



AVIS FINANCE COMPANY LIMITED
(REGISTERED NUMBER 2123807)

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

AVIS FINANCE COMPANY 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 principally engaged in the management of group financing activities on behalf of the Avis Budget EMEA Limited group of companies. This consists of borrowing both short-term and long-term funds, placing surplus cash on deposit and using foreign exchange derivatives for hedging purposes. It is also responsible for providing other group companies with access to sources of medium-term committed funding.

Review of the Business

The Company has continued to trade and has performed as expected throughout the year. The Directors expect the Company to continue to transact business as a central group financing company in the coming year.

The main performance indicators used by the Company relate to profitability and net assets. Given the nature of the business, the Directors are of the opinion that analysis using non-financial key performance indicators is not required in order to understand the development, performance or position of the business.

Results and Dividends

The Company made a loss after taxation in the year of €5.4 million (2011: €4.4 million). 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 central group financing 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.

Treasury Policies and Controls

The Avis Budget EMEA Limited group's treasury policy is designed to reduce the financial risks and exposures facing the business, particularly regarding changes in foreign exchange rates, and to ensure constant access to sufficient liquidity. To achieve this, the Company undertakes an active hedging policy, including the use of derivatives (foreign exchange swaps), which are entered into under policies approved and monitored by a committee which is chaired by the Chief Financial Officer of Avis Budget EMEA Limited and on which certain of the Directors of the Company are members. These transactions are only undertaken to reduce exposures arising from underlying commercial transactions of the Avis Budget EMEA Limited group and at no time are transactions undertaken for speculative reasons.

Details of the exposures and the Company's position are given in Notes 14 to 17 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, to ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations. The Company had no trade creditors at 31 December 2012 (2011: nil).

AVIS FINANCE COMPANY LIMITED

DIRECTORS' REPORT (continued)

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 E Spiers (appointed 17 June 2013)
J Turner (appointed 12 April 2013)

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions 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

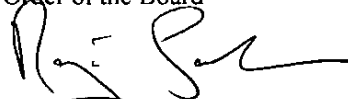
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each Director has taken all the steps that ought to have been taken as Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

We have audited the Financial Statements of Avis Finance Company Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related Notes on pages 7 to 23. 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 auditor's 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 loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

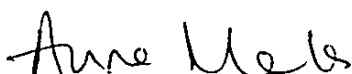
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



A Marks (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
2 October 2013

AVIS FINANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

		2012	2011
	Notes	€m	€m
Turnover	2	65 5	56 0
Cost of sales	3	(92 1)	(65 8)
Gross loss		(26 6)	(9 8)
Administrative expenses	4	(0 9)	(0 7)
Other operating income / (expenses)	4	23 1	(13 1)
Operating loss		(4 4)	(23 6)
Income from shares in subsidiary undertaking	8	-	20 0
Loss on ordinary activities before taxation	4	(4 4)	(3 6)
Taxation	7	(1 0)	(0 8)
Loss for the financial year	20	(5 4)	(4 4)

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

The accompanying Notes on pages 7 to 23 form an integral part of these Financial Statements

AVIS FINANCE COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2012

		2012	2011
	Notes	€m	€m
Cash flow hedges			
- Net fair value losses	21	-	(15 3)
- Reclassified to profit and loss account	21	-	26 7
Tax on items taken direct to equity	7	-	(3 1)
Net gain recognised directly in equity	22	-	8 3
Loss for the financial year	20	(5 4)	(4 4)
Total recognised (loss) / gain in the year		(5 4)	3 9

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2012

		2012	2011
	Notes	€m	€m
Loss on ordinary activities before taxation		(4 4)	(3 6)
Movement in unrealised losses / (gains) on derivative financial instruments	3	22 7	(15 4)
Historical cost gain / (loss) on ordinary activities before taxation		18 3	(19 0)
Historical cost gain / (loss) on ordinary activities after taxation		17 3	(19 8)

The accompanying Notes on pages 7 to 23 form an integral part of these Financial Statements

