

Company Registration No. 1972749 (England and Wales)

AVIS BUDGET SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



AVIS BUDGET SERVICES LIMITED

COMPANY INFORMATION

Directors	P L Ford P E Rollason
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 2017

The Directors present their Strategic Report for the Company for the year ended 31 December 2017.

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, the Middle East and Asia.

The Company's operations continued to perform satisfactorily throughout the year. The Company made a profit after taxation in the year of £23,793,000 (2016: £27,875,000). 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 11 to 25.

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 2017, to update and review the financial position of the Plan relative to its statutory funding objective, and to determine the appropriate level of future contributions. 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 July 2021. Further details are provided in Note 12 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.

On behalf of the Board



P L Ford
Director

27 September 2018

AVIS-BUDGET-SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2017.

Results and Dividends

The Company made a profit after taxation in the year of £23,793,000 (2016: £27,875,000). Ordinary dividends were paid amounting to £50,000,000 (2016: £nil). The Directors do not recommend the payment of a final dividend (2016: £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 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 2017 was 32 days (2016: 50 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
P E Rollason

Charitable Donations

The Company made charitable donations of £1,584 during the year (2016: £2,260).

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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), 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. 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.

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Auditors

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

On behalf of the board



P L Ford
Director
27 September 2018

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

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Avis Budget Services Limited (the Company) which comprise:

- the Statement of Comprehensive Income
- the Balance Sheet
- the Statement of Changes in Equity
- the related Notes on pages 11 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Responsibilities of Directors

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, and for such internal controls as the Directors determine is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

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

Report on other legal and regulatory requirements

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.

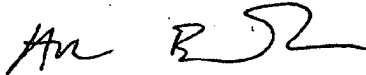
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Alexander Butterworth, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
28 September 2018.

AVIS BUDGET SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Revenue	5	137,052	121,177
Gross profit		137,052	121,177
Administrative expenses		(114,254)	(96,340)
Exceptional items	6	(1,316)	(1,005)
Total administrative expenses		(115,570)	(97,345)
Operating profit	7	21,482	23,832
Finance income	8	6,044	7,697
Finance costs	8	(293)	(294)
Profit before taxation		27,233	31,235
Taxation	9	(3,440)	(3,360)
Profit for the financial year		23,793	27,875

All results derive from continuing operations.

The accompanying Notes on pages 11 to 25 form an integral part of these Financial Statements.

AVIS BUDGET SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Intangible assets	13	46,608	41,609
Tangible assets	14	14,878	16,785
Deferred tax assets	17	7,131	7,109
		<u>68,617</u>	<u>65,503</u>
Current assets			
Trade and other receivables	15	17,557	10,992
Other financial assets:			
- amounts owed by group undertakings	19	198,997	236,550
Cash at bank and in hand		1,042	3,077
		<u>217,596</u>	<u>250,619</u>
Current liabilities			
Taxation and social security	16	-	(339)
Trade and other payables	16	(28,325)	(19,795)
Other financial liabilities:			
- amounts owed to group undertakings	19	(34,357)	(45,865)
		<u>(62,682)</u>	<u>(65,999)</u>
Net current assets		<u>154,914</u>	<u>184,620</u>
Total assets less current liabilities		<u>223,531</u>	<u>250,123</u>
Provisions	18	(1,450)	(1,835)
Net assets		<u>222,081</u>	<u>248,288</u>
Equity			
Called up share capital	21	10	10
Retained earnings		222,071	248,278
Total equity		<u>222,081</u>	<u>248,288</u>

The Financial Statements on pages 8 to 25 were approved by the Board on 27 September 2018 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 2017

	Share capital £000	Retained earnings £000	Total £000
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	10	248,278	248,288
At 1 January 2017	10	248,278	248,288
Profit and total comprehensive income for the year	-	23,793	23,793
Dividends	10	(50,000)	(50,000)
At 31 December 2017	10	222,071	222,081

The accompanying Notes on pages 11 to 25 form an integral part of these Financial Statements.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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, the Middle East and Asia. 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 and preceding 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 2017

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:

Leasehold improvements - over the shorter of 20 years and the remaining lease period.

