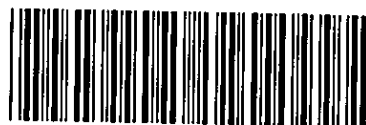


**AVIS BUDGET SERVICES LIMITED
(FORMERLY AVIS MANAGEMENT SERVICES LIMITED)
(REGISTERED NUMBER: 1972749)**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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AVIS BUDGET SERVICES LIMITED

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 is primarily engaged in the provision of management services to the subsidiary undertakings and licensees in the Avis Budget Group, Inc group of companies (see note 20 Ultimate parent undertaking) throughout Europe, Africa, Asia and the Middle East

Change of Registration

On 1 February 2012 the Company changed its name to from Avis Management Services Limited to Avis Budget Services Limited

Review of the Business and Future Developments

The Company's operations 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.

The main key performance indicators that the Company utilises 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 pension scheme to which other UK companies in the Avis Budget EMEA Limited (formerly Avis Europe plc) group of companies are also associated. The most recent full actuarial valuation of the scheme was undertaken as at 31 March 2011, and showed a decrease in the overall scheme deficit. As the scheme deficit is planned to be eliminated over the average remaining service life of employees, contributions to the scheme increased with effect from 1 July 2009. 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 £32,196,000 (2010 £28,915,000)

No interim dividend was paid during the year (2010 nil). The Directors do not recommend the payment of a final dividend (2010 nil).

Going Concern

The Directors expect the Company to continue to transact business as a management services company in the coming year. Thus they continue to adopt the going concern basis in preparing the Financial Statements. Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 1 of the Financial Statements.

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 2011 was 39 days (2010 45 days).

AVIS BUDGET 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 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 Limited (formerly Avis Europe plc) group of companies, which are as disclosed in the consolidated financial statements of the Company's ultimate holding company, Avis Budget Group, Inc.

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

P L Ford (resigned 23 May 2012)

R Sachdeva (appointed 23 May 2012)

Charitable Donations

The Company made charitable donations of £2,409 during the year (2010 £4,464)

Employment Policies and Practices

During the year the Company continued to focus on developing an effective 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.

Statement of Directors' Responsibilities

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

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities (continued)

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 these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 and 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 Auditor

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 auditor is 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 auditor is 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.

Auditor

PricewaterhouseCoopers LLP was the auditor 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
27 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIS BUDGET SERVICES LIMITED

We have audited the financial statements of Avis Budget Services Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes on pages 8 to 24. 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 auditors' 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 profit 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.



A Marks (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
28 September 2012

AVIS BUDGET SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2011

	<u>Notes</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Turnover	2	92,513	83,548
Gross profit		<u>92,513</u>	<u>83,548</u>
Administrative expenses		(52,939)	(58,738)
Exceptional items	3	(10,813)	62
Total administrative expenses		<u>(63,752)</u>	<u>(58,676)</u>
Operating profit	4	<u>28,761</u>	<u>24,872</u>
Interest receivable and similar income	5	8,693	7,548
Interest payable and similar charges	5	(235)	(369)
Profit on ordinary activities before taxation		<u>37,219</u>	<u>32,051</u>
Taxation	6	(5,023)	(3,136)
Profit for the financial year	16	<u>32,196</u>	<u>28,915</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.

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

AVIS BUDGET SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2011

	2011	2010
	<u>£000</u>	<u>£000</u>
Current tax credit on share options	3,080	-
Net gain recognised directly in equity	3,080	-
Profit for the financial year	32,196	28,915
Total recognised gain in the year	<u>35,276</u>	<u>28,915</u>

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

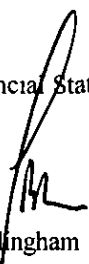
AVIS BUDGET SERVICES LIMITED

BALANCE SHEET

as at 31 December 2011

	<u>Notes</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Fixed assets			
Tangible assets	9	6,957	8,937
Current assets			
Cash at bank and in hand		94	19
Debtors			
-amounts falling due within one year	10	196,005	153,435
-amounts falling due after one year	10	9,076	7,700
		<u>205,175</u>	<u>161,154</u>
Creditors: Amounts falling due within one year	11	(39,510)	(35,480)
Provisions for liabilities and charges falling due within one year	13	-	(68)
Net current assets		<u>165,665</u>	<u>125,606</u>
Total assets less current liabilities being net assets		<u>172,622</u>	<u>134,543</u>
Provisions for liabilities and charges falling due after more than one year	13	(3,154)	(351)
Net assets		<u>169,468</u>	<u>134,192</u>
Capital and reserves			
Called-up share capital	14	10	10
Profit and loss account	16	169,458	134,182
Shareholder's funds - equity	17	<u>169,468</u>	<u>134,192</u>