AVIS FINANCE COMPANY LIMITED

BALANCE SHEET

as at 31 December 2012

		2012	2011
	Notes	€m	€m
Fixed assets			
Investments	8	364 7	364 7
Current assets			
Trade and other debtors	9	13 2	12 1
Other financial assets			
- amounts owed by fellow subsidiaries	13	597 3	590 3
- derivative financial instruments falling due within one year	15	0 3	18 0
Cash at bank and in hand	11	66 9	36 2
		<u>677 7</u>	<u>656 6</u>
Creditors: Amounts falling due within One year			
Other creditors	12	(13 9)	(12 5)
Other financial liabilities			
- amounts owed to fellow subsidiaries	13	(457 0)	(622 2)
- external borrowings	14	-	(7 5)
- derivative financial instruments	15	(5 8)	(1 2)
		<u>(476 7)</u>	<u>(643 4)</u>
Net current assets		<u>201 0</u>	<u>13 2</u>
Total assets less current liabilities		<u>565 7</u>	<u>377 9</u>
Creditors: Amounts falling due after more than one year			
Other financial liabilities			
- amounts owed to fellow subsidiaries	13	(178 5)	(45 3)
- external borrowings	14	(120 0)	(60 0)
		<u>(298 5)</u>	<u>(105 3)</u>
Net assets		<u>267 2</u>	<u>272 6</u>
Capital and reserves			
Called-up share capital	18	71 3	71 3
Share premium account	19	182 7	182 7
Profit and loss account	20	13 2	18 6
Hedging reserve	21	-	-
Shareholder's funds – equity	22	<u>267 2</u>	<u>272 6</u>

The Financial Statements on pages 4 to 23 were approved by the Board on 30 September 2013 and were signed on its behalf by



R Sachdeva
 Director
 Avis Finance Company Limited
 Registered number 2123807

AVIS FINANCE COMPANY 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 is set out below

Basis of accounting

The Financial Statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with applicable UK Accounting Standards and the Companies Act 2006. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to present group accounts as it is a wholly owned subsidiary undertaking of Avis Europe Holdings Limited which is part of the group of companies owned by Avis Budget Group, Inc, a company incorporated in the United States of America, which itself prepares consolidated accounts.

Functional currency

As a significant proportion of the Company's income, expense, assets and funding arise in euro, the functional currency of the Company (in accordance with FRS 23) has been determined to be euro.

Financial instruments

Financial assets

The classification of financial assets is determined at initial recognition depending on the purpose for which they were acquired. Any impairment is recognised in the profit and loss account as it arises.

Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and short term deposits

Cash comprises cash in hand, demand deposits and bank overdrafts. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within "borrowings" in "current liabilities" in the balance sheet.

Impairment of financial assets

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount is reduced through the use of an allowance account, and the amount is recognised in the profit and loss account within administrative expenses. When a trade debtor is uncollectible, it is written off against the allowance account for trade debtors, with any subsequent recoveries credited to administrative expenses.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs. They are subsequently held at amortised cost unless part of a fair value hedge. Any difference between the amount on initial recognition and redemption value is recognised in the profit and loss account using the effective interest method. Short term liabilities (including trade and other creditors) are measured at original invoice amount.

Inter-company loans

Inter-company loans are measured at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

Other creditors

Other creditors are measured at amortised cost using the effective interest method.

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Derivatives

The fair values of derivative financial instruments are determined using a number of methods and assumptions based on prevailing conditions at the balance sheet date including market forward interest rates and exchange rates at the balance sheet date. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss account as they arise.

Where hedge accounting is applied, the Company documents at the inception of the transaction the relationship between the hedging instruments and hedged item, its risk management objectives and strategy for undertaking the transaction, its assessment (both at inception and then ongoing) whether the derivatives are highly effective in offsetting changes in fair values or cash flows of the related hedged items. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge is a firm commitment or the forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects net profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

Fair value hedges

For an effective hedge of an exposure to changes in the fair value of a hedged item, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with a corresponding entry in the profit and loss account. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the profit and loss account. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit and loss account over the period to maturity.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Embedded derivatives are held at fair value with unrealised gains or losses reported in the profit and loss account as they arise.

