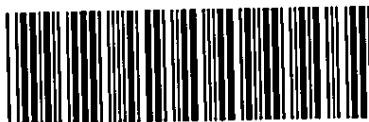


AVIS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

REGISTERED NUMBER: 1972749

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AVIS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited Financial Statements of the Company for the year ended 31 December 2007

Principal Activities

The Company is primarily engaged in the provision of management services to the subsidiary undertakings and licensees of the Avis Europe plc group of companies throughout Europe, Africa, Asia and the Middle East

Review of the Business and Future Developments

The Company has continued to perform satisfactorily throughout the year. The Directors expect that the Company will continue to transact business as a management services company during the coming year.

In late 2005, the Company commenced a restructuring project covering the roles undertaken by the Company as part of the Avis Europe plc Group. The Group announced the full extent of the project in 2006, which resulted in a substantial reduction in company staff and running costs. The project was completed in 2007.

The main key performance indicators that the Company utilise relate to total administrative expenses, excluding exceptional items, per average full time employee and total staff costs per average full time employee.

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 most recent full actuarial valuation of the scheme was undertaken on 30 June 2005, and showed an increase in the overall scheme deficit. As the scheme deficit is planned to be eliminated over the average remaining service life of employees, the Company's contributions to the scheme increased in 2007. Further details are provided in Note 8 to the Financial Statements.

Results and Dividends

The Company made a profit after taxation in the year of £20,756,000 (2006: £19,119,000). No interim dividend was paid during the year (2006: Nil). The Directors do not recommend the payment of a final dividend (2006: Nil). The profit for the year retained by the Company has been transferred to reserves.

Payments to Creditors

It is the Company's practice to agree terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations. The average number of days taken by the Company to pay creditors in 2007 was 45 days (2006: 42 days).

AVIS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (continued)

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.

Directors

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

S B D Fillingham
N A Bell (resigned 21 June 2007)
E P Gates (appointed 21 June 2007)

Charitable Donations

The Company made charitable donations of £9,735 during the year (2006: £6,790).

Employment Policies and Practices

During the year 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.

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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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). The Financial Statements are required by law to 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.

AVIS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities (continued)

In preparing those Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements

The Directors are responsible for keeping proper accounting records that 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 1985. 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

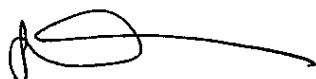
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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 386 of the Companies Act 1985.

By Order of the Board



J A Nicholson
Secretary
20 March 2008

AVIS MANAGEMENT SERVICES LIMITED

Independent Auditors' Report to the Members of Avis Management Services Limited

We have audited the Financial Statements of Avis Management Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet, and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

AVIS MANAGEMENT SERVICES LIMITED

Independent Auditors' Report to the Members of Avis Management Services Limited (continued)

Opinion

In our opinion

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
25 March 2008

AVIS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
Turnover	2	75,908	75,324
Gross profit		<u>75,908</u>	<u>75,324</u>
Other Administrative Expenses		(55,551)	(49,079)
Exceptional Administrative Income	3	1,826	-
Exceptional Administrative Expenses	3	(1,360)	(10,235)
Total Administrative Expenses		<u>(55,085)</u>	<u>(59,314)</u>
Operating Profit	4	20,823	16,010
Net Interest (Payable) / Receivable	5	(56)	485
Profit on Ordinary Activities Before Taxation		<u>20,767</u>	<u>16,495</u>
Taxation	6	(11)	2,624
Retained Profit for the Financial Year	17	<u>20,756</u>	<u>19,119</u>

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

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

The accompanying Notes on pages 8 to 24 form an integral part of these Financial Statements.