The Financial Statements on pages 5 to 24 were approved by the Board on 27 September 2012 and were signed on its behalf by



S B D Fillingham
Director
Avis Budget Services Limited
Registered No 1972749

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

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 2006

(b) 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 FRS 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) Turnover

Turnover includes licence fees from Avis Budget EMEA Limited subsidiary companies, joint ventures and licensees, together with income from the provision of IT and other services 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.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax 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 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.

(g) 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.

(h) 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.

(i) 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.

(j) Pension costs

The Company is one of the participating companies 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, 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 BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(l) Share-based payments

Share-based payments are exclusively made in connection with employee stock option plans ("ESOPs") of Avis Budget EMEA Limited. 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 at the date of grant. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable.

(m) 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.

(n) Going Concern

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. TURNOVER

	2011 £000	2010 £000
Licence fee income - subsidiary undertakings	29,035	26,213
Licence fee income - licensee and joint venture undertakings	33,347	31,999
Other income	30,131	25,336
	<u>92,513</u>	<u>83,548</u>
By geographical market		
UK	6,163	9,542
Continental Europe	66,672	54,194
Other	19,678	19,812
	<u>92,513</u>	<u>83,548</u>

Other income relates primarily to the provision of IT services to subsidiary undertakings.

3. EXCEPTIONAL ITEMS

A net exceptional expense of £10,813,000 (2010: income of £62,000) has been recognised in respect of the following items:

- Restructuring costs of £3,070,000 were incurred primarily relating to redundancy costs. In the prior year, an over provision of £62,000 was released relating to restructuring costs in 2009.
- Net integration costs of £7,529,000 were incurred following the acquisition of the Avis Budget EMEA Limited group by Avis Budget Group, Inc. Included within this charge were share option costs of £5,090,000, a fair value adjustment on the Bracknell HQ lease of £1,489,000 and audit fees of £950,000.
- A provision increase of £214,000 was recognised in respect of environmental damage.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

4. OPERATING PROFIT

	2011	2010
	<u>£000</u>	<u>£000</u>
Operating profit is stated after charging		
Depreciation on tangible assets	3,533	3,742
Operating lease charges		
Plant and machinery	56	57
Other	1,185	1,187
Fees payable to the Company's auditor for		
audit services – audit of the Company's annual Financial Statements	652	487
audit services – audit of the Company's balance sheet following the acquisition by Avis Budget Group, Inc	950	-
other services – non-audit	82	50
Foreign exchange (gains)/losses	<u>(83)</u>	<u>692</u>

The Company bears the audit fee for certain other companies within the Avis Budget EMEA Limited group of companies

5. INTEREST RECEIVABLE / (PAYABLE)

	2011	2010
	<u>£000</u>	<u>£000</u>
Interest receivable		
On loans to group undertakings	8,693	7,548
	<u>8,693</u>	<u>7,548</u>
Interest payable		
Bank interest and other	(10)	(98)
On loans from group undertakings	(225)	(271)
	<u>(235)</u>	<u>(369)</u>
Net interest receivable	<u>8,458</u>	<u>7,179</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 <u>£000</u>	2010 <u>£000</u>
Analysis of charge in year		
Current tax:		
UK corporation tax on profits for the year before exceptional items	6,016	74
Tax on exceptional items	(2,936)	(74)
Foreign tax	3,372	1,146
Adjustments in respect of prior years	(53)	57
Total current tax	<u>6,399</u>	<u>1,203</u>
Deferred tax:		
Origination and reversal of timing differences	137	2,413
Adjustments in respect of previous years	(2,239)	(765)
Remeasurement of deferred tax - change in rate	726	285
Total deferred tax (charge)/credit	<u>(1,376)</u>	<u>1,933</u>
Tax charge on ordinary activities	<u>5,023</u>	<u>3,136</u>