Disclosures

The Company is a wholly owned subsidiary of Avis Budget Group, Inc and is included in the consolidated financial statements of Avis Budget Group, Inc, which are publicly available. Consequently, the Company has elected to utilise the exemption provided in FRS 29, Financial instruments disclosures, as detailed sensitivity, fair value and valuation disclosures are detailed in the consolidated financial statements of Avis Budget Group, Inc.

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, Cash flow statements, and not produce a cash flow statement.

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises interest and agency fees receivable from providing financing activities to other undertakings in the Avis Budget EMEA Limited group of companies and foreign exchange services to customers of the Group

Cost of sales

Cost of sales includes interest payable on borrowings from external parties and other undertakings in the Avis Budget Group, Inc group of companies to fund the Company's financial operations, plus the net impact of derivative financial instruments on the profit and loss account

Foreign currency

Foreign currency assets and liabilities 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

Exceptional items

Exceptional items are material non-recurring items that fall within the ordinary activities of the Company, and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence

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

Fixed asset investments

Fixed asset investments are stated at cost unless in the opinion of the Directors there has been an impairment in the value of an investment, when appropriate provision is made

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

2. TURNOVER

	2012	2011
	€m	€m
Agency fees from fellow subsidiaries	1.1	0.8
Interest receivable on bank deposits	0.2	1.5
Interest receivable on inter-company loans	48.6	40.5
Provision of foreign exchange services	15.6	13.2
	<u>65.5</u>	<u>56.0</u>
By geographical market:		
UK	17.0	14.8
Continental Europe	38.7	33.2
Other	9.8	8.0
	<u>65.5</u>	<u>56.0</u>

Other includes amounts from the provision of foreign exchange services which it is not possible to split by geographic market, but which primarily arises from outside Continental Europe

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

3 COST OF SALES

	2012	2011
	€m	€m
Interest payable on borrowings		
- bank loans	87	87
- inter-company loans	627	185
- other loans	-	221
	<u>714</u>	<u>493</u>
Interest payable arising from hedging derivatives	-	07
Interest receivable arising from hedging derivatives	-	(11)
	<u>-</u>	<u>(04)</u>
Re-measurement gains on non-hedging derivatives	(24)	(214)
Re-measurement losses on non-hedging derivatives	231	68
	<u>207</u>	<u>(146)</u>
	<u>921</u>	<u>343</u>
Exceptional interest payable on borrowings		
- bank loans	-	75
- other loans	-	149
	<u>-</u>	<u>224</u>
Exceptional interest payable arising from hedging derivatives	-	91
	<u>-</u>	<u>91</u>
Total cost of sales	<u>921</u>	<u>658</u>

A net exceptional interest charge of €31.5 million was incurred in the prior year due to the early settlement of the long term loans, and the associated hedging instruments, following the acquisition of the Avis Europe group by Avis Budget Group, Inc

Net re-measurement losses on non-hedging derivatives of €20.7 million (2011 gains of €14.6 million), comprises net realised gains of €2.0 million (2011 losses of €0.8 million) and net unrealised losses of €22.7 million (2011 gains of €15.4 million)

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after crediting / (charging)

	2012	2011
	€m	€m
Administrative expenses:		
Employee costs (see Note 5)	(03)	(01)
Other operating (expense) / income.		
Provision against loans to fellow subsidiaries (see Note 13)	-	(08)
Reversal of provision against loans to fellow subsidiaries (see Note 13)	08	-
Foreign exchange gains / (losses)	177	(165)
	<u>177</u>	<u>(165)</u>

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

5. DIRECTORS' EMOLUMENTS AND EMPLOYEES

	2012 €m	2011 €m
Employee costs		
Wages and salaries	0.3	0.1

The Directors received no remuneration in respect of their services to the Company during the year (2011 nil). The average monthly number of persons employed during the year, including Directors, was 4 (2011 4).