AVIS MANAGEMENT SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
Fixed Assets			
Tangible Assets	9	9,862	8,794
Current Assets			
Cash at bank and in hand		672	-
Debtors			
- Amounts Falling Due Within One Year	10	104,953	185,433
- Amounts Falling Due After One Year	10	<u>16,831</u>	<u>15,357</u>
		122,456	200,790
Creditors: Amounts Falling Due Within One Year	11	(67,390)	(166,636)
Provisions for Liabilities and Charges Falling Due within One Year	14	<u>(1,854)</u>	<u>(462)</u>
Net Current Assets		<u>53,212</u>	<u>33,692</u>
Total Assets less Current Liabilities		63,074	42,486
Creditors: Amounts Falling Due After More Than One Year – Obligations Under Finance Leases	12	(97)	(265)
Provisions for Liabilities and Charges Falling Due After More Than One Year	14	<u>(351)</u>	<u>(351)</u>
Net Assets		<u><u>62,626</u></u>	<u><u>41,870</u></u>
Capital and Reserves			
Called-up Share Capital	15	10	10
Profit and Loss Account	17	<u>62,616</u>	<u>41,860</u>
Shareholders' Funds - Equity	18	<u><u>62,626</u></u>	<u><u>41,870</u></u>

The Financial Statements on pages 6 to 24 were approved by the Board on 20 March 2008 and were signed on its behalf by

Stuart Fillingham
Director

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. Statement of Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below

(a) Basis of Accounting

The Financial Statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and the Companies Act 1985

(b) Cash Flow Statement

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

(c) Tangible Fixed Assets

Tangible fixed assets are initially measured at cost. The cost comprises the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value in equal instalments over their estimated useful economic lives, which are as follows:

Plant and Equipment - two to five years

Assets under construction costs are directly associated with identifiable and unique software products controlled by the Company and which have probable economic benefits exceeding the cost beyond one year. They are not depreciated as they are not ready for use. Costs are only capitalised where they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised.

(d) Foreign Currency

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. Profits and losses on exchange are dealt with in the profit and loss account.

(e) Deferred Taxation

The charge for taxation is based on the profit for the year and takes into account 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.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. Statement of Accounting Policies (continued)

(f) 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

(g) Operating Leases

Assets held under operating leases are not capitalised Lease payments are charged against the profit and loss account on a straight line basis over the lease term in the period to which they relate

(h) Finance Leases

Assets held under finance leases are capitalised at fair value and depreciated over the period of the lease Interest on finance 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 Leases are treated as being finance leases when substantially all of the risks and rewards of ownership are transferred to the lessee

(i) Turnover

Turnover includes management fees from Avis Europe plc group companies, joint ventures and licensees, together with advertising and other income Turnover is stated net of value added tax When the outcome of a transaction involving the rendering of services (including the provision of licence rights) can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date

(j) 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 assets and liabilities of the scheme, as such assets and liabilities are not allocated by company, 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 the profit and loss account as contributions incurred

(k) 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

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. Statement of Accounting Policies (continued)

(1) 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.

2. Turnover

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Management Fee Income	28,940	28,265
Other Income	<u>46,968</u>	<u>47,059</u>
	<u>75,908</u>	<u>75,324</u>
By Geographical Market		
UK	7,937	8,873
Continental Europe	56,066	56,381
Other	<u>11,905</u>	<u>10,070</u>
	<u>75,908</u>	<u>75,324</u>

Other income relates primarily to licensee fee income

3. Exceptional Administrative Income / (Expenses)

A net exceptional income of £466,000 (2006 expense of £10,235,000) has been incurred in respect of the following items

- Following the Group's decision in 2004 to terminate the agreement with an IT contractor, a net exceptional credit of £1,826,000 has been recognised, after certain additional termination costs, following the conclusion of a legal case (2006 charge of £5,055,000)
- Restructuring costs of £671,000 (2006 £5,180,000) were incurred in connection with the restructuring project commenced in 2005. These costs include redundancy costs
- Following the identification of potential malpractice in Portugal, the Company has recognised £689,000 of costs in the year (2006 Nil) in respect of certain directly related employee termination costs

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

4. Operating Profit

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Operating Profit is stated after charging		
Depreciation on Tangible Assets	6,612	6,004
Operating Lease Charges		
Plant and Machinery	97	55
Other	1,391	1,346
Auditors' Remuneration (for Audit Services)	584	526
Foreign Exchange Losses	<u>322</u>	<u>399</u>

