

Company Registration No. 1972749 (England and Wales)

AVIS BUDGET SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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AVIS BUDGET SERVICES LIMITED

COMPANY INFORMATION

Directors	P L Ford P E Rollason	(Appointed 30 June 2016)
Secretary	G Jones	
Company number	1972749	
Registered office	Avis Budget House Park Road Bracknell Berkshire RG12 2EW United Kingdom	
Auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD United Kingdom	

AVIS BUDGET SERVICES LIMITED

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AVIS BUDGET SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their Strategic Report for the Company for the year ended 31 December 2016.

Strategic Review and Future Developments

The Company is primarily engaged in the provision of management services to the subsidiary undertakings and licensees in the Avis Budget Group, Inc. group of companies throughout Europe, Africa, Asia and the Middle East.

The Company's operations continued to perform satisfactorily throughout the year. The company made a profit after taxation in the year of £27,875,000 (2015: loss of £8,200,000). The Directors expect that the Company will continue to transact business as a management services company during the coming year. The position of the Company at the year end is set out in the balance sheet and related notes on pages 10 to 24.

The main key performance indicators that the Company utilises relate to total administrative expenses (excluding exceptional items) per average full time employee and total staff costs per average full time employee.

The Company is one of the participating companies of a pension scheme to which other UK companies in the Avis Budget EMEA Limited group of companies are also associated. The most recent full actuarial valuation of the scheme was undertaken as at 31 March 2014, and showed a decrease in the overall scheme deficit. As the scheme deficit is planned to be eliminated over the average remaining service life of employees, additional contributions to the scheme are payable until January 2018, with an additional performance related contribution payable annually if certain conditions are met. Further details are provided in Note 11 to the Financial Statements.

Financial Risk Management Objectives and Policies

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

By Order of the Board



G. Jones
Secretary

14 September 2017

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2016.

Results and Dividends

The Company made a profit after taxation in the year of £27,875,000 (2015: loss of £8,200,000). No interim dividend was paid during the year (2015: £nil). The Directors do not recommend the payment of a final dividend (2015: £nil).

Future Developments

Details of future developments can be found in the Strategic Report on page 1.

Going Concern

The Directors expect the Company to continue to transact business as a management services company in the coming year. Thus they continue to adopt the going concern basis in preparing the Financial Statements. Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 3 of the Financial Statements.

Financial Risk Management

Details of the Company's financial risk management objectives and policies are given in the Strategic Report on page 1.

Payments to Creditors

It is the Company's practice to agree terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations. The average number of days taken by the Company to pay creditors in 2016 was 50 days (2015: 58 days).

Directors

The Directors of the Company during the year and up to the date of signing the Financial Statements are set out below:

P L Ford

J E Spiers

P E Rollason

(Resigned 30 June 2016)

(Appointed 30 June 2016)

Charitable Donations

The Company made charitable donations of £2,260 during the year (2015: £1,125).

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Employment Policies and Practices

During the year the Company continued to focus on developing an effective organisation. In this context the Company continued to focus on the positive elements of the business, celebrating successes, communicating regularly and openly at team level, giving employees direct contact with senior management, and continuing to provide training and development opportunities. The Company has maintained the practice of keeping employees informed about current activities and progress by various methods, including newsletters, management presentations and in-house publications.

The Company follows the principles of equal opportunity in recruitment, development, remuneration and advancement. Every effort is made to offer part time and flexible working arrangements to those employees who have personal and family commitments.

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

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual 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 are 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.

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Auditors

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

By Order of the Board



G. Jones
Secretary

14 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIS BUDGET SERVICES LIMITED

We have audited the Financial Statements of Avis Budget Services Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related Notes on pages 10 to 24. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Directors' Responsibilities Statement, 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 Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIS BUDGET SERVICES LIMITED

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.



