Total £000
As at 1 January 2009	39,683	(24,020)	15,663
Loss for the year	-	(14,436)	(14,436)
As at 31 December 2009	<u>39,683</u>	<u>(38,456)</u>	<u>1,227</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £000	2008 £000
Opening equity shareholder's funds	34,313	51,167
Loss for the year	(14,436)	(16,854)
Closing equity shareholder's funds	<u>19,877</u>	<u>34,313</u>

AVIS RENT A CAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009****15 PENSION COSTS**

The Company is one of the participating companies of a defined benefit pension scheme to which other UK companies in the Avis Europe plc group of companies are also associated

The Company is unable to identify its share of the underlying assets and liabilities of the scheme, as the plan exposes the participating entities to actuarial risks of both the Company and other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual entities participating in the plan. Accordingly in accordance with FRS 17, 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 participating members of the Group as a whole. During 2009, a charge of £4,519,000 (2008 £3,777,000) has been recorded in the Company's profit and loss account, reflecting both contributions to the Retirement Capital Plan Section and additional deficit funding of the Final Salary Section.

The most recent full actuarial valuation was undertaken by Watson Wyatt LLP on 31 March 2008, with the scheme deficit planned to be eliminated over the average remaining service life of employees of 7.5 years from valuation date through additional contributions by all participants to the scheme.

Contribution rates as a percentage of pensionable pay are as follows:

Contribution rates	<u>2009</u>	<u>2008</u>
Final salary section		
Normal service charge	-	-
Retirement Capital Plan Section	8.5%	8.5%

As the Final Salary Section of the Plan is closed to future service accruals, the Employer does not make normal contributions in respect of that section. The Employer contribution to the Retirement Capital Plan section is 8.5% (2008 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 pays the member contribution to the extent that they are less than 4%. During the transition period the member contribution rate of former Final Salary members is April 2007 0%, April 2008 1%, April 2009 2%, April 2010 3%, April 2011 4% (being the full contribution).

In addition to the normal service charge, the Avis Europe plc group contributes an amount of £8,200,000 per annum in order to fund the additional deficit in the final salary section of the scheme. These contributions commenced on 1 July 2009, are payable in two equal installments per annum, and will continue for a period of nine years.

Further details of the scheme as at 31 December are shown below. The valuations are based on the most recent actuarial valuation, 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.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15 PENSION COSTS (CONTINUED)

a) Assumptions

	2009	2008	2007
Valuation method	Projected unit	Projected unit	Projected unit
Inflation rate	3.70%	3.30%	3.50%
Discount rate	5.70%	6.50%	5.90%
Expected rate of salary increases	5.50%	4.80%	5.00%
Rate of pension increases in payment	2.90%	2.60%	2.70%
Rate of pension increases in deferment	3.90%	3.30%	3.50%
Long term rate of return			
-Equities	8.00%	7.70%	7.70%
-Bonds	5.70%	5.70%	5.70%
-Other	3.80%	4.40%	4.40%

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 2009 of 21 years (2008: 21 years) for males, and 24 years (2008: 24 years) for females.

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15 PENSION COSTS (CONTINUED)

b) Components of defined benefit cost under FRS 17

	2009	2008
	£'000	£'000
Current service cost	<u>2,100</u>	<u>3,400</u>
Interest on pension scheme liabilities	7,400	8,000
Expected return on pension scheme assets	<u>(5,500)</u>	<u>(6,600)</u>
Amount charged to operating profit	<u>1,900</u>	<u>1,400</u>
Actual return less expected return on pension scheme assets	(9,900)	20,200
Experience gain arising on the scheme liabilities	(2,600)	(900)
Changes in assumptions underlying the present value of the scheme liabilities	28,800	(28,000)
Actuarial gain	<u>16,300</u>	<u>(8,700)</u>

c) Net deficit in the scheme

	2009	2008
	£'000	£'000
Equities	66,500	43,700
Bonds	38,100	42,200
Other	<u>100</u>	<u>600</u>
Total market value of assets	104,700	86,500
Actuarial value of scheme liabilities	<u>(149,300)</u>	<u>(117,700)</u>
Net deficit in the scheme	<u>(44,600)</u>	<u>(31,200)</u>

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

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

	2009	2008
	£'000	£'000
Deficit in the scheme at 1 January	(31,200)	(41,800)
Contributions paid	7,000	7,100
Current service cost	(2,100)	(3,400)
Curtailments	(100)	(400)
Other finance cost	(1,900)	(1,400)
Actuarial gain	<u>(16,300)</u>	<u>8,700</u>
Deficit in the scheme at 31 December	<u>(44,600)</u>	<u>(31,200)</u>

AVIS RENT A CAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15 PENSION COSTS (CONTINUED)

e) History of experience gains and losses

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Gain/(loss) on assets	9,900	(20,200)	(1,300)	300	8,500
% of scheme assets carried forward	9.5%	(23.4)%	(1.3)%	0.3%	11.2%
Experience gain/(loss) on liabilities	2,600	900	7,100	(900)	(3,600)
% of scheme liabilities carried forward	1.7%	0.8%	5.2%	(0.7)%	(2.8)%
Total actuarial gain/(loss)	(16,300)	8,700	5,800	(600)	(20,100)
% of scheme liabilities carried forward	10.9%	7.4%	4.2%	(0.4)%	(15.8)%

16 CAPITAL COMMITMENTS

At 31 December 2009 the Company had capital commitments contracted for but not provided amounting to £9,656,000 (2008 £12,210,000)

17 FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2009		2008	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Operating leases which expire				
Within one year	1,204	-	933	-
Between one and five years	971	14	874	21
After more than five years	1,168	-	1,390	-
	3,343	14	3,197	21

AVIS RENT A CAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £1,769,000 (31 December 2008 £252,000)

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 is a direct subsidiary undertaking of Avis Europe Overseas Limited which is part of the group of companies owned by Avis Europe plc. Both these parent undertakings are registered in England and Wales

Avis Europe plc is the smallest parent undertaking to consolidate the Financial Statements of the Company. The largest parent undertaking to consolidate the Financial Statements of the Company is s a D'Ieteren n v, which is incorporated in Belgium

The financial statements of both companies can be obtained from Avis House, Park Road, Bracknell, Berkshire, RG12 2EW. The ultimate controlling party of s a D'Ieteren n v is the D'Ieteren family

20 RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption in Financial Reporting Standard 8, Related Party Disclosures, not to disclose details of transactions with other members of the group as the Company is a wholly owned subsidiary undertaking and the Company's results have been included in the consolidated financial statements of Avis Europe plc, which are publically available