6. AUDITOR'S REMUNERATION

The auditor's remuneration is borne by Avis Budget Services Limited, a fellow subsidiary undertaking. The fee payable to the Company's auditor for the audit of the Company's Financial Statements for the year ended 31 December 2012 was €10,000 (2011 €10,000).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 €m	2011 €m
Analysis of charge in year		
Current tax		
Foreign tax	1.0	0.7
	1.0	0.7
Deferred tax		
Origination and reversal of timing differences	-	0.1
	-	0.1
Tax charge on loss on ordinary activities	1.0	0.8
	2012 €m	2011 €m
Tax charge taken directly to the statement of recognised gains and losses		
Deferred tax on cash flow hedges	-	3.1

Factors affecting the current tax charge for the year

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

	2012 €m	2011 €m
Loss on ordinary activities before taxation	(4.4)	(3.6)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	(1.1)	(0.9)
Group relief surrendered for nil consideration	1.6	6.3
Non deductible loan provision	-	0.2
Reversal of non deductible loan provision	(0.2)	-
Expenses not deductible for tax purposes	(0.2)	(0.2)
Foreign withholding tax	1.0	0.7
Timing differences	(0.1)	(0.1)
Non taxable dividend	-	(5.3)
Current tax charge	1.0	0.7

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

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. 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 2012.

8. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings €m
At 1 January 2012 and 31 December 2012	<u>364.7</u>

<u>Subsidiary undertakings</u>	<u>Country of registration</u>	<u>Nature of business</u>	<u>Proportion held</u>
Avis Finance Company (No 3) Limited	Jersey	Finance company	100%

During the year, the Directors have reviewed the carrying value of the fixed asset investments in the principal subsidiary by undertaking a value in use calculation. No provision has been made at 31 December 2012 as a consequence of this review (2011: nil).

In determining the value in use, the Directors calculated the present value of the estimated future cash flows expected to arise based on management's latest projection. The calculated value in use is sensitive to a number of assumptions which are discussed in turn below.

Profit before tax – The long-term profit before tax of the subsidiary is fixed by reference to management's estimated profit before tax as at 2017. A decrease in the forecast profit before tax of €3.3 million in 2017 and each year thereafter would result in the initial recognition of an impairment provision.

Discount rate – Future cash flows are discounted using a post-tax discount rate of 8.0% representing the financing rate payable by the subsidiary. An increase in the discount rate to 8.71% would have resulted in the initial recognition of an impairment provision.

Exchange rate – The value in use calculation is performed in euros. The main forecasted non-euro cash flows are denominated in sterling and are converted to euro at an exchange rate of 1.208. A decrease in the long-run average euro/sterling exchange rate to 1.11 would have resulted in the initial recognition of an impairment.

In the opinion of the Directors, the value of the Company's investment is not less than the amount at which the investment is stated in the balance sheet.

9. TRADE AND OTHER DEBTORS

	2012	2011
	€m	€m
Other debtors	11.6	9.2
Prepayments	1.4	2.7
Deferred tax asset (see Note 10)	0.2	0.2
	<u>13.2</u>	<u>12.1</u>

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2012

10 DEFERRED TAX

	2012	2011
	€m	€m
Provision for deferred tax		
Other timing differences	0.2	0.2
Deferred tax asset (see Note 9)	0.2	0.2
	2012	2011
	€m	€m
As at 1 January	0.2	3.4
Deferred tax charge in profit and loss account	-	(0.1)
Deferred tax charged to the statement of total recognised gains and losses	-	(3.1)
As at 31 December	0.2	0.2

As recently announced in the 2013 Budget, from 1 April 2014 the rate will now decrease to 21% with further reductions proposed to reduce the rate to 20% by 1 April 2015. As these tax rates were not substantively 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 change to 20% would further reduce our deferred tax asset at 31 December 2012 from €200,990 to €174,774. The actual impact will be dependent on our deferred tax position at that time.

