

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

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2012

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 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 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 £21,690,000 (2011 £32,196,000)

No interim dividend was paid during the year (2011 nil). The Directors do not recommend the payment of a final dividend (2011 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.

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 2012 was 45 days (2011 39 days).

AVIS BUDGET SERVICES LIMITED (formerly 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 Budget EMEA Limited 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 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 (resigned 12 April 2013)
P L Ford (resigned 23 May 2012)
R Sachdeva (appointed 23 May 2012)
J Spiers (appointed 30 May 2013)
J Turner (appointed 15 April 2013)

Charitable Donations

The Company made charitable donations of £2,130 during the year (2011 £2,409)

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 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 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.

Auditors

Deloitte LLP will continue in office as permitted by Section 487 of the Companies Act 2006.

By Order of the Board



R Sachdeva
Director

30 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

We have audited the financial statements of Avis Budget Services Limited for the year ended 31 December 2012 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 20. 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 2012 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.

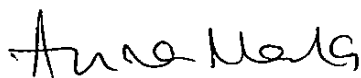
Opinion on other matter prescribed by the Companies Act 2006

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
2 October 2013

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

	<u>Notes</u>	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
Turnover	2	88,921	92,513
Gross profit		<u>88,921</u>	<u>92,513</u>
Administrative expenses		(60,321)	(52,939)
Exceptional items	3	(6,187)	(10,813)
Total administrative expenses		<u>(66,508)</u>	<u>(63,752)</u>
Operating profit	4	<u>22,413</u>	<u>28,761</u>
Interest receivable and similar income	5	5,278	8,693
Interest payable and similar charges	5	(662)	(235)
Profit on ordinary activities before taxation		<u>27,029</u>	<u>37,219</u>
Taxation	6	(5,339)	(5,023)
Profit for the financial year	16	<u>21,690</u>	<u>32,196</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 20 form an integral part of these Financial Statements.

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2012

	2012 <u>£000</u>	2011 <u>£000</u>
Current tax credit on share options	-	3,080
Net gain recognised directly in equity	-	3,080
Profit for the financial year	21,690	32,196
Total recognised gain in the year	<u>21,690</u>	<u>35,276</u>

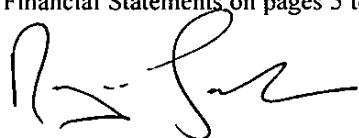
The accompanying Notes on pages 8 to 20 form an integral part of these Financial Statements

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

BALANCE SHEET as at 31 December 2012

	<u>Notes</u>	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
Fixed assets			
Tangible assets	9	15,399	6,957
Current assets			
Cash at bank and in hand		541	94
Debtors			
-amounts falling due within one year	10	204,690	196,005
-amounts falling due after one year	10	6,414	9,076
		<u>211,645</u>	<u>205,175</u>
Creditors: Amounts falling due within one year	11	<u>(34,289)</u>	<u>(39,510)</u>
Net current assets		<u>177,356</u>	<u>165,665</u>
Total assets less current liabilities		<u>192,755</u>	<u>172,622</u>
Provisions for liabilities and charges falling due after more than one year	13	<u>(1,597)</u>	<u>(3,154)</u>
Net assets		<u>191,158</u>	<u>169,468</u>
Capital and reserves			
Called-up share capital	14	10	10
Profit and loss account	16	191,148	169,458
Shareholder's funds - equity	17	<u>191,158</u>	<u>169,468</u>

The Financial Statements on pages 5 to 20 were approved by the Board on 30 September 2013 and were signed on its behalf by



R Sachdeva
Director
Avis Budget Services Limited
Registered No 1972749

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

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.

(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.

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

(l) Share-based payments

The cost of options granted to employees or employees of subsidiary entities is measured by reference to the fair value at the date at which they are granted. This cost is recognised in the Profit and loss account over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date, reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest.

(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.

