

Notes to the Parent Company Financial Statements

for the year ended 31 December

1 Fixed asset investments

| | Investment in subsidiaries | |
|-------------------------------------|----------------------------|---------------------------|
| | 2006 £m | 2005 as restated £m |
| Cost | | |
| At 1 January | 711.1 | 711.0 |
| Additions | 0.1 | 0.1 |
| At 31 December | 711.2 | 711.1 |
| Provision for impairment | | |
| At 1 January | 396.1 | 396.0 |
| Current year provision | 0.1 | 0.1 |
| At 31 December | 396.2 | 396.1 |
| Net book amount | | |
| At 1 January and 31 December | 315.0 | 315.0 |

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

Additions to fixed asset investments arose in both the current and prior year upon the grant of new guarantees in the year to indirect subsidiary undertakings. As the Company has no direct holding in these indirect subsidiary undertakings, the resultant balances are considered to be irrecoverable in the foreseeable future and impairment provisions have therefore been immediately recognised.

2 Debtors

| | 2006 £m | 2005 £m |
|------------------------------------|--------------|------------|
| Amounts owed by Group subsidiaries | 109.6 | 103.8 |
| Deferred tax | 0.3 | 0.5 |
| | 109.9 | 104.3 |

3 Creditors

| | 2006 £m | 2005 £m |
|--|------------|------------|
| Amounts falling due within one year | | |
| Amounts due to subsidiaries | 4.2 | 2.0 |
| Other creditors | 0.9 | 0.9 |
| | 5.1 | 2.9 |

4 Other financial liabilities

| | 2006 £m | 2005 as restated £m |
|-------------------------------|------------|---------------------------|
| Financial guarantee contracts | 0.1 | 0.1 |

The fair values of financial guarantee contracts are calculated by discounted cash flow analysis based upon the probability of default of the underlying subsidiary undertaking and the expected loss to the Company arising upon default.

5 Called-up share capital

| | 2006 | | 2005 | |
|--|-------------|-----|-------------|-----|
| | Number | £m | Number | £m |
| Authorised | | | | |
| Ordinary shares of 1p each | 940,000,000 | | 940,000,000 | |
| Issued and fully paid share capital | | | | |
| At 1 January | 920,524,047 | 9.2 | 585,788,030 | 5.9 |
| Issued during the year | – | – | 334,736,017 | 3.3 |
| At 31 December | 920,524,047 | 9.2 | 920,524,047 | 9.2 |

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

6 Share premium

| | 2006 £m | 2005 £m |
|--|--------------|------------|
| At 1 January | 294.8 | 634.8 |
| Transfer to retained earnings (see Note 7) | – | (335.2) |
| Net expenses incurred on rights issue | – | (4.8) |
| At 31 December | 294.8 | 294.8 |

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

7 Reserves

| | Own shares held £m | Retained earnings £m | Merger reserve £m | Total £m |
|---|--------------------------|----------------------------|-------------------------|-------------|
| At 1 January 2005 (as initially reported) | (0.9) | (335.2) | – | (336.1) |
| Impact of FRS 26 (amendment) – see basis of preparation | – | (0.1) | – | (0.1) |
| At 1 January 2005 (as restated) | (0.9) | (335.3) | – | (336.2) |
| Retained profit for the year | – | 0.1 | – | 0.1 |
| Increase in equity reserve arising from share options in the year | – | 0.3 | – | 0.3 |
| Transfer from share premium reserve (see Note 6) | – | 335.2 | – | 335.2 |
| Premium arising on share issue | – | – | 112.7 | 112.7 |
| Transfer between reserves | – | 112.7 | (112.7) | – |
| Own shares released on vesting of share awards | 0.3 | – | – | 0.3 |
| Own shares acquired upon rights issue | (0.1) | – | – | (0.1) |
| At 31 December 2005 | (0.7) | 113.0 | – | 112.3 |
| At 1 January 2006 (as initially reported) | (0.7) | 113.1 | – | 112.4 |
| Impact of FRS 26 (amendment) – see basis of preparation | – | (0.1) | – | (0.1) |
| At 1 January 2006 (as restated) | (0.7) | 113.0 | – | 112.3 |
| Retained profit for the year | – | 3.2 | – | 3.2 |
| Own shares released on vesting of share awards | 0.2 | – | – | 0.2 |
| At 31 December 2006 | (0.5) | 116.2 | – | 115.7 |

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 £3.2 million (2005: £0.1 million).

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.

Further details of movements in the merger reserve in the prior 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

| | 2006 £m | 2005 £m |
|---|--------------|--------------|
| Retained profit for the year | 3.2 | 0.1 |
| Net proceeds of share issue | – | 111.1 |
| Increase in equity reserve arising from share options in the year | – | 0.3 |
| Own shares released on vesting of share awards | 0.2 | 0.3 |
| Net increase in shareholders' equity | 3.4 | 111.8 |
| At 1 January (2005 as initially reported) | 416.4 | 304.6 |
| Impact of FRS 26 (amendment) – see basis of preparation | (0.1) | (0.1) |
| At 1 January (2005 as restated) | 416.3 | 304.5 |
| At 31 December | 419.7 | 416.3 |

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 37 to 39.

11 Majority shareholder

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

12 Related party transactions

The Company has taken advantage of the exemption within FRS 8, Related Party Disclosures, for wholly-owned subsidiary undertakings not to disclose transactions with other entities within the same Group.

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 2006, these guarantees in relation to drawn balances totalled £708.2 million (2005: £615.8 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.