11. CASH AT BANK AND IN HAND

	2012	2011
	€m	€m
Cash at bank and in hand	66.9	36.2

Cash at bank and in hand are floating rate assets that earn interest at various rates set with reference to the prevailing EURIBID, LIBOR or equivalent.

12. OTHER CREDITORS

	2012	2011
	€m	€m
Accruals and deferred income	13.9	12.5

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

13. INTER-COMPANY ITEMS

	2012	2011
	€m	€m
Amounts owed by fellow subsidiaries	597.3	590.3
Amounts owed to fellow subsidiaries	(635.5)	(667.5)
Net amounts owed (to) / by fellow subsidiaries	<u>(38.2)</u>	<u>(77.2)</u>
Analysed as		
Current assets / (liabilities) (due for settlement within one year)	140.3	(31.9)
Non-current liabilities (due for settlement after one year)	(178.5)	(45.3)
	<u>(38.2)</u>	<u>(77.2)</u>

Amounts owed by fellow subsidiaries, and amounts owed to fellow subsidiaries, are unsecured

Balance sheet amounts are stated net of provisions for doubtful debts, and accordingly the maximum credit risk exposure is the carrying amount of the amounts owed by fellow subsidiaries. An allowance of €0.6 million (2011: €1.4 million) has been made for estimated irrecoverable amounts owed by fellow subsidiaries (see Note 4).

Inter-company loans are fixed rate with a weighted average cost for amounts owed by fellow subsidiaries at 31 December 2012 of 6.65% (2011: 6.25%), and for amounts owed to fellow subsidiaries at 31 December 2012 of 6.36% (2011: 6.39%). There were no floating rate inter-company loans.

	2012	2011
	€m	€m
Amounts owed by fellow subsidiaries		
Euro	330.2	453.2
Sterling	256.7	130.4
US\$	1.0	1.1
Other	9.4	5.6
	<u>597.3</u>	<u>590.3</u>
Amounts owed to fellow subsidiaries		
Euro	(177.6)	(147.7)
Sterling	(237.1)	(184.7)
US\$	(200.9)	(318.3)
Other	(19.9)	(16.8)
	<u>(635.5)</u>	<u>(667.5)</u>

The fair value of inter-company loans are deemed not to be materially different from the book value.

14. OTHER FINANCIAL LIABILITIES

a) External borrowings

	2012	2011
	€m	€m
Bank overdrafts	-	4.2
Bank loans and other loans	120.0	60.0
Commercial paper	-	3.3
	<u>120.0</u>	<u>67.5</u>
Analysed as		
Current liabilities (due for settlement within one year)	-	7.5
Non-current liabilities (due for settlement after one year)	120.0	60.0
	<u>120.0</u>	<u>67.5</u>

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

14. OTHER FINANCIAL LIABILITIES (continued)

At 31 December 2012 and 2011, the bank and other loans were secured and had compliance restrictions which were met

Bank overdrafts

At 31 December 2011, the bank overdraft was denominated in Euro and US\$ and attracted interest of 6.5% and 1.5% respectively

Bank loans and other loans

Bank loans and other loans is made up of a €350.0 million fleet financing facility, which is floating rate and denominated in euro, with a cost of 1 month EURIBOR plus 3%

Commercial paper

In the prior year the Company had an amortising commercial paper facility in Belgium, guaranteed by Avis Budget EMEA Limited. Amounts drawn under the facility attracted interest at floating rates by reference to EURIBOR plus a margin which varied depending upon market conditions at the time of issue.