The Company bears the audit fee for certain other companies within the Avis Europe plc group

5. Net Interest (Payable) / Receivable

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Interest Receivable		
Bank Interest	70	78
On Loans to Group Undertakings	<u>5,232</u>	<u>5,207</u>
	5,302	5,285
Interest Payable		
Bank Interest and other	(1,800)	(270)
On Loans from Group Undertakings	(3,540)	(4,497)
On Finance Charges Payable Under Finance Leases	<u>(18)</u>	<u>(33)</u>
	<u>(5,358)</u>	<u>(4,800)</u>
Net Interest (Payable) / Receivable	<u>(56)</u>	<u>485</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

6. Taxation

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Analysis of Charge / (Credit) in Year		
Current Tax:		
UK Corporation Tax on Profits for the Year Before		
Exceptional Items	(1,578)	1,547
Tax on Exceptional Items	1,579	(1,547)
Foreign Tax	1,500	1,685
Irrecoverable Withholding Tax	-	76
Adjustments in Respect to Prior Years	(16)	(180)
Total Current Tax	<u>1,485</u>	<u>1,581</u>
Deferred Tax:		
Origination and Reversal of Timing Differences	(2,622)	(2,897)
Adjustments in Respect to Prior Years	(54)	(1,308)
Revaluation of Deferred Tax Balance to 28%	<u>1,202</u>	-
	<u>(1,474)</u>	<u>(4,205)</u>
Tax on Profit on Ordinary Activities	<u><u>11</u></u>	<u><u>(2,624)</u></u>

Factors Affecting the Current Tax Charge for the Year:

The tax charge for the year is different from the rate of UK corporation tax (30%) (2006 30%) and is explained as follows

Profit on Ordinary Activities before Taxation	<u>20,767</u>	<u>16,495</u>
Profit on Ordinary Activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	6,230	4,948
Expenses Not Deductible for Tax Purposes	2,540	876
Group Relief Received for No Charge	(9,891)	(7,036)
Timing Differences	2,622	2,897
Double tax relief	(1,500)	(1,685)
Foreign withholding tax	1,500	1,685
Adjustments in Respect of Prior Years	(16)	(180)
Irrecoverable Withholding Tax	<u>-</u>	<u>76</u>
Current Tax Charge for the Year	<u><u>1,485</u></u>	<u><u>1,581</u></u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

7. Directors' Emoluments and Employees

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Directors' Emoluments		
Aggregate Emoluments		
Remuneration for Management Services	<u>364</u>	<u>368</u>
Highest Paid Director		
Aggregate Emoluments	<u>168</u>	<u>184</u>

The accrued pension of the highest paid Director was £17,848 as at 31 December 2007 (31 December 2006 £11,411) and the accrued capital account of the highest paid Director was £21,150 as at 31 December 2007 (31 December 2006 Nil)

Both Directors participate in the Company's pension schemes

Both Directors were entitled to shares under long term incentive schemes

Employees

	Number	Number
Average monthly number employed (Including Directors)	<u>272</u>	<u>271</u>

All of the Company's employees are administrative staff who are based in the UK

	Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
Staff Costs		
Wages and Salaries	19,569	21,218
Social Security Costs	1,637	1,417
Other Pension Costs (see Note 8)	2,805	2,915
Share based payments	<u>279</u>	<u>148</u>
	<u>24,290</u>	<u>25,698</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

8. Pension Costs

The Company is one of the participating companies of a defined benefit 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 underlying assets and liabilities of the scheme, accordingly, in accordance with FRS17 "Retirement Benefits", the Company accounts for the scheme as if 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 2007, a charge of £2,805,000 (2006 £2,915,000) has been recorded in the Company's profit and loss account

The most recent full actuarial valuation was undertaken by Watson Wyatt LLP on 30 June 2005

The scheme deficit is 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	2007	2006
Final Salary Section		
Normal Service Charge ¹	-	13.9%
Retirement Capital Plan Section	7.0%	5.3%

¹In addition, the Company contributes an amount of £4,400,000 per annum in order to fund the additional deficit in the final salary section of the scheme. These contributions commenced on 1 January 2006 and will continue for a period of seven years.