Plant and Equipment - two to five years.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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

	2017 £000	2016 £000
Licence fee income - fellow subsidiary undertakings	33,854	30,975
Licence fee income - licensee and joint venture undertakings	33,911	30,913
Other income	69,287	59,289
	<u>137,052</u>	<u>121,177</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Revenue (Continued)

By geographical market:

	2017 £000	2016 £000
UK	8,470	6,211
Continental Europe	95,197	78,786
Other	33,385	36,180
	<u>137,052</u>	<u>121,177</u>

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

6 Exceptional items

An exceptional expense of £1,316,000 (2016: £1,005,000) has been recognised in respect of the following items:

- Restructuring costs of £1,113,000 (2016: £345,000) were incurred primarily relating to redundancy costs.
- Legal costs of £203,000 (2016: £660,000) were incurred.

7 Operating profit

	2017 £000	2016 £000
Operating profit for the year is stated after charging/(crediting):		
Amortisation of intangible assets	16,477	13,924
Depreciation on tangible assets	6,852	6,868
Operating lease charges:		
Other	791	836
Fees payable to the Company's auditor for:		
Audit services - audit of the Company's annual Financial Statements	97	118
Other services - non-audit	112	85
Foreign exchange gains	(2,836)	(2,045)
Loss on disposal of non-current assets	211	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 2017

8 Net finance income

	2017 £000	2016 £000
Interest receivable on loans to group undertakings	6,044	7,598
Bank interest and other	-	99
	<u>6,044</u>	<u>7,697</u>
Interest payable on loans from group undertakings	(293)	(294)
	<u>5,751</u>	<u>7,403</u>

9 Tax on profit on ordinary activities

Analysis of charge in year

	2017 £000	2016 £000
Current tax:		
UK corporation tax	3,359	2,739
Double tax relief	(3,359)	(2,739)
	<u>-</u>	<u>-</u>
Foreign tax	3,462	3,736
Total current tax	<u>3,462</u>	<u>3,736</u>
Deferred tax:		
Origination and reversal of timing differences	108	(838)
Adjustments in respect of previous years	(130)	44
Remeasurement of deferred tax - change in tax rate	-	418
	<u>(22)</u>	<u>(376)</u>
Total deferred tax credit (see note 17)		
Total tax charge on ordinary activities	<u>3,440</u>	<u>3,360</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 on ordinary activities is 19.25% (2016: 20.00%).

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 before tax is as follows:

	2017 £000	2016 £000
Profit before taxation	27,233	31,235
Expected tax profit based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	5,242	6,247
Expenses not deductible for tax purposes	385	483
Group relief received for nil consideration	(2,146)	(4,922)
Double tax relief	(3,359)	(2,739)
Foreign withholding tax	3,462	3,736
Adjustments in respect of prior years	(130)	44
Difference in tax rate	(14)	93
Revaluation of deferred tax	-	418
Taxation for the year	3,440	3,360

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 Dividends

	2017 £000	2016 £000
Interim paid	50,000	-

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Directors' emoluments and employees

Directors' emoluments

Aggregate emoluments:

	2017 £000	2016 £000
Remuneration for management services	370	356
Amounts receivable under long term incentive schemes	74	46
	<u>444</u>	<u>402</u>

Highest paid director:

Remuneration for management services	<u>253</u>	<u>257</u>
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The accrued pension lump sum of the highest paid Director from the Retirement Capital Plan was nil as at 31 December 2017 (2016: £nil).

Employees

	2017 Number	2016 Number
Average monthly number employed (including Directors)	412	393
	<u>412</u>	<u>393</u>

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

	2017 £000	2016 £000
Staff costs:		
Wages and salaries	26,841	27,140
Social security costs	4,598	4,639
Other pension costs (see note 12)	5,617	4,302
Share-based payments	858	1,801
	<u>37,914</u>	<u>37,882</u>

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.

AVIS BUDGET-SERVICES-LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 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 2017 was £1,753,000 (2016: £1,710,000).