Further details are provided in Note 15.

b) Undrawn borrowings

The committed borrowing facilities of the Company, drawn and undrawn, are as follows

	2012		
	Drawn €m	Undrawn €m	Total €m
Fleet financing facility	120.0	230.0	350.0

	2011		
	Drawn €m	Undrawn €m	Total €m
Fleet financing facility	60.0	290.0	350.0

The maturity profile of the Company's undrawn committed borrowing facilities at 31 December is as follows

	2012 €m	2011 €m
Expiring within one and two years	230.0	290.0
	230.0	290.0

At 31 December 2012, there were additional uncommitted facilities available to the Company of €7.0 million (2011: €5.6 million)

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

15 FINANCIAL RISK MANAGEMENT

The Company's risk management objectives and policies are aligned to those of Avis Budget Group, Inc., relevant extracts of which are detailed below

“Financial risk management objectives and policies

We are exposed to a variety of market risks, including changes in foreign currency exchange rates, interest rates and gasoline prices. We manage our exposure of market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments, particularly swap contracts, futures and options contracts, to manage and reduce the interest rate risk related to our debt, currency forwards to manage and reduce currency exchange rate risk, and derivative commodity instruments to manage and reduce the risk of changing unleaded gasoline prices.

We are exclusively an end user of these instruments. We do not engage in trading, market-making or other speculative activities in the derivatives markets. We manage our exposure to counterparty credit risk related to our use of derivatives through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience providing such derivative instruments.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. These “shock tests” are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modelled.

Currency risk management

We have currency rate exposure to exchange rate fluctuations worldwide and particular with respect to the Australian dollar, British pound sterling, Canadian dollar, Euro and the New Zealand dollar. We use currency forward contracts and currency swaps to manage currency exchange risk that arises from certain intercompany transactions and from non-functional currency denominated assets and liabilities and earnings denominated in non-US dollar currencies. Our currency forward contracts are often not designated as hedges and therefore changes in the fair value of these derivatives are recognised in earnings as they occur. We anticipate that such currency exchange rate risk will remain a market risk exposure for the foreseeable future.

Liquidity risk

Our primary liquidity needs include the payment of operating expenses, servicing of corporate and vehicle-related debt and procurement of rental vehicles to be used in our operations. The present intention of management is to reinvest the undistributed earnings of its foreign subsidiaries indefinitely in its foreign operations. We do not anticipate the need to repatriate funds to the US to service corporate debt or for other US needs. Our primary sources of funding are operating revenue, cash received upon sales of vehicles, borrowings under our vehicle-backed borrowing arrangements and our revolving credit facility, and other financing activities.

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2012

15. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The group is exposed to counterparty credit risks in the event of non-performance by counterparties to various agreements and sales transactions. The group manages such risk by evaluating the financial position and creditworthiness of such counterparties and by requiring collateral in certain instances in which financing is provided. The group mitigates counterparty credit risk associated with its derivative contracts by monitoring the amount for which it is at risk with each counterparty, periodically evaluating counterparty creditworthiness and financial position, and where possible, dispersing its risk among multiple counterparties.”

Recognised fair values of derivative financial instruments

	2012			2011		
	Assets €m	Liabilities €m	Net €m	Assets €m	Liabilities €m	Net €m
Non-hedging instruments						
- forward foreign exchange contracts	0.3	(5.8)	(5.5)	18.0	(1.2)	16.8
Non-debt related derivatives	0.3	(5.8)	(5.5)	18.0	(1.2)	16.8
Total derivatives	0.3	(5.8)	(5.5)	18.0	(1.2)	16.8
Analysed as:						
Current assets / (liabilities) - due for settlement within one year	0.3	(5.8)	(5.5)	18.0	(1.2)	16.8
Non-current assets / (liabilities) - due for settlement after more than one year	-	-	-	-	-	-
	0.3	(5.8)	(5.5)	18.0	(1.2)	16.8

Non-hedging derivatives are classified as a current asset or liability. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged items is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair values of the derivative financial instruments are determined using a number of methods and assumptions based on conditions at the balance sheet date as none are traded in an active market. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Hedging instruments

The effectiveness of hedging relationships is tested by means of statistical methods using regression analysis (for forward foreign exchange contracts). This involves defining the performance of the hedged item as the independent variable and the performance of the hedging item as the dependent variable. A hedging relationship is classified as effective when the value of the hedging item moves between 0.8% and 1.25% for each 1.0% movement in the hedged item.