	2011 <u>£000</u>	2010 <u>£000</u>
Tax credit taken directly to the Statement of Total Recognised Gains and Losses		
UK Corporation tax @26.5%		
Current tax credit on share options	<u>(3,080)</u>	<u>-</u>

Factors affecting the current tax charge for the year:

The current tax charge for the year is lower (2010: lower) than the standard rate of UK corporation tax (26.5%) (2010: 28%) and is explained as follows:

Profit on ordinary activities before taxation	<u>37,219</u>	<u>32,051</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	9,863	8,974
Expenses not deductible for tax purposes	60	601
Group relief received for nil consideration	(5,020)	(6,016)
Timing differences	(134)	(2,413)
Double tax relief	(1,689)	(1,146)
Foreign withholding tax	3,372	1,146
Adjustments in respect of prior years	<u>(53)</u>	<u>57</u>
Current tax charge for the year	<u>6,399</u>	<u>1,203</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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. As announced in the 2012 Budget, from 1 April 2012 the rate decreased to 24% with further reductions proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. The 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.

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES

	2011	2010
	<u>£000</u>	<u>£000</u>
Directors' emoluments		
Aggregate emoluments		
Remuneration for management services	<u>840</u>	<u>392</u>
Highest paid director		
Aggregate emoluments	<u>473</u>	<u>207</u>

The accrued pension of the highest paid Director from the closed final salary defined benefit scheme was £20,506 as at 31 December 2011 (2010: £19,557). The accrued pension lump sum of the highest paid Director from the current Retirement Capital Plan was £133,389 as at 31 December 2011 (2010: £113,317).

All Directors participate in the Company's pension schemes, and are entitled to shares under the long term incentive schemes.

Employees

	Number	Number
Average monthly number employed (including Directors)	<u>269</u>	<u>240</u>

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

	2011	2010
	<u>£000</u>	<u>£000</u>
Staff costs		
Wages and salaries	20,619	18,987
Social security costs	4,213	3,797
Other pension costs (see Note 8)	5,256	4,975
Share based payments (see Note 15)	<u>1,392</u>	<u>1,696</u>
	<u>31,481</u>	<u>29,455</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

8. 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 £5,256,000 (2010: £4,975,000) 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.

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.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

8. PENSION COSTS (continued)

a) Assumptions

	2011	2010	2009
Valuation method	Projected	Projected	Projected
	Unit	unit	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)

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

8. PENSION COSTS (continued)

c) Net deficit in the scheme

	2011	2010
	<u>£000</u>	<u>£000</u>
Equities	56,500	70,350
Bonds	64,600	47,800
Other	<u>22,300</u>	<u>15,600</u>
Total market value of assets	143,400	133,750
Actuarial value of scheme liabilities	<u>(163,000)</u>	<u>(153,700)</u>
Net deficit in the scheme	<u>(19,600)</u>	<u>(19,950)</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

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

	2011	2010
	<u>£000</u>	<u>£000</u>
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 (loss) / gain	<u>(4,000)</u>	<u>9,500</u>
Deficit in the scheme at 31 December	<u>(19,600)</u>	<u>(19,950)</u>

e) History of experience gains and losses

	2011	2010	2009	2008	2007
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
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 (loss) / gain	(4,000)	9,500	(16,300)	8,700	5,800
% of scheme liabilities	2.5%	6.2%	10.9%	7.4%	4.2%

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

9. TANGIBLE ASSETS

	Plant and equipment £000
Cost	
At 1 January 2011	36,286
Additions	1,553
Disposals	(4,649)
At 31 December 2011	<u>33,190</u>
Accumulated depreciation.	
At 1 January 2011	(27,349)
Charge for the year	(3,533)
Disposals	4,649
At 31 December 2011	<u>(26,233)</u>
Net book value:	
At 31 December 2011	<u>6,957</u>
At 31 December 2010	<u>8,937</u>