Alexander Butterworth, ACA (Senior Statutory Auditor)
For and behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
14 September 2017

AVIS BUDGET SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Revenue	5	121,177	96,697
Gross profit		121,177	96,697
Administrative expenses		(96,340)	(96,524)
Exceptional items	6	(1,005)	(11,749)
Total administrative expenses		(97,345)	(108,273)
Operating profit/(loss)	7	23,832	(11,576)
Finance income	8	7,697	6,415
Finance costs	8	(294)	(269)
Profit/(loss) before taxation		31,235	(5,430)
Taxation	9	(3,360)	(2,770)
Profit/(loss) for the financial year		27,875	(8,200)

All results derive from continuing operations.

The accompanying Notes on pages 10 to 24 form an integral part of these Financial Statements.

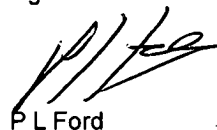
AVIS BUDGET SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Intangible assets	12	41,609	36,588
Tangible assets	13	16,785	13,505
Deferred tax assets	16	7,109	6,733
		<u>65,503</u>	<u>56,826</u>
Current assets			
Trade and other receivables	14	10,992	18,940
Other financial assets:			
- amounts owed by group undertakings	18	236,550	206,841
Cash at bank and in hand		3,077	239
		<u>250,619</u>	<u>226,020</u>
Current liabilities			
Taxation and social security	15	(339)	(571)
Trade and other payables	15	(19,795)	(20,476)
Other financial liabilities:			
- amounts owed to group undertakings	18	(45,865)	(40,236)
		<u>(65,999)</u>	<u>(61,283)</u>
Net current assets		<u>184,620</u>	<u>164,737</u>
Total assets less current liabilities		<u>250,123</u>	<u>221,563</u>
Provisions	17	(1,835)	(1,150)
Net assets		<u><u>248,288</u></u>	<u><u>220,413</u></u>
Equity			
Called up share capital	20	10	10
Retained earnings		248,278	220,403
Total equity		<u><u>248,288</u></u>	<u><u>220,413</u></u>

The Financial Statements on pages 7 to 24 were approved by the Board on 14 September 2017 and were signed on its behalf by:



P L Ford
Director
Avis Budget Services Limited
Company Registration No. 1972749

AVIS BUDGET SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2015	10	228,603	228,613
Loss and total comprehensive income for the year	-	(8,200)	(8,200)
At 31 December 2015	<u>10</u>	<u>220,403</u>	<u>220,413</u>
At 1 January 2016	10	220,403	220,413
Profit and total comprehensive income for the year	-	27,875	27,875
At 31 December 2016	<u>10</u>	<u>248,278</u>	<u>248,288</u>

The accompanying Notes on pages 10 to 24 form an integral part of these Financial Statements.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 General Information

The Company is primarily engaged in the provision of management services to the subsidiary undertakings and licensees in the Avis Budget Group, Inc. group of companies throughout Europe, Africa, Asia and the Middle East. The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Avis Budget House, Park Road, Bracknell, Berkshire, RG12 2EW.

2 Statement of compliance

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006.

3 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

3.1 Basis of accounting

The Financial Statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the statement of comprehensive income.

3.2 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

3.3 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 section 1.12 of FRS 102, and not produce a cash flow statement.

3.4 Foreign currency

The Company's functional and presentation currency is Sterling. 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 statement of comprehensive income.

3.5 Revenue

Revenue includes licence fees from Avis Budget EMEA Limited subsidiary companies, joint ventures and licensees, together with income from the provision of IT and other services and other income. Revenue is stated net of value added tax. When the outcome of a transaction involving the rendering of services (including the provision of licence rights) can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date.

3.6 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 in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is only recognised when there are expected to be suitable future taxable profits within the tax group against which to reverse the underlying timing differences.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies

(Continued)

3.7 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.

3.8 Operating leases

Assets held under operating leases are not capitalised. Lease payments are charged against the statement of comprehensive income on a straight line basis over the lease term in the period to which they relate.

3.9 Pension costs

The Company is one of the participating companies of a pension scheme to which other UK companies in the Avis Budget EMEA Limited group of companies are also associated. In accordance with FRS 102, the net defined benefit cost of the defined benefit plan is recognised in the individual financial statements of the group entity which is legally responsible for the plan. The other group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the period. As such, the plan is recognised in the financial statements of Avis Budget UK Limited.

3.10 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.