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2012

15. FINANCIAL RISK MANAGEMENT (continued)

Non-hedging instruments

In certain circumstances, transactions to reduce economic exposure do not qualify for hedge accounting

Forward foreign exchange contracts

Forward foreign exchange contracts as at 31 December 2012 were in place to convert the following foreign currency amounts of Swiss francs 20.0 million (2011 Swiss francs 23.4 million), Singapore dollars 8.4 million (2011 Singapore dollars 9.6 million), Hungarian forints 838.7 million (2011 Hungarian forints 50.0 million), US\$ nil (2011 US\$1.0 million) and sterling £45.5 million (2011 £47.7 million) into a total euro equivalent of €61.5 million (2011 €68.0 million)

In the prior year, forward foreign exchange contracts as at 31 December 2011 with aggregate values of South African rand 75.1 million, Israeli shekel 6.9 million, Norwegian krone 11.5 million, and Swedish krona 9.8 million were used to hedge expected foreign currency income of South African rand 97.2 million, Israeli shekel 8.2 million, Norwegian krone 23.1 million, and Swedish krona 18.8 million into sterling of £9.5 million. Forward foreign exchange contracts as at 31 December 2011 with aggregate values of US\$6.4 million were used to hedge expected foreign currency payments of US\$8.2 million into sterling of £4.0 million.

In the prior year, forward foreign exchange contracts as at 31 December 2011 with aggregate values of US\$4.4 million and Hungarian forint 1,700.0 million were used to hedge expected foreign currency income of US\$4.4 million, and expected foreign currency payments of Hungarian forint 1,802.6 million into euro of €3.3 million and €5.8 million respectively.

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

16. NET EXTERNAL DEBT

The maturity profile of the Company's net external debt balances is as follows

31 December 2012

	Less than one year €m	One to two years €m	Two to five years €m	More than five years €m	Total €m
Bank loans and other loans (see Note 14)	-	(120 0)	-	-	(120 0)
Gross external debt (including net derivatives)	-	(120 0)	-	-	(120 0)
Cash at bank and in hand (see Note 11)	66 9	-	-	-	66 9
Interest bearing assets	66 9	-	-	-	66 9
Net external debt	66 9	(120 0)	-	-	(53 1)

31 December 2011

	Less than one year €m	One to two years €m	Two to five years €m	More than five years €m	Total €m
Bank overdrafts (see Note 14)	(4 2)	-	-	-	(4 2)
Bank loans and other loans (see Note 14)	-	(60 0)	-	-	(60 0)
Commercial paper (see Note 14)	(3 3)	-	-	-	(3 3)
Gross external debt (including net derivatives)	(7 5)	(60 0)	-	-	(67 5)
Cash at bank and in hand (see Note 11)	36 2	-	-	-	36 2
Interest bearing assets	36 2	-	-	-	36 2
Net external debt	28 7	(60 0)	-	-	(31 3)

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

16. NET EXTERNAL DEBT (continued)

Interest rate and currency profile

The interest rate and currency profile of the Company's net external debt balances is as follows

