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**AVIS RENT A CAR LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**  
**COMPANY NUMBER: 802486**

FC001440

**REGISTERED OFFICE:**

Trident House  
Station Road  
Hayes, Middx  
UB3 4DJ



**AVIS RENT A CAR LIMITED**  
**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **AVIS RENT A CAR LIMITED**

### **DIRECTORS' REPORT**

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

#### **Principal Activities**

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

#### **Business Review and Future Developments**

Avis Rent a Car Ltd is the UK operation of the Avis Europe Group, an international car rental services company.

During the year to 31 December 2007 the Company has continued to perform as expected, and has seen turnover increase to £124,914,000 (2006: £118,392,000). The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, has reported profit on ordinary activities before taxation for the year ended 31 December 2007 of £825,000 (2006: £749,000) through making arrangements for the provision of insurance policies to the customers of the Company. These results are in line with management expectations. During the year Avis Europe Risk Management Limited paid a dividend to the Company of £1,200,000 (2006: nil).

Net Debt has increased by £42,989,000, to £80,179,000 (2006: £37,189,000) mainly due to fleet growth.

Exceptional items of £(1,124,000) were incurred in the year (2006: £3,008,000). Further details can be found in Note 2.

The Company has continued to perform in line with market conditions throughout the year. The Directors expect the Company to continue to transact business as a car rental company in the coming year and forecast fleet growth, despite a weakening economic environment, and plans to implement a program of tight cost control.

The Company may be faced with a number of risks, not all of which are within its control. The company faces various risks associated with demand to its services, which in itself is highly seasonal. There may be disruptions in air travel as a result of a significant event such a terrorist incident or as a consequence of increased security measures being taken by authorities to prevent such an event.

The Company may also be faced from risks, from its competitors, it is worth noting that the Company is part of Group that operates two of the three established global brands Avis, Budget and Hertz. The merger of Europcar and Vanguard creates a fourth global competitor.

#### **Results and Dividends**

The Company made a loss after taxation for the year of £10,420,000 (2006: £11,463,000). The Directors do not recommend the payment of a dividend (2006: nil).

#### **Directors**

The Directors of the Company during the year, up to the date of the signing of the Financial Statements were as follows:

N A Bell	(resigned 21 June 2007)
S B D Fillingham	
S J A Gent	(resigned 16 March 2007)
M E McEnaney	
G N Smith	(appointed 1 July 2007)
K Bradshaw	(appointed 5 November 2007)

None of the Directors had any interests in the shares of the Company or in any material contracts with the Company.

## **AVIS RENT A CAR LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Financial Risk Management Objectives and Policies**

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's financial exposure is to other companies in the Avis Europe plc group. As such the Directors have not implemented a policy for the Company. Instead, the Company's financial risk management objectives and policies are aligned to those of the Avis Europe plc group of companies, which are as disclosed in the consolidated financial statements of Avis Europe plc.

#### **Price Risk**

The Company is exposed to the risk of price movements in the market. The Company has a team who review market prices and demand on a regular basis.

#### **Credit Risk**

The Company manages credit risk by requesting payment in advance from individual customers, and performing credit checks where considered appropriate on corporate customers.

#### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those Financial Statements, the Directors are required to:

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Policy and practice on payment of creditors**

The Company pays its creditors in accordance with their agreed terms of business. The Company had an average of 22 days of purchases outstanding as at 31 December 2007 (31 December 2006: 13 days).

**AVIS RENT A CAR LIMITED**  
**DIRECTORS' REPORT (continued)**

**Employees**

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

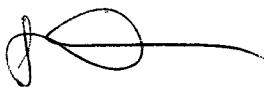
During the year the Company has maintained the practice of keeping employees informed about current activities and progress by various methods, including newsletters, management presentations and in-house publications.

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

**Independent Auditors**

PricewaterhouseCoopers LLP will continue in office as auditors since the Company has elected to dispense with the annual reappointment of auditors, as permitted by Section 386 of the Companies Act 1985.

By order of the Board.

A handwritten signature in black ink, consisting of a stylized 'J' followed by a large loop and a horizontal line extending to the right.