3.11 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.

3.12 Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software – three to five years

Assets under construction costs are directly associated with identifiable and unique software products controlled by the Company and which have probable economic benefits exceeding the cost beyond one year. They are not depreciated as they are not ready for use. Costs are only capitalised where they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised.

3.13 Tangible Fixed Assets

Tangible fixed assets are initially measured at cost. The cost comprises the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value in equal instalments over their estimated useful economic lives, which are as follows:

Plant and Equipment - two to five years.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies

(Continued)

3.14 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 statement of comprehensive income as it arises.

Trade and other receivables

Trade and other receivables 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.

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 statement of comprehensive income using the effective interest method. Short term liabilities (including trade and other payables) 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 Payables

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

4 Critical accounting judgements and key sources of estimation uncertainty

The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

5 Revenue

	2016 £000	2015 £000
Licence fee income - subsidiary undertakings	30,975	25,711
Licence fee income - licensee and joint venture undertakings	30,913	27,323
Other income	59,289	43,663
	<u>121,177</u>	<u>96,697</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

5 Revenue (Continued)

By geographical market:

	2016 £000	2015 £000
UK	6,211	6,541
Continental Europe	78,786	71,218
Other	36,180	18,938
	<u>121,177</u>	<u>96,697</u>

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

6 Exceptional items

A net exceptional expense of £1,005,000 (2015: £11,749,000) has been recognised in respect of the following items:

- Restructuring costs of £345,000 (2015: £1,274,000) were incurred primarily relating to redundancy costs.
- Legal costs of £660,000 (2015: £475,000) were incurred.
- In 2015, a business support payment of £10,000,000 was made to Avis Budget UK Limited. This payment was made to preserve and protect the Company's trading revenue streams from the UK and wider European markets.

7 Operating profit/(loss)

	2016 £000	2015 £000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Amortisation of intangible assets	13,924	10,566
Depreciation on tangible assets	6,868	5,612
Operating lease charges:		
Other	836	783
Fees payable to the Company's auditor for:		
Audit services - audit of the Company's annual Financial Statements	118	127
Other services - non-audit	85	44
Foreign exchange (gains)/losses	(2,045)	1,838
Loss on disposal of property, plant and equipment	3	-
	<u></u>	<u></u>

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

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Net finance income

	2016 £000	2015 £000
Interest receivable on loans to group undertakings	7,598	6,215
Bank interest and other	99	200
	<u>7,697</u>	<u>6,415</u>
Interest payable on loans from group undertakings	(294)	(269)
	<u>7,403</u>	<u>6,146</u>

9 Tax on profit on ordinary activities

Analysis of charge in year

	2016 £000	2015 £000
Current tax:		
UK corporation tax	2,739	2,425
Double tax relief	(2,739)	(2,425)
	<u>-</u>	<u>-</u>
Foreign tax	3,736	4,800
Total current tax	<u>3,736</u>	<u>4,800</u>
Deferred tax:		
Origination and reversal of timing differences	(838)	(2,825)
Adjustments in respect of previous years	44	47
Remeasurement of deferred tax - change in tax rate	418	748
Total deferred tax charge (see note 16)	<u>(376)</u>	<u>(2,030)</u>
Total tax charge on ordinary activities	<u>3,360</u>	<u>2,770</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tax on profit on ordinary activities

(Continued)

Factors affecting the tax charge for the year

The standard rate of tax applied to reported profit/(loss) on ordinary activities is 20.00% (2015: 20.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2013.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2016 £000	2015 £000
Profit/(loss) before taxation	31,235	(5,430)
Expected tax profit/(loss) based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	6,247	(1,100)
Expenses not deductible for tax purposes	483	665
Group relief received for nil consideration	(4,922)	-
Double tax relief	(2,739)	(2,425)
Foreign withholding tax	3,736	4,800
Adjustments in respect of prior years	44	47
Difference in tax rate	93	35
Revaluation of deferred tax	418	748
Taxation for the year	3,360	2,770

The Finance Act 2013 included legislation to reduce the main rate of corporation tax in the UK from 23% to 21%, with effect from 1 April 2014 and from 21% to 20%, with effect from 1 April 2015.