	2012			2011		
	Fixed Rate €m	Floating Rate €m	Total €m	Fixed Rate €m	Floating Rate €m	Total €m
Gross external debt (excluding impact of derivatives)						
Euro	-	(120 0)	(120 0)	(67 3)	(67 3)	(67 3)
Sterling	-	-	-	-	-	-
US\$	-	-	-	(0 2)	(0 2)	(0 2)
Other	-	-	-	-	-	-
	-	(120 0)	(120 0)	(67 5)	(67 5)	(67 5)
Impact of derivatives						
Euro	-	27 2	27 2	-	(68 1)	(68 1)
Sterling	-	(37 7)	(37 7)	-	57 2	57 2
US\$	-	-	-	-	0 7	0 7
Other	-	10 5	10 5	-	10 2	10 2
	-	-	-	-	-	-
Gross external debt (net of derivatives)						
Euro	-	(92 8)	(92 8)	-	(135 4)	(135 4)
Sterling	-	(37 7)	(37 7)	-	57 2	57 2
US\$	-	-	-	-	0 5	0 5
Other	-	10 5	10 5	-	10 2	10 2
	-	(120 0)	(120 0)	-	(67 5)	(67 5)
Interest bearing assets						
Euro	-	57 2	57 2	-	32 3	32 3
Sterling	-	7 7	7 7	-	2 5	2 5
US\$	-	1 5	1 5	-	-	-
Other	-	0 5	0 5	-	1 4	1 4
	-	66 9	66 9	-	36 2	36 2
Net external debt						
Euro	-	(35 6)	(35 6)	-	(103 1)	(103 1)
Sterling	-	(30 0)	(30 0)	-	59 7	59 7
US\$	-	1 5	1 5	-	0 5	0 5
Other	-	11 0	11 0	-	11 6	11 6
Total	-	(53 1)	(53 1)	-	(31 3)	(31 3)

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

16. NET EXTERNAL DEBT (continued)

The range of interest rates applicable to gross external debt (net of derivatives) by principal currency is as follows

	2012	2011
	Euro	Euro
	%	%
Fixed interest rate charge	n/a	n/a
Floating interest rate margin above		
- EURIBOR	3.0	0.5-3.0
- LIBOR	n/a	n/a

17. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities:

	2012		2011	
	Book amount	Fair value	Book amount	Fair value
	€m	€m	€m	€m
Other debtors	11.8	11.8	9.2	9.2
Prepayments	1.4	1.4	2.7	2.7
Other financial assets				
- amounts owed by fellow subsidiaries	597.3	597.3	590.3	590.3
Cash at bank and on hand	66.9	66.9	36.2	36.2
Other creditors	(13.9)	(13.9)	(12.5)	(12.5)
Other financial liabilities				
- external borrowings (current)	-	-	(7.5)	(7.5)
- external borrowings (non-current)	(120.0)	(120.0)	(60.0)	(60.0)
- amounts owed to fellow subsidiaries (current)	(457.0)	(457.0)	(622.2)	(622.2)
- amounts owed to fellow subsidiaries (non-current)	(178.5)	(178.5)	(45.3)	(45.3)

The Directors consider that the book value of other debtors, prepayments, cash at bank and on hand, other creditors, and inter-company loans, are approximate to their fair value

The fair value of external borrowings for disclosures are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2012

18. CALLED-UP SHARE CAPITAL

	31 December 2012 €m	31 December 2011 €m
Allotted, fully paid and issued share capital 50,150,600 (2011 50,150,600) Ordinary Shares of £1 each	71.3	71.3

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

19. SHARE PREMIUM ACCOUNT

	2012 €m	2011 €m
At 1 January and 31 December	182.7	182.7

20. PROFIT AND LOSS ACCOUNT

	2012 €m	2011 €m
At 1 January	18.6	23.0
Loss for the financial year	(5.4)	(4.4)
At 31 December	13.2	18.6

21. HEDGING RESERVE

	2012 €m	2011 €m
At 1 January	-	(8.3)
Net fair value losses	-	(15.3)
Reclassified to profit and loss account	-	26.7
Taxation on movements	-	(3.1)
At 31 December	-	-

The hedging reserve reflects changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 €m	2011 €m
Loss for the financial year	(5.4)	(4.4)
Net gains recognised directly in equity (see statement of total recognised gains and losses)	-	8.3
Net (decrease) / increase in equity shareholder's funds	(5.4)	3.9
At 1 January	272.6	268.7
At 31 December	267.2	272.6

AVIS FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

23. COMMITMENTS AND CONTINGENCIES

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 (31 December 2011: €0.1).

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

24. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of Avis Europe Holdings Limited, which is part of the group of companies owned by Avis Budget EMEA Limited. Both these parent undertakings are registered in England and Wales. The smallest and largest parent undertaking to consolidate the Finance 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.

25. 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.