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

2. TURNOVER

	2012 £000	2011 £000
Licence fee income - subsidiary undertakings	26,620	29,035
Licence fee income - licensee and joint venture undertakings	33,645	33,347
Other income	28,656	30,131
	<u>88,921</u>	<u>92,513</u>
By geographical market		
UK	9,859	6,163
Continental Europe	57,181	66,672
Other	21,881	19,678
	<u>88,921</u>	<u>92,513</u>

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

3. EXCEPTIONAL ITEMS

A net exceptional expense of £6,187,000 (2011 £10,813,000) has been recognised in respect of the following items

- a) Restructuring costs of £3,635,000 (2011 £3,070,000) were incurred primarily relating to redundancy costs
- b) Net integration costs of £2,552,000 (2011 £7,529,000) were incurred relating to the continuation of integration projects following the acquisition of the Avis Budget EMEA Limited group by Avis Budget Group, Inc in 2011
- c) In 2011 a provision increase of £214,000 was recognised in respect of environmental damage. There was no change in the provision in 2012

4. OPERATING PROFIT

	2012 £000	2011 £000
Operating profit is stated after charging		
Depreciation on tangible assets	5,176	3,533
Operating lease charges		
Plant and machinery	-	56
Other	656	1,185
Fees payable to the Company's auditor for		
audit services – audit of the Company's annual Financial Statements	171	652
audit services – audit of the Company's balance sheet following the acquisition by Avis Budget Group, Inc	-	950
other services – non-audit	353	82
Foreign exchange losses/(gains)	<u>259</u>	<u>(83)</u>

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

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

5. INTEREST RECEIVABLE / (PAYABLE)

	2012	2011
	<u>£000</u>	<u>£000</u>
Interest receivable		
On loans to group undertakings	5,115	8,693
Bank interest and other	<u>163</u>	<u>-</u>
	5,278	8,693
Interest payable		
Bank interest and other	-	(10)
On loans from group undertakings	<u>(662)</u>	<u>(225)</u>
	(662)	(235)
Net interest receivable	<u>4,616</u>	<u>8,458</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012	2011
	<u>£000</u>	<u>£000</u>
Analysis of charge in year		
Current tax:		
UK corporation tax on profits for the year before exceptional items	1,230	6,016
Tax on exceptional items	(1,230)	(2,936)
Foreign tax	2,213	3,372
Adjustments in respect of prior years	<u>464</u>	<u>(53)</u>
Total current tax	<u>2,677</u>	<u>6,399</u>
Deferred tax		
Origination and reversal of timing differences	1,073	137
Adjustments in respect of previous years	1,031	(2,239)
Remeasurement of deferred tax - change in rate	<u>558</u>	<u>726</u>
Total deferred tax credit/(charge)	<u>2,662</u>	<u>(1,376)</u>
Tax charge on ordinary activities	<u>5,339</u>	<u>5,023</u>

	2012	2011
	<u>£000</u>	<u>£000</u>
Tax credit taken directly to the Statement of Total Recognised Gains and Losses		
UK Corporation tax @ 24.5%		
Current tax credit on share options	<u>-</u>	<u>(3,080)</u>

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the current tax charge for the year:

The current tax charge for the year is lower (2011 lower) than the standard rate of UK corporation tax (24.5%) (2011 26.5%) and is explained as follows

	2012 £000	2011 £000
Profit on ordinary activities before taxation	27,029	37,219
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	6,622	9,863
Expenses not deductible for tax purposes	659	60
Group relief received for nil consideration	(4,658)	(5,020)
Timing differences	(1,073)	(137)
Double tax relief	(1,571)	(1,689)
Foreign withholding tax	2,213	3,372
Adjustments in respect of prior years	464	(53)
Difference in deferred tax rate	21	3
Current tax charge for the year	2,677	6,399

The Finance Act 2012 included legislation to reduce the main rate of corporation tax in the UK from 26% to 24%, with effect from 1 April 2012 and from 24% to 23%, with effect from 1 April 2013

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES

	2012 £000	2011 £000
Directors' emoluments		
Aggregate emoluments		
Remuneration for management services	308	840
Highest paid director		
Aggregate emoluments	175	473

The accrued pension of the highest paid Director from the closed final salary defined benefit scheme was £21,741 as at 31 December 2012 (2011 £20,506). The accrued pension lump sum of the highest paid Director from the current Retirement Capital Plan was £139,408 as at 31 December 2012 (2011 £133,389).

Employees

	2012 Number	2011 Number
Average monthly number employed (including Directors)	273	269

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

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES (continued)

	2012 <u>£000</u>	2011 <u>£000</u>
Staff costs		
Wages and salaries	18,775	20,619
Social security costs	1,861	4,213
Other pension costs (see Note 8)	2,837	5,256
Share based payments (see Note 15)	676	1,392
	<u>24,149</u>	<u>31,480</u>

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 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 2012, a charge of £2,837,000 (2011: £5,256,000) has been recorded in the Company's profit and loss account, reflecting contributions to the Defined Contribution section, and additional deficit funding of the Final Salary and Retirement Capital Plan section.