The FRS 17 disclosures for the overall scheme as at 31 December are detailed below. The FRS 17 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.

a) Assumptions

	2007	2006	2005
Valuation Method	Projected	Projected	Projected
	unit	unit	unit
Inflation Rate	3.50%	3.10%	2.90%
Discount Rate	5.90%	5.20%	4.70%
Expected Rate of Salary Increases	5.0%	4.60%	4.40%
Rate of Pension Increases in Payment	2.70%	2.50%	2.90%
Rate of Pension Increases in			
Deferment	3.50%	3.10%	2.90%
Long Term Rate of Return			
- Equities	7.70%	7.40%	7.40%
- Bonds	5.70%	4.50%	4.50%
- Other	4.40%	4.20%	4.20%

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

8. Pension Costs (continued)

The key demographic assumption is mortality. By its very nature, mortality can be difficult to predict. Assumptions regarding future mortality experience are set based on advice from actuaries, published statistics and experience in each territory. In 2006, the mortality assumption for the principal funded scheme was updated to reflect 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, the Group further strengthened the mortality improvement assumption in the principal funded scheme in 2007 by introducing a 1% per annum minimum level of improvement within the medium cohort allowance. The longevity assumption in the principal funded scheme applied a post retirement life expectancy for a member aged 65 in 2007 of 21.2 years (2006: 20.8 years) for males, and 23.6 years for females (2006: 23.1 years).

b) Components of defined benefit cost under FRS17

	2007	2006
	<u>£000</u>	<u>£000</u>
Current Service Cost	<u>3,700</u>	<u>5,200</u>
Interest on Pension Scheme Liabilities	7,000	5,900
Expected Return on Pension Scheme Assets	<u>(5,700)</u>	<u>(5,100)</u>
Amount charged to operating profit	<u>1,300</u>	<u>800</u>
Actual Return less Expected Return on Pension Scheme Assets	1,300	(300)
Experience (Gains) and Losses Arising on the Scheme Liabilities	(7,100)	900
Changes in Assumptions Underlying the Present Value of the Scheme Liabilities	-	-
Actuarial (gain)/loss	<u>(5,800)</u>	<u>600</u>

c) Net deficit in the scheme

	2007	2006
	<u>£000</u>	<u>£000</u>
Equities	55,700	54,200
Bonds	39,600	31,000
Other	<u>600</u>	<u>900</u>
Total Market Value of Assets	95,900	86,100
Actuarial Value of Scheme Liabilities	<u>(137,700)</u>	<u>(135,800)</u>
Net Deficit in the Scheme	<u>(41,800)</u>	<u>(49,700)</u>

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.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

8. Pension Costs (continued)

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

	2007	2006
	£000	£000
Deficit in the Scheme at 1 January	(49,700)	(51,700)
Contributions/Benefits Paid	7,100	7,900
Current Service Cost	(3,700)	(5,200)
Curtailments	-	700
Other Finance Cost	(1,300)	(800)
Actuarial Gain/(Loss)	<u>5,800</u>	<u>(600)</u>
Deficit in the Scheme at 31 December	<u>(41,800)</u>	<u>(49,700)</u>

e) History of experience gains and losses

	2007	2006	2005	2004
	£000	£000	£000	£000
Gain / (Loss) on Assets	1,300	(300)	(8,500)	(1,500)
% of Scheme Assets Carried Forward	1.3%	(0.3)%	(11.2)%	(2.4)%
Experience (Gain)/Loss on Liabilities	(7,100)	900	3,600	1,600
% of Scheme Liabilities Carried Forward	(5.2)%	0.7%	2.8%	1.7%
Total Actuarial (Gain)/Loss	(5,800)	600	20,100	700
% of Scheme Liabilities Carried Forward	(4.2)%	0.4%	15.9%	0.8%