J A Nicholson  
Company Secretary

28 March 2008

## **AVIS RENT A CAR LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVIS RENT A CAR LIMITED**

We have audited the financial statements of Avis Rent a Car Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

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

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

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

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

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

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion:

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

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Reading  
31 March 2008

**AVIS RENT A CAR LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

		Year ended 31 December 2007 <u>£000</u>	Year ended 31 December 2006 <u>£000</u>
	Note		
TURNOVER	1	124,914	118,392
Cost of sales		<u>(76,503)</u>	<u>(76,117)</u>
GROSS PROFIT		48,411	42,275
Administrative Expenses			
		1,124	(3,008)
Exceptional Item			
Other administrative expenses		(50,231)	(49,346)
		<u>(49,107)</u>	<u>(52,354)</u>
OPERATING LOSS	2	(696)	(10,079)
Income from shares in group undertakings		1,200	-
Interest payable and similar charges	4	(3,835)	(1,210)
		<u>                    </u>	<u>                    </u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,331)	(11,289)
Tax on loss on ordinary activities	5	<u>(7,089)</u>	<u>(174)</u>
LOSS FOR THE FINANCIAL YEAR	13	<u>(10,420)</u>	<u>(11,463)</u>

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

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

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

**AVIS RENT A CAR LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2007**

		31 December 2007	31 December 2006
	Note	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	6	135,051	105,219
Investments	7	3,800	3,800
		138,851	109,019
<b>CURRENT ASSETS</b>			
Debtors	8	70,066	42,636
Cash at bank and in hand		2,613	86
		72,679	43,322
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(152,329)	(79,667)
<b>NET CURRENT LIABILITIES</b>		(79,650)	(36,345)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		59,201	72,074
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	(952)	(1,053)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	(7,082)	(9,434)
<b>NET ASSETS</b>		51,167	61,587
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	18,650	18,650
Share premium account	13	39,683	39,683
Profit and loss account	13	(7,166)	3,254
<b>Total shareholders' funds - equity</b>	14	51,167	61,587

The financial statements on pages 7 to 24 were approved by the board on 28 March 2008 and were signed on it's behalf by.



G N Smith  
Director



## **AVIS RENT A CAR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1 ACCOUNTING POLICIES**

These Financial Statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The following principle accounting policies have been applied consistently in the preparation of the Financial Statements.

##### **Basis of Accounting**

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated Financial Statements as it is a wholly owned indirect subsidiary undertaking of Avis Europe plc, which itself prepares consolidated Financial Statements.

##### **Turnover**

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

##### **Cost of Sales**

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

##### **Fixed Asset Investments**

Fixed asset investments are shown at cost less provisions for any impairment where the recoverable value is less than the cost.

##### **Tangible Assets**

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

Vehicle depreciation is based on estimates of future residual values or on guaranteed residual values. Depreciation rates vary between 12% and 40% per annum, depending upon the type of vehicle.

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

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

## **AVIS RENT A CAR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1 ACCOUNTING POLICIES (continued)**

##### **Leased Assets**

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

Payments for assets held under operating leases are charged to the profit and loss account on a straight line basis.

##### **Provisions**

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

##### **Pension Arrangements**

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

##### **Dividends**

Final dividends received are recognised in the Financial Statements in the period in which they were paid. Interim dividends are also recognised when paid.

##### **Deferred Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19: Deferred Tax.

##### **Share-based payments**

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

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

##### **Foreign Currency**

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

##### **Cash Flow Statement**

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

**AVIS RENT A CAR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**2 OPERATING LOSS**

Operating loss is stated after charging / (crediting):