The Finance Bill (No.2) 2015 included legislation to reduce the main rate of corporation tax in the UK from 20% to 19%, with effect from 1 April 2017 and from 19% to 18%, with effect from 1 April 2020. These rates were substantively enacted on 26 October 2015. Subsequently the Finance Act 2016 included legislation to reduce the main rate of corporation tax in the UK to 17% with effect from 1 April 2020. This rate was substantively enacted on 6 September 2016.

10 Directors' emoluments and employees

Directors' emoluments

Aggregate emoluments:

	2016 £000	2015 £000
Remuneration for management services	356	722

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

10 Directors' emoluments and employees

(Continued)

	2016 £000	2015 £000
Highest paid director:		
Aggregate emoluments	257	583

The accrued pension lump sum of the highest paid Director from the Retirement Capital Plan was nil as at 31 December 2016 (2015: £7,632).

Employees

	2016 Number	2015 Number
Average monthly number employed (including Directors)	393	332

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

	2016 £000	2015 £000
Staff costs:		
Wages and salaries	27,140	24,406
Social security costs	4,639	5,051
Other pension costs (see note 11)	4,302	4,657
Share-based payments	1,801	2,512
	37,882	36,626

The Share Option Scheme is administered by Avis Budget Group, Inc. and any share based payments to Avis Budget Services Limited employees are recharged from the Avis Budget Group, Inc. scheme.

The company had a decrease in Wages and Salaries in 2016 despite higher headcount due to the capitalization of additional project related staff costs.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Post-employment benefits

The Company is one of the participating companies of the Avis UK Pension Plan (the Plan), to which other UK subsidiary companies of the Avis Budget EMEA Limited group are also associated.

The previous full defined benefit scheme (the 'Final Salary' section) in the UK was closed to new joiners in 2003 and existing members in 2007. The 'Retirement Capital Plan' (RCP) section was introduced in 2003 and closed to new members in 2011, at which time existing members joined the 'Defined Contribution' (DC) section of the Plan for future service. All new joiners from July 2011 are eligible to join the DC section and in September 2013, to comply with legislation, the Company introduced an Automatic-Enrolment tier to the DC section. The participating companies of the Plan retain investment and inflation risk, as well as longevity risk in the Final Salary Section of the plan. Assets for the Final Salary and RCP sections are pooled and the investment strategy is set by the Plan Trustees following consultation with the Employer. The three sections above form part of the Avis UK Pension Plan.

Defined contribution scheme

The defined contribution retirement benefit scheme is operated for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2016 was £1,710,000 (2015: £1,750,000).

The Company contributions to the DC plan depend on member choices. The contribution levels are Tier 1: employee 3%, Company 6%; Tier 2: employee 4%, Company 8%. For former Final Salary and RCP members who transferred to the DC Plan in July 2011, there was an additional Tier 3: employee 5%, Company 10% that ceased on 30 June 2016. In the Automatic-Enrolment tier, the employee and employer contributions are 1%. From April 2017 these contributions increase to 3% employee, 2% Company and from April 2019 to 5% employee, 3% Company.

Defined benefit scheme

In accordance with FRS102, the net defined benefit cost of the defined benefit plan is recognised in the individual financial statements of the group entity which is legally responsible for the plan. The other group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the period. As such, the plan is recognised in the financial statements of Avis Budget UK Limited.

As the Final Salary and the RCP Sections of the Plan are closed to future service, the Employer does not make normal contributions in respect of those Sections. During 2016, a charge of £2,592,000 (2015: £2,907,000) has been recorded in the Company's profit and loss account, reflecting additional deficit funding of the Final Salary and Retirement Capital Plan section.

The following commentary and figures relate to the defined benefit scheme in total and are therefore reflected in the financial statements of Avis Budget UK Limited.

An actuarial valuation was prepared as at 31 March 2014 to review the financial position of the Plan relative to its statutory funding objective, and to determine the appropriate level of future contributions. Based on this actuarial valuation it was agreed with the Trustee that deficit payments of £2,453,000 became payable each 1 July and 1 January commencing 1 July 2015 and ending 1 July 2017, with an additional contribution deficit payment of £444,000 on 1 January 2018.