9. Tangible Assets

	Plant and Equipment £000	Assets Under Construction £000	Total £000
Cost:			
At 1 January 2007	22,176	647	22,823
Additions	3,172	4,508	7,680
Transfers	<u>2,592</u>	<u>(2,592)</u>	<u>-</u>
At 31 December 2007	<u>27,940</u>	<u>2,563</u>	<u>30,503</u>
Accumulated Depreciation:			
At 1 January 2007	(14,029)	-	(14,029)
Charge for the Year	<u>(6,612)</u>	<u>-</u>	<u>(6,612)</u>
At 31 December 2007	<u>(20,641)</u>	<u>-</u>	<u>(20,641)</u>
Net Book Value:			
At 31 December 2007	<u>7,299</u>	<u>2,563</u>	<u>9,862</u>
At 31 December 2006	<u>8,147</u>	<u>647</u>	<u>8,794</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

9. Tangible Assets (continued)

Assets held under finance leases are included in the plant and equipment figures above as follows

	<u>£000</u>
Cost:	
At 1 January 2007 and 31 December 2007	<u>796</u>
Accumulated Depreciation:	
At 1 January 2007	416
Charge for the Year	<u>171</u>
At 31 December 2007	<u>587</u>
Net Book Value:	
At 31 December 2007	<u>209</u>
At 31 December 2006	<u>380</u>

10. Debtors

	31 December 2007 £000	31 December 2006 £000
Debtors: Amounts Falling Due Within One Year		
Trade Debtors	4,854	2,848
Amounts Owed by Group Undertakings	96,728	177,622
Other debtors	2,662	3,847
Prepayments and Accrued Income	693	1,116
Corporation tax	<u>16</u>	<u>-</u>
	<u>104,953</u>	<u>185,433</u>
Debtors: Amounts Falling Due After One Year		
Deferred Tax Asset (See note 13)	<u>16,831</u>	<u>15,357</u>

Within amounts owed by group undertakings, £37,090,000 (2006 £140,902,000) is unsecured, carrying an interest rate of 6.80% and is payable on demand. The remaining balance of £59,638,000 (2006 £36,720,000) with other group undertakings is unsecured, interest free and payable on demand.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

11. Creditors: Amounts Falling Due Within One Year

	31 December 2007 £000	31 December 2006 £000
Bank Overdrafts	-	404
Trade Creditors	52	3,860
Amounts Owed to Group Undertakings	40,130	131,863
Obligations Under Finance Leases (see Note 12)	186	165
Other Taxes and Social Security	1,031	794
Other Creditors	1,455	1,455
Accruals and Deferred Income	<u>24,536</u>	<u>28,095</u>
	<u>67,390</u>	<u>166,636</u>

Within amounts owed to group undertakings, £3,080,000 (2006 £119,049,000) is unsecured, carrying an interest rate of 6.80% and is payable on demand. The remaining balance of £37,050,000 (2006 £12,814,000) with other group undertakings is unsecured, interest free and payable on demand.

12. Obligations Under Finance Leases

	31 December 2007 £000	31 December 2006 £000
Minimum Lease Payments		
Within One Year	195	183
Between One and Five Years	<u>98</u>	<u>274</u>
	293	457
Less: Future Finance Charges	<u>(10)</u>	<u>(27)</u>
	283	430
Less: Amounts Falling Due Within One Year (see Note 11)	<u>(186)</u>	<u>(165)</u>
Amounts Falling Due Between One and Five Years	<u>97</u>	<u>265</u>

13. Deferred Taxation

	31 December 2007 £000	31 December 2006 £000
Provided		
Accelerated Capital Allowances	12,070	10,150
Other Timing Differences	<u>4,761</u>	<u>5,207</u>
Deferred Tax Asset	<u>16,831</u>	<u>15,357</u>

As announced in the 2007 budget, the corporation tax rate will decrease to 28% in 2008. The deferred tax asset has been revalued at the new rate. There was no unprovided deferred tax in 2007 or 2006.