The Company contributions to the DC plan depend on member choices. The contribution levels were Tier 1: employee 3%, Company 6%; Tier 2: employee 4%, Company 8%. In the Automatic-Enrolment tier, the employee and employer contributions were 1%. From April 2017 these contributions increased to 3% employee, 2% Company and from April 2019 to 5% employee, 3% Company.

Defined benefit scheme

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.

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 2017, a charge of £3,864,000 (2016: £2,592,000) 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 2017 to update and 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 with effect from 1 January 2018 deficit contribution payments of £2,453,000 would become due on 1 January 2018 and each 1 July and 1 January thereafter through to 1 January 2021 and £2,074,000 due on 1 July 2021. Previously deficit contribution payments of £2,453,000 became payable each 1 July and 1 January commencing 1 July 2015 based on actuarial valuation as at 31 March 2014.

The actuarial valuation of the Avis UK Pension Plan, prepared as at 31 March 2017 using the projected unit credit method, was carried out by Willis Towers Watson, independent consulting actuaries.

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Post-employment benefits

(Continued)

a) Assumptions

The valuations undertaken at 31 March 2017 and 31 March 2014 were based on the following assumptions:

	2017 %	2016 %
Discount rate	2.40	2.60
Rate of inflation*	2.10	1.90
Expected rate of increase of pensions in payment	1.90	1.90
	<u> </u>	<u> </u>

* 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:

	2017 Years	2016 Years
Retiring today		
- Males	23	23
- Females	24	25
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	23	24
- Females	26	26
	<u> </u>	<u> </u>

c) Amounts recognised in the income statement

	2017 £000	2016 £000
Current service cost	140	120
Net interest on defined benefit (assets)/liabilities	(70)	(900)
Other costs and income	810	470
	<u> </u>	<u> </u>
Total cost/(income)	880	(310)
	<u> </u>	<u> </u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Post-employment benefits

(Continued)

d) Amounts taken to other comprehensive income

	2017 £000	2016 £000
Actual return on scheme assets	(21,190)	(35,350)
Less: calculated interest element	6,210	7,740
Return on scheme assets excluding interest income	(14,980)	(27,610)
Actuarial changes related to obligations	15,810	53,900
Total costs	830	26,290

e) Amounts recognised in the balance sheet

	2017 £000	2016 £000
Present value of defined benefit obligations	(253,840)	(238,110)
Fair value of scheme assets	259,080	237,270
Net surplus/(deficit) in the scheme	5,240	(840)

f) Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2017	237,270	(238,110)	(840)
Benefits paid	(6,360)	6,360	-
Employer contributions	7,790	-	7,790
Current service cost	-	(140)	(140)
Interest income/(expense)	6,210	(6,140)	70
- Actuarial losses	-	(15,810)	(15,810)
- Return on plan assets excluding interest income	14,980	-	14,980
Other	(810)	-	(810)
At 31 December 2017	259,080	(253,840)	5,240

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Post-employment benefits

(Continued)

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

	2017 £000	2016 £000
Equities	104,409	75,689
Property	12,954	11,864
Bonds	59,848	113,177
Other	81,869	36,540
	<u>259,080</u>	<u>237,270</u>

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.

13 Intangible fixed assets

	Software £000	Assets in the course of construction £000	Total £000
Cost			
At 1 January 2017	86,133	14,677	100,810
Additions	704	20,998	21,702
Disposals	(22,190)	(222)	(22,412)
Transfers	19,462	(19,462)	-
At 31 December 2017	<u>84,109</u>	<u>15,991</u>	<u>100,100</u>
Accumulated amortisation			
At 1 January 2017	59,201	-	59,201
Charge for the year	16,477	-	16,477
Disposals	(22,186)	-	(22,186)
At 31 December 2017	<u>53,492</u>	<u>-</u>	<u>53,492</u>
Carrying amount			
At 31 December 2017	<u>30,617</u>	<u>15,991</u>	<u>46,608</u>
At 31 December 2016	<u>26,932</u>	<u>14,677</u>	<u>41,609</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