An additional conditional contribution of £562,000 is payable based on the level of profit for the Avis Budget EMEA Limited group for the twelve months ending the preceding 31 December. The last conditional payment was payable in March 2016 (based on 2015 profit), however the Avis Budget EMEA Limited group profitability for 2015 was below the required threshold, therefore no additional contribution was paid in March 2016 (2015: £562,000).

The actuarial valuation as at 31 March 2017 will be concluded within an appropriate timescale.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Post-employment benefits

(Continued)

a) Assumptions

The actuarial valuation of the Avis UK Pension Plan, prepared as at 31 March 2014 using the projected unit credit method, was carried out by Willis Towers Watson, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

Key assumptions used:

	2016 %	2015 %
Discount rate	2.60	3.80
Rate of inflation*	1.90	1.90
Expected rate of increase of pensions in payment	1.90	1.67

* The inflation rate assumption was set with reference to the Consumer Price Index

b) Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the UK's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2016 Years	2015 Years
Retiring today		
- Males	23	23
- Females	25	25
Retiring in 20 years		
- Males	24	24
- Females	26	26

c) Amounts recognised in the income statement

	2016 £000	2015 £000
Current service cost	120	110
Net interest income	(900)	(520)
Administration cost	470	340
Past service credit	-	(980)
Total credit	(310)	(1,050)

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Post-employment benefits

(Continued)

d) Amounts recognised in the balance sheet

	2016 £000	2015 £000
Present value of defined benefit obligations	(238,110)	(182,240)
Fair value of scheme assets	237,270	202,080
Net (deficit)/surplus in the scheme	(840)	19,840

e) Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2016	202,080	(182,240)	19,840
Benefits paid	(4,990)	4,990	-
Employer contributions	5,300	-	5,300
Current service cost	-	(120)	(120)
Administrative expenses	(470)	-	(470)
Interest income/(expense)	7,740	(6,840)	900
remeasurement gains/(losses)			
- Actuarial losses	-	(53,900)	(53,900)
- Return on plan assets excluding interest income	27,610	-	27,610
At 31 December 2016	237,270	(238,110)	(840)

f) Analysis of the scheme assets as at the balance sheet date

	2016 £000	2015 £000
Equities	75,689	69,718
Property	11,864	5,456
Bonds	113,177	91,340
Other	36,540	35,566
	237,270	202,080

The plan assets do not include any of the Group's financial instruments nor is any property occupied by any Avis Budget EMEA Limited group entity.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12 Intangible fixed assets

	Software	Assets in the course of construction	Total
	£000	£000	£000
Cost			
At 1 January 2016	71,815	10,050	81,865
Additions	552	20,294	20,846
Transfers	13,766	(13,766)	-
Reclassified to tangible assets	-	(1,901)	(1,901)
At 31 December 2016	86,133	14,677	100,810
Accumulated amortisation			
At 1 January 2016	45,277	-	45,277
Charge for the year	13,924	-	13,924
At 31 December 2016	59,201	-	59,201
Carrying amount			
At 31 December 2016	26,932	14,677	41,609
At 31 December 2015	26,538	10,050	36,588

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Tangible assets

	Leasehold improvements	Plant and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
At 1 January 2016	2,600	30,786	-	33,386
Additions	133	2,262	5,855	8,250
Disposals	(16)	(4,464)	-	(4,480)
Transfers	3,151	(576)	(2,575)	-
Reclassified from intangible assets	-	1,901	-	1,901
At 31 December 2016	5,868	29,909	3,280	39,057
Accumulated depreciation				
At 1 January 2016	2,403	17,478	-	19,881
Charge for the year	239	6,629	-	6,868
Disposals	(16)	(4,461)	-	(4,477)
At 31 December 2016	2,626	19,646	-	22,272
Carrying amount				
At 31 December 2016	3,242	10,263	3,280	16,785
At 31 December 2015	197	13,308	-	13,505