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

14. Provisions for Liabilities and Charges

	<u>£000</u>
At 1 January 2007	813
Charged in the year	2,025
Utilised in the year	<u>(633)</u>
At 31 December 2007	<u>2,205</u>

Provisions of £2,205,000 (31 December 2006 £813,000) represent provisions for environmental damage (Hague, Netherlands) of £351,000 (2006 £351,000) that are expected to crystallise within the next five years, and provision for reorganisation of £1,854,000 (2006 £462,000) that will fall due within one year

15. Called-up Share Capital

	31 December 2007 and 2006
	<u>£000</u>
Authorised Share Capital 1,000,000 Ordinary Shares of £1 each	<u>1,000</u>
Allotted, Fully Paid and Issued Share Capital 10,000 Ordinary Shares of £1 each	<u>10</u>

The capital of the Company comprises only ordinary share capital participating equally as to dividends, voting rights and return of capital upon winding up

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

16. Share and share option schemes

At the year end, options outstanding under all schemes were as follows

At 31 December 2007	<u>No of options</u>	<u>Exercise price range</u>		<u>Exercise period</u>	
Date of grant	<u>('000)</u>	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
Approved and Unapproved Share Option Schemes					
2004	-	-	-	-	-
2003	116 9	75 7p	86 8p	2006	2013
2002	1,014 7	83 6p	174 2p	2005	2012
2001	248 7	121 8p	136 4p	2004	2011
2000	99 6	166 6p	166 8p	2003	2010
1999	59 9	197 3p	234 6p	2002	2009
1998	<u>30 9</u>	208 1p	224 7p	2001	2008
	1,570 7				
Performance Share Plan					
2003	702 7	-	-	2006	2013
Share Retention Plan					
2004	238 6	-	-	2006	2008
Deferred Bonus Share Plan					
2007	2,243 2	-	-	2008	2008
Long Term Incentive plan					
2007	3,015 5	-	-	2010	2011
Total	<u>7,770.7</u>				

At 31 December 2006	<u>No of options</u>	<u>Exercise price range</u>		<u>Exercise period</u>	
Date of grant	<u>('000)</u>	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
Approved and Unapproved Share Option Schemes					
2004	568 1	78 2p	78 2p	2007	2014
2003	113 9	75 7p	86 8p	2006	2013
2002	1,029 0	83 6p	174 2p	2005	2012
2001	302 4	121 8p	136 4p	2004	2011
2000	113 9	166 6p	166 8p	2003	2010
1999	65 9	197 3p	234 6p	2002	2009
1998	61 6	208 1p	224 7p	2001	2008
1997	<u>266 7</u>	103 9p	107 1p	2000	2007
	2,521 5				
Performance Share Plan					
2004	584 9	-	-	2007	2014
2003	702 7	-	-	2006	2013
2000	<u>78 5</u>	-	-	2004	2011
	1,366 1				
Share Retention Plan					
2004	477 2	-	-	2006	2008
Total	<u>4,364.8</u>				

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

16. Share and share option schemes (continued)

Number ('000)	Approved and Unapproved Share Schemes	Equity Partnership Plan	Performance Share Plan	Share Retention Plan	Deferred Bonus Share Plan	Long Term Incentive Plan	Total
Outstanding options as at 1 January 2006	3,011.2	47.7	1,366.1	715.8	-	-	5,140.8
Forfeited in the year	(489.7)	(47.7)	-	-	-	-	(537.4)
Exercised in the year	-	-	-	(238.6)	-	-	(238.6)
Outstanding options as at 31 December 2006	<u>2,521.5</u>	-	<u>1,366.1</u>	<u>477.2</u>	-	-	<u>4,364.8</u>
Exercisable options as at 31 December 2006	<u>2,521.5</u>	-	-	-	-	-	<u>2,521.5</u>
Outstanding options as at 1 January 2007	2,521.5	-	1,366.1	477.2	-	-	4,364.8
Granted in the year	-	-	-	-	2,243.2	4,097.5	6,340.7
Forfeited in the year	(950.8)	-	(663.4)	-	-	(1,082.0)	(2,696.2)
Exercised in the year	-	-	-	(238.6)	-	-	(238.6)
Outstanding options as at 31 December 2007	<u>1,570.7</u>	-	<u>702.7</u>	<u>238.6</u>	<u>2,243.2</u>	<u>3,015.5</u>	<u>7,770.7</u>
Exercisable options as at 31 December 2007	<u>1,570.7</u>	-	-	-	-	-	<u>1,570.7</u>