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries	20,607	19,109
Social security costs	1,899	1,815
Pension costs (see Note 15)	3,478	3,468
<b>Staff Costs</b>	<b>25,984</b>	<b>24,392</b>
Depreciation on vehicles - owned	7,905	14,577
Depreciation on vehicles - under finance lease	13,732	3,790
Depreciation on other owned tangible fixed assets	2,065	2,478
Operating lease rentals:		
Land & Buildings	3,175	3,590
Other	3,826	4,219
Fees payable to the Company's auditors for the audit of the company's annual Financial Statements	76	82
Other Services - the auditing of the accounts of the subsidiary pursuant to legislation	5	5
Other Services - the auditing of turnover, as required by concession agreements	4	8
Foreign exchange	(54)	47
<b>Exceptional Items</b>		
	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Restructuring costs	1,590	1,600
Onerous Lease	130	1,408
Insurance provision release	(2,844)	-
Exceptional Items	(1,124)	3,008

Restructuring costs of £1,590,000 (2006: £1,600,000) were incurred in the year. This was partly in connection with the final elements of the restructuring project the Group commenced in late 2005 and also certain restructuring activities which commenced in December 2007.

During the second half of 2007 the Group reviewed its methodology for calculating the level of provision required in respect of third party motor liability losses, including those not yet reported. The provision level is inevitably subject to a degree of uncertainty as a result of the significant timescales for claims being made. However, as a result of more accurate industry data being made available, the Group has updated the method of calculating the provision, based upon historic claims profile and the application of insurance industry rental loss development factors. This should ensure a more consistent and robust assessment of the provision requirement. The provision assessment resulted in an exceptional credit to the Company's profit and loss account of £2,844,000. A periodic re-assessment of the provision required will be carried out, based upon the latest claims profile and loss development factors, with a subsequent adjustment made annually in December if required.

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**3 DIRECTORS AND EMPLOYEES**

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

	Year ended 31 December 2007	Year ended 31 December 2006
Operations	496	491
Sales and Reservations	38	39
Administration and Finance	126	125
	<u>660</u>	<u>655</u>

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Aggregate emoluments paid to Directors were as follows:		
Remuneration for management services	304	778
Retirement benefits - cash balance scheme	12	14
	<u>316</u>	<u>792</u>

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

Retirement benefits are accruing to three Directors (2006: two Directors) under the Company's final salary pension scheme (see Note 15). However, two of the contributions for these Directors in 2006 are settled by another group company.

Retirement benefits are accruing to three Directors (2006: two Directors) under the company's cash balance pension scheme (see Note 15). Contributions for these Directors are settled by the company.

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Highest paid Director		
Aggregate emoluments	120	565
Company pension contributions to the cash balance scheme	<u>9</u>	<u>5</u>

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
On loans due to group undertakings	2,020	189
On finance leases	1,739	927
On bank loans and overdrafts	76	94
	<u>3,835</u>	<u>1,210</u>

**AVIS RENT A CAR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**5 TAXATION ON LOSS ON ORDINARY ACTIVITIES**

**i) Analysis of tax charge in year**

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
<u>Current Tax</u>		
Adjustments in respect of prior years	(12)	-
	<u>(12)</u>	<u>-</u>
<u>Deferred Tax</u>		
Origination and reversal of timing differences	8,044	(894)
Adjustments in respect of prior years	(1,342)	1,068
Revaluation of deferred tax balance to 28%	399	-
Total deferred tax	<u>7,101</u>	<u>174</u>
Tax on loss on ordinary activities	<u><u>7,089</u></u>	<u><u>174</u></u>

**ii) Factors affecting the current tax charge for the year**

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

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Loss on ordinary activities before tax	<u>(3,331)</u>	<u>(11,289)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 : 30%)	(999)	(3,387)
Group relief surrendered for nil consideration	9,206	1,515
Expenses not deductible for tax purposes	197	978
Non-taxable dividend	(360)	-
Depreciation in excess of capital allowances	4,819	9,249
Other timing differences	(12,863)	(8,355)
Adjustments in respect of prior years	(12)	-
Current tax charge for the year	<u><u>(12)</u></u>	<u><u>-</u></u>

**AVIS RENT A CAR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**7 INVESTMENTS (CONTINUED)**

Details of the Company's investments are as follows:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Shareholding at 31 December 2007</u>
Avis Truck Leasing Limited (non trading)	UK	Ordinary Shares	100%
Avis Pension Trustees Limited (non trading)	UK	Ordinary Shares	100%
Avis Rent A Car (Isle of Man) Limited (non trading)	IOM	Ordinary Shares	100%
Barcelsure Limited (non trading)	UK	Ordinary Shares	100%
Avis Europe Risk Management Limited (insurance broker)	UK	Ordinary Shares	100%