14 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	5,974	4,272
Other receivables	94	2,720
Other taxes and social security	1,024	3,299
Prepayments and accrued income	3,900	8,649
	10,992	18,940

15 Trade and other payables

	2016 £000	2015 £000
Other trade payables	2,578	7,203
Accruals and deferred income	17,217	13,273
Other taxation and social security	339	571
	20,134	21,047

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Deferred taxation

	2016 £000	2015 £000
Provided:		
Accelerated capital allowances	6,896	6,333
Other timing difference	213	400
	<u>7,109</u>	<u>6,733</u>
Deferred tax asset	<u>7,109</u>	<u>6,733</u>
	2016 £000	2015 £000
As at 1 January	6,733	4,703
Deferred tax charged in statement of comprehensive income (see note 9)	376	2,030
	<u>7,109</u>	<u>6,733</u>
As at 31 December	<u>7,109</u>	<u>6,733</u>

The Company is part of a UK tax group.

17 Provisions for liabilities and charges

	2016 £000	2015 £000
Dilapidation provision	1,150	1,150
Legal provision	685	-
	<u>1,835</u>	<u>1,150</u>

The provisions of £1,835,000 (2015: £1,150,000) represent:

- a dilapidation provision of £1,150,000 (2015: £1,150,000) expected to crystallize within the next 10 years
- a legal provision of £685,000 (2015: £nil) expected to crystallize within the next year

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Inter-company items

	2016 £000	2015 £000
Amounts owed by group undertakings	236,550	206,841
Amounts owed to group undertakings	(45,865)	(40,236)
Net amounts owed by group undertakings	<u>190,685</u>	<u>166,605</u>

Amounts owed by group undertakings, and amounts owed to group undertakings, are unsecured and are payable on demand.

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 subsidiary undertakings. No allowance for bad debts has been made as all amounts owed by subsidiary undertakings are expected to be fully recoverable.

Inter-company loans are fixed rate with a weighted average cost for amounts owed by subsidiary undertakings at 31 December 2016 of 5.12% (2015: 3.82%) and for amounts owed to subsidiary undertakings at 31 December 2016 of 5.16% (2015: 3.91%). There were no floating rate inter-company loans.

19 Financial instruments

	2016		2015	
	Book amount £000	Fair value £000	Book amount £000	Fair value £000
Trade and other receivables	6,068	6,068	6,992	6,992
Other taxes and social security receivable	1,024	1,024	3,299	3,299
Prepayments and accrued income	3,900	3,900	8,649	8,649
Deferred tax asset	7,109	7,109	6,733	6,733
Other financial assets:				
- amounts owed by group undertakings	236,550	236,550	206,841	206,841
Cash at bank and in hand	3,077	3,077	239	239
Other trade payables	(2,578)	(2,578)	(7,203)	(7,203)
Other taxes and social security payable	(339)	(339)	(571)	(571)
Accruals and deferred income	(17,217)	(17,217)	(13,273)	(13,273)
Provisions	(1,835)	(1,835)	(1,150)	(1,150)
Other financial liabilities:				
- amounts owed to group undertakings	(45,865)	(45,865)	(40,236)	(40,236)

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Share capital

2015 and 2016
£000

Allotted, Fully Paid and Issued Share Capital:
10,000 Ordinary Shares of £1 each

10

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

21 Financial commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £000	2015 £000
Payments due:		
Within one year	965	712
Between two and five years	3,900	3,885
Later than five years	5,281	6,256
	<u>10,146</u>	<u>10,853</u>

22 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 2016, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £74,000 (2015: £nil).

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

23 Ultimate parent undertaking

The Company is a subsidiary undertaking of Avis Finance Company (No. 2) Limited which is part of the group of companies owned by Avis Budget EMEA Limited. Both these parent undertakings are registered in England and Wales. The smallest and largest parent undertaking to consolidate the Financial Statements of the Company is Avis Budget Group, Inc., which is incorporated in the United States of America and registered on NASDAQ. The financial statements of Avis Budget Group, Inc. are publicly available at www.avisbudgetgroup.com.

24 Related party transactions

The Company has taken advantage of the exemption within section 1.12 of FRS 102 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.