10. DEBTORS

	2011 £000	2010 £000
Debtors: Amounts falling due within one year		
Trade debtors	4,258	5,125
Amounts owed by group undertakings	177,888	143,764
Other debtors	3,021	1,607
Other taxes and social security	702	-
Corporation tax	6,043	-
Prepayments and accrued income	4,093	2,939
	<u>196,005</u>	<u>153,435</u>
Debtors: Amounts falling due after one year		
Deferred tax asset (see Note 12)	<u>9,076</u>	<u>7,700</u>

Within amounts owed by group undertakings, £118,045,000 (2010 £114,510,000) is unsecured, carrying an interest rate of 6.25% (2010 6.8%) and is payable on demand. The remaining balance of £59,843,000 (2010 £29,254,000) with other group undertakings is 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.

AVIS BUDGETT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 <u>£000</u>	2010 <u>£000</u>
Other trade creditors	2,452	3,113
Amounts owed to group undertakings	10,952	8,230
Other taxes and social security	855	1,364
Other creditors	1,455	1,455
Accruals and deferred income	23,796	21,318
	<u>39,510</u>	<u>35,480</u>

Within amounts owed to group undertakings, £6,348,000 (2010 £7,151,000) is unsecured, carrying an interest rate of 6.25% (2010 6.8%) and is payable on demand. The remaining balance of £4,604,000 (2010 £1,079,000) with other group undertakings is unsecured, interest free and payable on demand.

12. DEFERRED TAXATION

	2011 <u>£000</u>	2010 <u>£000</u>
Provided		
Accelerated capital allowances	6,564	6,968
Other timing differences	2,512	732
Deferred tax asset (see Note 10)	<u>9,076</u>	<u>7,700</u>
As at 1 January	7,700	9,633
Deferred tax credited/(charged) in profit and loss account	<u>1,376</u>	<u>(1,933)</u>
As at 31 December	<u>9,076</u>	<u>7,700</u>

As announced in the 2012 Budget, from 1 April 2012 the rate decreased 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 substantially 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 at 31 December 2011 from £9,075,422 to £7,986,371. The actual impact will be dependent on our tax position at that time.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>£000</u>
At 1 January 2011	419
Net charge in the year	2,794
Utilised in the year	<u>(59)</u>
At 31 December 2011	<u>3,154</u>

The provisions of £3,154,000 (2010 £419,000) represent

- Provisions for environmental damage of £565,000 (2010 £351,000) that are expected to crystallise within the next two to three years
- A dilapidation provision of £1,100,000 (2010 nil) expected to crystallise within the next 10 years
- A provision for the Bracknell lease of £1,489,000 (2010 nil) expected to crystallise in 1 year
- In the prior year, there were reorganisation provisions of £68,000

14. CALLED-UP SHARE CAPITAL

	31 December 2011 and 2010 <u>£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 BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

15. SHARE AND 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 Share Option Schemes. Movements in the number of outstanding share options and conditional share awards under the Approved and Unapproved Share Schemes, Share Retention Plan and the Long-Term Incentive Plans 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	Share Retention Plan	Long-Term Incentive Plans	Total
Outstanding options as at 1 January 2010	1,352.2	1,055.7	33,909.9	36,317.8
Granted in the year	-	-	4,104.4	4,104.4
Lapsed in the year	(27.8)	-	(2,147.3)	(2,175.1)
Exercised in the year	-	(351.3)	-	(351.3)
Adjustment – Rights Issue ¹	23.6	247.6	12,553.0	12,824.2
Adjustment – share consolidation ¹	(1,213.2)	(856.8)	(43,578.0)	(45,645.0)
Outstanding options as at 31 December 2010	134.8	95.2	4,842.0	5,072.0
Exercisable options as at 31 December 2010	134.8	-	-	134.8
Outstanding options as at 1 January 2011	134.8	95.2	4,842.0	5,072.0
Granted in the year	-	-	1,418.4	1,418.4
Lapsed in the year	(134.8)	-	(1,102.7)	(1,237.5)
Exercised in the year	-	(95.2)	(4,030.0)	(4,125.2)
Time pro-rata options	-	-	(1,127.7)	(1,127.7)
Outstanding options as at 31 December 2011	-	-	-	-
Exercisable options as at 31 December 2011	-	-	-	-

¹ Represents the effect of grant adjustments arising upon the Rights Issue and the share consolidation undertaken in 2010.