An actuarial valuation was prepared as at 31 March 2011. It was agreed with the Trustee that deficit payments of £2,453,000 became payable each 1 July and 1 January commencing 1 July 2012 and ending 1 January 2017. Starting in April 2013, an additional conditional contribution would have become payable depending on the level of profit for the Avis Budget EMEA Limited 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 company profitability for 2012 fell below the required threshold, no such additional contribution is payable in 2013.

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. 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 (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

8. PENSION COSTS (continued)

a) Assumptions

	2012	2011
Valuation method	Projected	Projected
	Unit	unit
Inflation rate*	2.2%	2.3%
Discount rate	4.5%	4.7%
Expected rate of salary increases	4.0%	4.8%
Rate of pension increases in payment	2.0%	2.0%
Rate of pension increases in deferment	2.2%	2.3%
Long term rate of return		
- Equities	7.3%	6.9%
- Bonds	2.7%	4.0%
- Other	4.9%	4.6%

*The inflation rate assumption was set with reference to the Consumer 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 current rates of mortality for all members in receipt of a pension are assumed to follow 100% of the S1 Self-Administered Pension Schemes Amounts table for all retirees issued by the Continuous Mortality Investigation (CMI) adjusted to the measurement date in line with the 2010 CMI Core Projections Model with a long term improvement rate of 1.25%. This compares to the previous treatment in which the post-retirement mortality assumption reflected the "00" series tables along with certain improvements which made allowances for increases in longevity projections. The longevity assumption in the scheme applied a post retirement life expectancy for a member aged 65 in 2012 of 23 years (2011: 22 years) for males, and 25 years (2011: 24 years) for females.

b) Components of defined benefit cost under FRS17

	2012	2011
	<u>£000</u>	<u>£000</u>
Current service cost	<u>100</u>	<u>1,200</u>
Interest on pension scheme liabilities	7,500	8,100
Expected return on pension scheme assets	<u>(7,300)</u>	<u>(8,200)</u>
Other finance cost	<u>200</u>	<u>(100)</u>
Actual return less expected return on pension scheme assets	(6,100)	300
Experience (gain)/ loss arising on the scheme liabilities	(200)	3,600
Changes in assumptions underlying the present value of the scheme liabilities	<u>5,700</u>	<u>100</u>
Actuarial (gain)/loss	<u>(600)</u>	<u>4,000</u>

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

8. PENSION COSTS (continued)

c) Net deficit in the scheme

	2012	2011
	£000	£000
Equities	64,876	56,500
Bonds	69,037	64,600
Other	<u>20,187</u>	<u>22,300</u>
Total market value of assets	154,100	143,400
Actuarial value of scheme liabilities	<u>(170,600)</u>	<u>(163,000)</u>
Net deficit in the scheme	<u>(16,500)</u>	<u>(19,600)</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

	2012	2011
	£000	£000
Deficit in the scheme at 1 January	(19,600)	(19,950)
Contributions paid	2,800	5,000
Current service cost	(100)	(1,200)
Other finance cost	(200)	550
Actuarial gain/(loss)	<u>600</u>	<u>(4,000)</u>
Deficit in the scheme at 31 December	<u>(16,500)</u>	<u>(19,600)</u>

e) History of experience gains and losses

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	6,100	(300)	6,500	9,900	(20,200)
% of scheme assets	4.0%	0.2%	4.8%	9.5%	(23.4)%
Experience gain/(loss) arising on the scheme liabilities	200	(3,600)	300	2,600	900
% of scheme liabilities	0.1%	2.2%	0.2%	1.7%	0.8%
Actuarial gain/(loss)	600	(4,000)	9,500	(16,300)	8,700
% of scheme liabilities	0.4%	2.5%	6.2%	10.9%	7.4%

AVIS BUDGET SERVICES LIMITED (formerly Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

9. TANGIBLE ASSETS

	Plant and equipment £000
Cost:	
At 1 January 2012	33,190
Additions	<u>13,618</u>
At 31 December 2012	<u>46,808</u>
Accumulated depreciation:	
At 1 January 2012	(26,233)
Charge for the year	<u>(5,176)</u>
At 31 December 2012	<u>(31,409)</u>
Net book value:	
At 31 December 2012	<u>15,399</u>
At 31 December 2011	<u>6,957</u>