**8 DEBTORS**

	As at 31 December 2007 <u>£000</u>	As at 31 December 2006 <u>£000</u>
Trade debtors	36,458	17,802
Amounts owed by group undertakings	7,268	5,812
Corporation Tax	12	-
Deferred tax asset	5,587	12,688
Other debtors	8,821	58
Prepayments and accrued income	<u>11,920</u>	<u>6,276</u>
	<u><u>70,066</u></u>	<u><u>43,236</u></u>

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

**AVIS RENT A CAR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**8 DEBTORS (CONTINUED)**

Deferred tax assets have been recognised during the year as follows:

	31 December 2007 £000	31 December 2006 £000
Accelerated capital allowances	23,656	34,103
Short term timing differences	(18,069)	(21,415)
Deferred tax asset	<u>5,587</u>	<u>12,688</u>

As announced in the 2007 Budget, the Corporation tax rate will decrease to 28% in 2008. The deferred tax asset has been revalued at the new rate.

The amount of unprovided deferred taxation at 31 December 2007 was £nil (2006: £nil)

**9 CREDITORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	31 December 2007 £000	31 December 2006 £000
Trade creditors	19,614	10,609
Amounts due to fellow group subsidiary undertakings	106,481	43,631
Taxation and social security	1,665	2,983
Other creditors	51	294
Accruals and deferred income	<u>24,518</u>	<u>22,150</u>
	<u>152,329</u>	<u>79,667</u>

Within amounts owed to group undertakings, £104,213,000 (2006: £41,906,000) is unsecured, carrying an interest rate of 6.8% and is payable on demand. The remaining balance of £2,268,000 (2006: £1,725,000) with other group undertakings is unsecured, interest free and payable on demand.

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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

	31 December 2007 £000	31 December 2006 £000
Accruals and deferred income:		
Within 2 years	203	203
In more than 2 years, but less than 5 years	304	304
In more than 5 years	445	546
	<u>952</u>	<u>1,053</u>

**11 PROVISIONS FOR LIABILITIES AND CHARGES**

	Insurance Reserves £000	Other Trading £000	Total £000
At 1 January 2007	7,519	1,915	9,434
Charged in the year	3,384	274	3,658
Exceptional release in the year (see Note 2)	(2,844)	-	(2,844)
Utilised in the year	(3,011)	(155)	(3,166)
At 31 December 2007	<u>5,048</u>	<u>2,034</u>	<u>7,082</u>

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

Other trading provisions primarily comprise dilapidation provisions to cover the costs of remediation of certain properties held under operating leases, the ultimate expenditure of which is expected to be coterminous with the underlying remaining lease periods (see Note 17).



**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**12 CALLED UP SHARE CAPITAL**

	2007		2006	
	Number	£000	Number	£000
Authorised Ordinary Shares of £1 each	30,000,000	30,000	30,000,000	30,000
	2007		2006	
	Number	£000	Number	£000
Issued and fully paid share capital At 31 December	18,650,100	18,650	18,650,100	18,650

**Share and share option schemes**

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

At 31 December 2007		No of options		Exercise price range		Exercise period	
Date of grant	(‘000)	From	To	From	To	From	To
<b>Approved and Unapproved Share Option Schemes</b>							
2004	-	-	-	-	-	-	-
2003	47.1	86.8p	86.8p	2006	2013		
2002	25.0	83.6p	83.6p	2005	2012		
2001	65.0	121.8p	136.4p	2004	2011		
2000	44.9	166.6p	166.8p	2003	2010		
1999	-	-	-	-	-		
1998	22.9	208.1p	208.1p	2001	2008		
1997	-	-	-	-	-		
	204.9						
<b>Long Term Incentive Plan</b>							
2007	713.4	-	-	2010	2011		
<b>Total</b>	<b>918.3</b>						