All movements in the number of outstanding options under the Equity Partnership Plan, Performance Share Plan, Share Retention Plan, Long Term Incentive Plan and the Deferred Bonus Share Plan during both the current and prior 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 2006	134.5
Forfeited in the year	<u>128.6</u>
Outstanding options as at 31 December 2006	<u>118.5</u>
Exercisable options as at 31 December 2006	<u>125.9</u>
Outstanding options as at 1 January 2007	118.5
Forfeited in the year	<u>94.1</u>
Outstanding options as at 31 December 2007	<u>131.1</u>
Exercisable options as at 31 December 2007	<u>131.1</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

16. Share and share option schemes (continued)

Weighted average remaining contract lives (years):	Approved and Unapproved	Performance	Share Retention	Deferred Bonus Share	Long Term Incentive
	Share Schemes	Share Plan	Share Plan	Share Plan	Share Plan
At 31 December 2007	3.2	2.3	0.3	0.3	3.0
At 31 December 2006	4.1	3.5	0.3	n/a	n/a

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:

Weighted average	Deferred Bonus Share Plan		Long Term Incentive Plan	
	2007	2006	2007	2006
Share price (pence)	60.3	n/a	58.4	n/a
Option exercise price (pence)	-	n/a	-	n/a
Vesting period (years)	1.0	n/a	3.0	n/a
Option life (years)	1.3	n/a	3.5	n/a
Expected volatility (%)	36%	n/a	34%	n/a
Risk free rate of return (%)	5.8%	n/a	5.6%	n/a
Probability of ceasing employment before vesting (%)	-	n/a	5.0%	n/a
Expectations of meeting performance criteria (%)	100%	n/a	40%	n/a
Fair value per option (pence)	60.3	n/a	58.4	n/a

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.

17. Profit and Loss Account

	<u>£000</u>
At 1 January 2007	41,860
Retained Profit for the Financial Year	20,756
At 31 December 2007	<u>62,616</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

18. Reconciliation of Movements in Shareholders' Funds

	31 December 2007 <u>£000</u>	31 December 2006 <u>£000</u>
Profit for the Financial Year	20,756	19,119
Opening Equity Shareholders' Funds	<u>41,870</u>	<u>22,751</u>
Closing Equity Shareholders' Funds	<u>62,626</u>	<u>41,870</u>

19. Financial commitments

Annual commitments under operating leases as at 31 December 2007 may be analysed as follows

	Land and Buildings <u>£000</u>	Other <u>£000</u>	Total <u>£000</u>
Expiring			
Within One Year	15	-	15
Within Two to Five Years	-	57	57
After More than Five Years	1,575	-	1,575
	<u>1,590</u>	<u>57</u>	<u>1,647</u>

Annual commitments under operating leases as at 31 December 2006 may be analysed as follows

	Land and Buildings <u>£000</u>	Other <u>£000</u>	Total <u>£000</u>
Expiring			
Within One Year	14	-	14
Within Two to Five Years	-	26	26
After More than Five Years	1,575	-	1,575
	<u>1,589</u>	<u>26</u>	<u>1,615</u>

AVIS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

20. 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 2007, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £5,649,000 (31 December 2006 £7,659,000)

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

21. Ultimate Parent Undertaking

The Company is a subsidiary undertaking of Avis Finance Company (No 2) Limited which is part of the group of companies owned by Avis Europe plc. Both of 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.

22. Related Party Transactions

The Company has taken advantage of the exemption within paragraph 8 (c) FRS 8 Related Party Transactions, for wholly owned subsidiary undertakings not to disclose transactions with other entities within the same group. The consolidated Financial Statements for Avis Europe plc in which the Company is included are publicly available at the address given above.