

Notes to the Parent Company Financial Statements

for the year ended 31 December

1 Fixed asset investments

	Investment in subsidiaries	
	2005 £m	2004 £m
Cost		
At 1 January and 31 December	711.0	711.0
Provision for impairment		
At 1 January	396.0	–
Current year provision	–	396.0
At 31 December	396.0	396.0
Net book amount		
At 31 December	315.0	315.0

Details of the Company's subsidiaries are provided in Note 43 of the Consolidated Financial Statements.

2 Debtors

	2005 £m	2004 £m
Amounts owed by Group subsidiaries	103.8	80.9
Deferred tax	0.5	0.5
	104.3	81.4

3 Creditors

	2005 £m	2004 £m
Amounts falling due within one year		
Amounts due to subsidiaries	2.0	90.8
Other creditors	0.9	1.0
	2.9	91.8

4 Called-up share capital

	2005		2004	
	Number	£m	Number	£m
Authorised				
Ordinary shares of 1p each	940,000,000		800,000,000	
Issued and fully paid share capital				
At 1 January	585,788,030	5.9	585,788,030	5.9
Issued during the year	334,736,017	3.3	–	–
At 31 December	920,524,047	9.2	585,788,030	5.9

Details of the shares issued during the year are provided in Note 29 of the Consolidated Financial Statements.

Details of the Company's share option schemes are provided in Note 31 of the Consolidated Financial Statements.

5 Share premium and own shares held

	Share premium £m	Own shares held £m
At 1 January 2004	634.8	(1.2)
Own shares released on vesting of share awards	–	0.3
At 31 December 2004	634.8	(0.9)
At 1 January 2005	634.8	(0.9)
Transfer to retained earnings (see Note 6)	(335.2)	–
Net expenses recognised on rights issue	(4.8)	–
Own shares released on vesting of share awards	–	0.3
Own shares acquired upon rights issue	–	(0.1)
At 31 December 2005	294.8	(0.7)

Further details of movements in the year are provided in Note 30 of the Consolidated Financial Statements.

6 Retained earnings

	2005 £m	2004 as restated £m
At 1 January	(335.2)	84.8
Retained profit/(loss) for the year	0.1	(420.0)
Increase in equity reserve arising from share options in the year	0.3	–
Transfer from share premium reserve (see Note 5)	335.2	–
Transfer from merger reserve (see Note 7)	112.7	–
At 31 December	113.1	(335.2)

As allowed under section 230 of the Companies Act 1985, no profit and loss account is presented in respect of the Company. The profit of the Company for the year was £0.1 million (2004: loss of £397.2 million).

Retained earnings as at 1 January 2004, and retained loss for the year ended 31 December 2004, have been restated following the application of FRS 20, Share-Based Payments, and FRS 21, Events After The Balance Sheet Date.

In accordance with FRS 20, for share options that were issued after 7 November 2002, and which had not vested at 1 January 2005, 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 Company recharges these expenses to the relevant Group company in which the individual is employed.

In accordance with FRS 21, dividends are recognised as a liability in the period in which the dividends are approved by the Company's shareholders, rather than the period in which they were proposed. Restatement has been made for the proposed final dividend as at 31 December 2003 of £15.2 million accordingly.

7 Merger reserve

	£m
At 1 January 2005	–
Premium arising on share issue	112.7
Transfer to retained earnings (see Note 6)	(112.7)
At 31 December 2005	–

Further details of movements in the year are provided in Note 33 of the Consolidated Financial Statements.

Notes to the Parent Company Financial Statements continued

for the year ended 31 December

8 Reconciliation of movements in shareholders' equity

	2005	2004
	£m	as restated £m
Retained profit/(loss) for the year	0.1	(420.0)
Net proceeds of rights issue	111.1	–
Increase in equity reserve arising from share options in the year	0.3	–
Own shares released on vesting of share awards	0.3	0.3
Net increase/(decrease) in shareholders' equity	111.8	(419.7)
At 1 January	304.6	724.3
At 31 December	416.4	304.6

Shareholders' equity as at 1 January 2004, and retained loss for the year ended 31 December 2004, have been restated for the application of FRS 20 and FRS 21 (see Note 6).

9 Auditor's remuneration

Auditor's remuneration is borne by Avis Management Services Limited, an indirect subsidiary undertaking.

10 Directors' remuneration

Details of Directors' remuneration for the year are provided in Note 41 of the Consolidated Financial Statements and the audited part of the Remuneration Report on pages 30 to 32.

11 Majority shareholder

Details of the majority shareholder are provided in Note 40 of the Consolidated Financial Statements.

12 Related party transactions

Details of related party transactions are provided in Note 41 of the Consolidated Financial Statements.

13 Contingent liabilities

The Company and certain subsidiaries have provided unsecured guarantees to certain third parties within the normal course of business, the majority of which were in favour of certain lenders in respect of some of the Group's loan notes and borrowing facilities, together with guarantees provided to vehicle suppliers and property lessors. As at 31 December 2005, these guarantees totalled £615.8 million (2004: £675.1 million).

Certain Group companies are defendants in a number of claims and legal proceedings incidental to their operations. The Directors do not expect that any of these contingencies will have a material impact on the results or financial position of the Company.