At 31 December 2006		No of options		Exercise price range		Exercise period	
Date of grant	(‘000)	From	To	From	To	From	To
<b>Approved and Unapproved Share Option Schemes</b>							
2004	17.9	78.2p	78.2p	2007	2007		
2003	94.3	86.8p	86.8p	2006	2013		
2002	31.0	83.6p	83.6p	2005	2012		
2001	65.0	121.8p	136.4p	2004	2011		
2000	62.0	166.6p	166.8p	2003	2010		
1999	-	-	-	-	-		
1998	22.9	208.1p	208.1p	2001	2008		
1997	23.9	103.9p	103.9p	2000	2007		
<b>Total</b>	<b>317.0</b>						

**AVIS RENT A CAR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**12 CALLED UP SHARE CAPITAL (continued)**

Number ('000)	Approved and Unapproved Share Schemes	Long Term Incentive Plan	Total
<b>Outstanding options as at 1 January 2006</b>	329.3	-	329.3
Forfeited in the year	(12.3)	-	(12.3)
<b>Outstanding options as at 31 December 2006</b>	317.0	-	317.0
<b>Exercisable options as at 31 December 2006</b>	299.1	-	299.1
<b>Outstanding options as at 1 January 2007</b>	317.0	-	317.0
Granted in the year	-	713.4	713.4
Forfeited in the year	(112.1)	-	(112.1)
<b>Outstanding options as at 31 December 2007</b>	204.9	713.4	918.3
<b>Exercisable options as at 31 December 2007</b>	204.9	-	204.9

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

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

	Approved and Unapproved Share Schemes
<b>Weighted average exercise price (pence)</b>	
<b>Outstanding options as at 1 January 2006</b>	124.3
Forfeited in the year	208.1
<b>Outstanding options as at 31 December 2006</b>	121.1
<b>Exercisable options as at 31 December 2006</b>	123.6
<b>Outstanding options as at 1 January 2007</b>	121.1
Forfeited in the year	101.1
<b>Outstanding options as at 31 December 2007</b>	131.9
<b>Exercisable options as at 31 December 2007</b>	131.9

	Approved and Unapproved Share Schemes	Long Term Incentive Plan
<b>Weighted average remaining contract lives (years):</b>		
At 31 December 2007	3.7	3.0
At 31 December 2006	4.7	n/a

The Group uses a stochastic valuation model at each issue date re-assessing the input assumptions on each occasion. The weighted average of the assumptions used in each valuation and the resulting weighted average fair value per option, for options issued in the year, were as follows:

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**12 CALLED UP SHARE CAPITAL (continued)**

<b>Weighted average</b>	<b>Long Term Incentive Plan</b>	
	<b>2007</b>	<b>2006</b>
Share price (pence)	39.3	n/a
Option exercise price (pence)	-	n/a
Vesting period (years)	3.0	n/a
Option life (years)	3.5	n/a
Expected volatility (%)	34%	n/a
Risk free rate of return (%)	5.6%	n/a
Probability of ceasing employment before vesting (%)	5.0%	n/a
Expectations of meeting performance criteria (%)	40%	n/a
Fair value per option (pence)	39.3	n/a

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

**13 RESERVES**

	<b>Share Premium £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
As at 1 January 2007	39,683	3,254	42,937
Loss for the Year	-	(10,420)	(10,420)
As at 31 December 2007	<u>39,683</u>	<u>(7,166)</u>	<u>32,517</u>

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	<b>31 December 2007 £000</b>	<b>31 December 2006 £000</b>
Opening equity shareholder's funds	61,587	73,050
Loss for the year	(10,420)	(11,463)
Closing equity shareholder's funds	<u>51,167</u>	<u>61,587</u>

# **AVIS RENT A CAR LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **15 PENSION COSTS**

The Company is the principal sponsoring company of a defined benefit pension scheme to which other UK companies in the Avis Europe plc group of companies are also associated.

The Company is unable to identify its share of underlying assets and liabilities of the scheme, 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 participating members of the Group as a whole. During 2007, a charge of £3,478,000 (2006: £3,468,000) has been recorded in the Company's profit and loss account.