Weighted average remaining contract lives (years).	Approved and Unapproved Share Schemes	Share Retention Plan	Long Term Incentive Plans		
			2008	2009	2010
At 31 December 2011	-	-	-	-	-
At 31 December 2010	1.1	0.3	0.7	1.3	2.3

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

15. SHARE AND SHARE OPTION SCHEMES (continued)

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.

The Share Retention Plan

The share retention plan was established on 1 May 2009 as a one-off discretionary benefit for the sole purpose of retaining the services of the Chief Executive. The first two tranches of the award vested on 1 May 2010 and 1 May 2011 respectively. In normal circumstances the remaining tranche would have vested on 1 May 2012, provided that the Chief Executive was still employed and not under notice of termination of his employment. There were no performance conditions related to this award. On 27 September 2011 the Remuneration Committee exercised its discretion under the rules of the Share Retention Plan to permit the final tranche of the award to vest in full on 28 September 2011, and the options were exercised accordingly.

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 normally 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 Avis Europe plc 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 Avis Europe plc 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 Avis Europe plc 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.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

15. SHARE AND SHARE OPTION SCHEMES (continued)

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:

Weighted average	Long Term Incentive Plan	
	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)	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.

16. PROFIT AND LOSS ACCOUNT

	2011	2010
	<u>£000</u>	<u>£000</u>
At 1 January 2011	134,182	105,267
Profit for the financial year	32,196	28,915
Current tax credit on share based payments	3,080	-
At 31 December 2011	<u>169,458</u>	<u>134,182</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 <u>£000</u>	2010 <u>£000</u>
At 1 January	134,192	105,277
Profit for the financial year	32,196	28,915
Net gains recognised directly in equity	3,080	-
At 31 December	<u>169,468</u>	<u>134,192</u>

18. FINANCIAL COMMITMENTS

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

	<u>2011</u>			<u>2010</u>		
	Land and buildings <u>£000</u>	Other <u>£000</u>	Total <u>£000</u>	Land and buildings <u>£000</u>	Other <u>£000</u>	Total <u>£000</u>
Expiring						
Within One Year	-	44	44	-	47	47
Within Two to Five Years	1,525	7	1,532	1,575	5	1,580
After More than Five Years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,525</u>	<u>51</u>	<u>1,576</u>	<u>1,575</u>	<u>52</u>	<u>1,627</u>

19. 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 £49,000 (31 December 2010: £11,000).

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.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

20. 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 Budget EMEA Limited (formerly Avis Europe plc). Both of these parent undertakings are registered in England and Wales.

Until 2 October 2011, Avis Budget EMEA Limited (formerly Avis Europe plc) was the smallest parent undertaking to consolidate the Financial Statements of the Company. The largest parent undertaking to consolidate the Financial Statements of the Company was s a D'leteren n v which is incorporated in Belgium. The ultimate controlling party of s a D'leteren n v is the D'leteren family.

On 14 June 2011, the boards of directors of Avis Budget Group, Inc. and Avis Europe plc reached agreement on the terms of a cash acquisition by AE Consolidation Limited (a wholly owned subsidiary of Avis Budget Group, Inc.) of Avis Europe plc effected by means of Scheme of Arrangement under Part 26 of the Companies Act 2006. The effective date of the Scheme of Arrangement was 3 October 2011, at which time Avis Budget Group, Inc. became the Company's ultimate holding company and the smallest and largest parent undertaking to consolidate the Financial Statements of the Company. Avis Budget Group, Inc. is incorporated in the United States of America and registered on NASDAQ. The financial statements of Avis Budget Group, Inc. are publicly available at www.avisbudgetgroup.com.

21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within 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 Budget Group, Inc., in which the Company is included, are publicly available at www.avisbudgetgroup.com.

22. SUBSEQUENT EVENTS

As set out in note 3 to the financial statements, during the year the company made a provision of £1,489,000 against the then existing lease for the European head office building. The requirement for this provision remained at year-end. Subsequent to the year-end, the lease was renewed for a further seven years. As a consequence, the provision was no longer required and has since been released.