10. DEBTORS

	2012 £000	2011 £000
Debtors: Amounts falling due within one year		
Trade debtors	4,687	4,258
Amounts owed by group undertakings	195,841	177,888
Other debtors	1,727	3,021
Other taxes and social security	738	702
Corporation tax	-	6,043
Prepayments and accrued income	<u>1,697</u>	<u>4,093</u>
	<u>204,690</u>	<u>196,005</u>
Debtors: Amounts falling due after one year		
Deferred tax asset (see Note 12)	<u>6,414</u>	<u>9,076</u>

Within amounts owed by group undertakings, £166,133,000 (2011 £118,045,000) is unsecured, carrying an interest rate of 6.65% (2011 6.25%) and is payable on demand. The remaining balance of £29,708,000 (2011 £59,843,000) 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 BUDGET SERVICES LIMITED (Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000	2011 £000
Other trade creditors	1,006	2,452
Amounts owed to group undertakings	14,325	10,952
Other taxes and social security	1,939	855
Other creditors	221	1,455
Accruals and deferred income	16,798	23,796
	<u>34,289</u>	<u>39,510</u>

Within amounts owed to group undertakings, £10,466,000 (2011 £6,348,000) is unsecured, carrying an interest rate of 6.65% (2011 6.25%) and is payable on demand. The remaining balance of £3,859,000 (2011 £4,604,000) with other group undertakings is unsecured, interest free and payable on demand.

12. DEFERRED TAXATION

	2012 £000	2011 £000
Provided		
Accelerated capital allowances	5,396	6,564
Other timing differences	1,018	2,512
Deferred tax asset (see Note 10)	<u>6,414</u>	<u>9,076</u>
As at 1 January	9,076	7,700
Deferred tax (charged)/credited in profit and loss account	<u>(2,662)</u>	<u>1,376</u>
As at 31 December	<u>6,414</u>	<u>9,076</u>

As announced in the 2013 Budget, from 1 April 2014 the rate decreased to 21% with further reductions proposed to reduce the rate by 1% per annum to 20% by 1 April 2015. 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 20% would further reduce our deferred tax asset as at 31 December 2012 from £6,413,581 to £5,577,027. The actual impact will be dependent on our tax position at that time.

AVIS BUDGET SERVICES LIMITED (Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>£000</u>
At 1 January 2012	3,154
Net liability in the year	(68)
Released in the year	<u>(1,489)</u>
At 31 December 2012	<u>1,597</u>

The provisions of £1,597,000 (2011 £3,154,000) represent

- Provisions for environmental damage of £565,000 (2011 £565,000) that are expected to crystallise within the next one to two years
- A dilapidation provision of £1,100,000 (2011 £1,100,000) expected to crystallise within the next 10 years
- A charge of £68,000 (2011 nil) for the Bracknell lease to spread a rent free period over the life of the lease
- 2011 included a provision for the Bracknell lease of £1,489,000 which was released in 2012 when the lease was renegotiated

14. CALLED-UP SHARE CAPITAL

	31 December 2012 and 2011 <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

15. SHARE AND SHARE OPTION SCHEMES

Following the acquisition of Avis Europe plc by Avis Budget Group, Inc on 3 October 2011, no options are outstanding under Share Option Schemes as at 31 December 2012 (2011 nil)

AVIS BUDGET SERVICES LIMITED (Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

16. PROFIT AND LOSS ACCOUNT

	2012 <u>£000</u>	2011 <u>£000</u>
At 1 January 2012	169,458	134,182
Profit for the financial year	21,690	32,196
Current tax credit on share based payments	-	3,080
At 31 December 2012	<u>191,148</u>	<u>169,458</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 <u>£000</u>	2011 <u>£000</u>
At 1 January	169,468	134,192
Profit for the financial year	21,690	32,196
Net gains recognised directly in equity	-	3,080
At 31 December	<u>191,158</u>	<u>169,468</u>

18. FINANCIAL COMMITMENTS

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

	<u>2012</u>			<u>2011</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	915	48	963	-	44	44
Within Two to Five Years	2,745	115	2,860	1,525	7	1,532
After More than Five Years	<u>7,777</u>	<u>-</u>	<u>7,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,437</u>	<u>163</u>	<u>11,600</u>	<u>1,525</u>	<u>51</u>	<u>1,576</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 2012, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £nil (2011 £49,000)

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 (Avis Management Services Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

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. Both of these parent undertakings are registered in England and Wales.

The smallest and largest parent undertaking to consolidate the Financial Statements of the Company is Avis Budget Group, Inc., which 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.