14 Tangible assets

	Leasehold improvements	Plant and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
At 1 January 2017	5,868	29,909	3,280	39,057
Additions	311	2,545	2,156	5,012
Disposals	(2,561)	(1,964)	-	(4,525)
Transfers	1,722	1,469	(3,191)	-
At 31 December 2017	5,340	31,959	2,245	39,544
Accumulated depreciation				
At 1 January 2017	2,626	19,646	-	22,272
Charge for the year	575	6,277	-	6,852
Disposals	(2,514)	(1,944)	-	(4,458)
At 31 December 2017	687	23,979	-	24,666
Carrying amount				
At 31 December 2017	4,653	7,980	2,245	14,878
At 31 December 2016	3,242	10,263	3,280	16,785

15 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	8,949	5,974
Other receivables	-	94
Other taxation and social security	221	1,024
Prepayments and accrued income	8,387	3,900
	17,557	10,992

16 Trade and other payables

	2017 £000	2016 £000
Other trade payables	1,157	2,578
Accruals and deferred income	27,168	17,217
Other taxation and social security	-	339
	28,325	20,134

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Deferred taxation

	2017 £000	2016 £000
Provided:		
Accelerated capital allowances	6,120	6,896
Other timing difference	1,011	213
	<u>7,131</u>	<u>7,109</u>
Deferred tax asset	<u>7,131</u>	<u>7,109</u>
	2017 £000	2016 £000
As at 1 January	7,109	6,733
Deferred tax credited in statement of comprehensive income (see note 9)	22	376
	<u>7,131</u>	<u>7,109</u>
As at 31 December	<u>7,131</u>	<u>7,109</u>

18 Provisions for liabilities and charges

	2017 £000	2016 £000
Dilapidation provision	1,150	1,150
Legal provision	-	685
Restructuring provision	300	-
	<u>1,450</u>	<u>1,835</u>

The provisions of £1,450,000 (2016: £1,835,000) represent:

- a dilapidation provision of £1,150,000 (2016: £1,150,000) expected to crystallize within the next 10 years
- a legal provision of £685,000 relating to 2016 was settled during 2017
- a restructuring provision of £300,000 (2016: £Nil) expected to crystallize within the next year

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

19 Inter-company items

	2017 £000	2016 £000
Amounts owed by group undertakings	198,997	236,550
Amounts owed to group undertakings	(34,357)	(45,865)
Net amounts owed by group undertakings	<u>164,640</u>	<u>190,685</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 2017 of 4.29% (2016: 5.12%). There were no inter-company loan amounts owed to subsidiary undertakings in 2017 (2016: 5.16%). There were no floating rate inter-company loans.

20 Financial instruments

	2017 Book amount £000	Fair value £000	2016 Book amount £000	Fair value £000
Trade and other receivables	8,949	8,949	6,068	6,068
Other taxation and social security receivable	221	221	1,024	1,024
Prepayments and accrued income	8,387	8,387	3,900	3,900
Deferred tax asset	7,131	7,131	7,109	7,109
Other financial assets:				
- amounts owed by group undertakings	198,997	198,997	236,550	236,550
Cash at bank and in hand	1,042	1,042	3,077	3,077
Other trade payables	(1,157)	(1,157)	(2,578)	(2,578)
Other taxes and social security payable	-	-	(339)	(339)
Accruals and deferred income	(27,168)	(27,168)	(17,217)	(17,217)
Provisions	(1,450)	(1,450)	(1,835)	(1,835)
Other financial liabilities:				
- amounts owed to group undertakings	<u>(34,357)</u>	<u>(34,357)</u>	<u>(45,865)</u>	<u>(45,865)</u>

AVIS BUDGET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

21 Share capital

2016 and 2017

£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.

22 Financial commitments

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

	2017 £000	2016 £000
Payments due:		
Within one year	975	965
Between two and five years	3,331	3,900
Later than five years	-	5,281
	<u>4,306</u>	<u>10,146</u>

23 Contingent liabilities

The Company was entered into a cross-guarantee arrangement with its bankers, under which the Company's funds could be used to offset the liabilities of the other group undertakings. As at 31 December 2016, the liabilities of the relevant other group undertakings amounted, in aggregate, to £74,000. The cross-guarantee arrangement ended in 2017.

24 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.

25 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.