The most recent full actuarial valuation was undertaken on 30 June 2005 (30 June 2002).

The scheme deficit is planned to be eliminated over the average remaining service life of employees of 7.5 years through additional contributions by all participants to the scheme. Contribution rates as a percentage of pensionable pay are as follows:

<b>Contribution rates</b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Final salary section:		
Normal service charge <sup>1</sup>	-	13.9%
Retirement capital plan section	7.0%	5.3%

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

The FRS 17 disclosures for the overall scheme as at 31 December are detailed below. The FRS 17 valuations are based on the most recent actuarial valuation, updated by the scheme actuaries to assess the liabilities of the scheme and the market value of the scheme assets at each of the balance sheet dates.

#### **a) Assumptions**

	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Valuation method	Projected unit	Projected unit	Projected unit	Projected unit
Inflation rate	3.50%	3.10%	2.90%	2.75%
Discount rate	5.90%	5.20%	4.70%	5.30%
Expected rate of salary increases	5.00%	4.60%	4.40%	4.25%
Rate of pension increases in payment	2.70%	2.50%	2.90%	2.75%
Rate of pension increases in deferment	3.00%	3.10%	2.90%	2.75%
Long term rate of return				
-Equities	7.70%	7.40%	7.40%	7.70%
-Bonds	5.70%	4.50%	4.50%	5.30%
-Other	4.40%	4.20%	4.20%	3.77%

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**15 PENSION COSTS (CONTINUED)**

**b) Components of defined benefit cost under FRS 17**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	3,700	5,200
Past service cost	-	-
	<u>3,700</u>	<u>5,200</u>
Interest on pension scheme liabilities	7,000	5,900
Expected return on pension scheme assets	(5,700)	(5,100)
	<u>1,300</u>	<u>800</u>
Actual return less expected return on pension scheme assets	1,300	(300)
Experience losses arising on the scheme liabilities	(7,100)	900
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial Loss	<u>(5,800)</u>	<u>600</u>

**c) Net deficit in the scheme**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Equities	55,700	54,200
Bonds	39,600	31,000
Other	600	900
Total market value of assets	95,900	86,100
Actuarial value of scheme liabilities	(137,700)	(135,800)
Net deficit in the scheme	<u>(41,800)</u>	<u>(49,700)</u>

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

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

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in the scheme at 1 January	(49,700)	(51,700)
Contributions/benefits paid	7,100	7,900
Current service cost	(3,700)	(5,200)
Curtailments	-	700
Other finance cost	(1,300)	(800)
Actuarial loss	5,800	(600)
Deficit in the scheme at 31 December	<u>(41,800)</u>	<u>(49,700)</u>

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**15 PENSION COSTS (CONTINUED)**

**e) History of experience gains and losses**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gain on assets	1,300	(300)	(8,500)	(1,500)
% of scheme assets carried forward	1.3%	(0.3)%	(11.2)%	(2.4)%
Experience loss on liabilities	(7,100)	900	3,600	1,600
% of scheme liabilities carried forward	(5.2)%	0.7%	2.8%	1.7%
Total actuarial loss	(5,800)	600	20,100	700
% of scheme liabilities carried forward	(4.2)%	0.4%	15.8%	0.8%

**16 CAPITAL COMMITMENTS**

At 31 December 2007 the Company had capital commitments contracted for but not provided amounting to £9,846,000 (2006: £16,663,000).

**17 FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows:

	<b>At 31 December 2007</b>		<b>At 31 December 2006</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases which expire:				
Within one year	1,277	1,009	1,033	1,450
Between one and five years	655	26	664	28
After more than five years	1,234	-	1,221	-
	<b>3,166</b>	<b>1,035</b>	<b>2,918</b>	<b>1,478</b>

**AVIS RENT A CAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**18 CONTINGENT LIABILITIES**

The Company has entered into a cross-guarantee arrangement with its bankers, under which the Company's funds may be used to offset the liabilities of other Group undertakings. As at 31 December 2007, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £5,649,000 (31 December 2006:£7,659,000)

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

**19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

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

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

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

**20 RELATED PARTY DISCLOSURES**

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