Company Registration No. 01972749 (England and Wales)

AVIS BUDGET SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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AVIS BUDGET SERVICES LIMITED

COMPANY INFORMATION

Directors	P L Ford	
	M Kightley	(Appointed 14 March 2019)
Secretary	I Lall	
Company number	01972749	
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 2018

The Directors present their Strategic Report for the Company for the year ended 31 December 2018.

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 region.

The Company supports the provision of mobility solutions across the region through the well recognised Avis and Budget brands. The differentiated brands help to meet a wide range of customer mobility needs. Avis is a leading vehicle rental brand positioned to serve the premium commercial and leisure segments of the travel industry. Budget is a leading vehicle rental brand focused primarily on more value-conscious segments of the industry.

The strategy of the Company is aligned to those of the Avis Budget Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc. The objective is to drive sustainable, profitable growth by delivering strategic initiatives aimed at winning and retaining customers through differentiated brands and products, increasing margins via revenue growth and operational efficiency and enhancing leadership in the evolving mobility industry.

The Company's operations continued to perform satisfactorily throughout the year. The Company made a profit after taxation in the year of £17,629,000 (2017: £23,793,000). 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 13 to 30.

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 Group, Inc. 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 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 Group, Inc. 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 Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc.

Political and Economic Risk

The Company is exposed to risks related to political, economic and commercial instability or uncertainty in the geographical location in which it operates. For example, uncertainty related to the proposed withdrawal of the United Kingdom from the European Union could lead to volatility in the global financial markets, adversely affect tax, legal and regulatory regimes, including potential changes to import-export laws, trade treaties or tariffs, and could impact the economies of the United Kingdom and other countries within the European Union. Exposure to these risks may adversely impact our financial condition or results of operations.

To mitigate these risks, the Company:

- benefits from being part of a global group, with operations having a variety of revenue streams from a wide variety of customer segments, including both domestic and international inbound customers;
- constantly monitors new and used vehicle market trends across its related fellow subsidiary operations and adjusts fleet rotations, pricing and procurement accordingly. Vehicles are sourced from a wide variety of manufacturers;
- monitors and evaluates alternative recruitment, training, and outsource providers to fulfil our employment needs;
- maintains both internal and external legal and tax expertise to interpret, assess, and respond to potential changes in regulation, enabling it to adapt its model and processes to comply with changes in a seamless manner.

By Order of the Board



I Lall
Secretary
31 July 2019

AVIS BUDGET SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2018.

Results and Dividends

The Company made a profit after taxation in the year of £17,629,000 (2017: £23,793,000). Ordinary dividends were paid amounting to £50,000,000 (2017: £50,000,000). The Directors do not recommend the payment of a final dividend (2017: £nil).

Future Developments

Details of future developments can be found in the Strategic Report on pages 1 to 2.

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 pages 1 to 2.

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 2018 was 37 days (2017: 32 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	(Resigned 14 March 2019)
M Kightley	(Appointed 14 March 2019)

Charitable Donations

The Company made charitable donations of £3,308 during the year (2017: £1,584).

Employment Policies and Practices

The Company is committed to maintaining a professional and supportive workplace built on trust between employees and management. In concert with our core values, we seek to foster an environment where communication among our employees is open, honest, and respectful; performance is recognised; growth is encouraged; and accomplishments – individual and collective – are celebrated. We also seek to support the well-being and development of the people we employ and the communities in which they work. The following initiatives reflect our commitment to achieving these goals:

- Employee Engagement: We periodically measure the success of our workplace initiatives in a Company-wide employee survey. Conducted by an independent third-party to ensure impartiality and confidentiality, the survey is part of a long tradition of listening to what employees have to say about the Company, about the job they do, and about what they expect. The findings from each survey are presented by managers to employees and plans to address areas for improvement are established;
- Employee Benefits Programs: Our employees are critical to our success. To ensure their well-being and professional growth, we generally offer a competitive salary, plus incentive compensation potential and comprehensive benefits. In addition, we offer health and welfare benefits that may include a range of training, employee assistance and personal development programs to help employees and their families prosper. Our employee benefit programs are all offered and administered in compliance with applicable local law;
- Live Well – Healthy Living: We maintain a comprehensive program of initiatives designed to encourage our employees and their families to be mindful of their health and to enhance their ability to care for themselves and manage their health care expenses;
- Equal Opportunity Employment: We are committed to providing equal employment opportunity to all applicants and employees without regard to race, religion, colour, sex, sexual orientation, gender, gender identity, age, national origin, ancestry, citizenship, protected veteran or disability status or any factor prohibited by law, and as such we affirm in policy and practice to support and promote the concept of equal employee opportunity and affirmative action, in accordance with all applicable federal, state, provincial and municipal laws. In addition, the Company will reasonably accommodate known disabilities and religious beliefs of employees and qualified applicants; and
- Diversity and Inclusion: As part of a growing global organisation, the Company is proud of the diversity of its workforce. We strive to attract and retain talented and diverse people throughout our organisation by engaging in several initiatives to support diversity and inclusion, including programs specifically designed to develop female leaders.

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.

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.

Directors Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

By Order of the Board



I Lall
Secretary
31 July 2019

AVIS BUDGET SERVICES LIMITED

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 of Avis Budget Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 which comprise:

- the Statement of Comprehensive Income
- the Balance Sheet
- the Statement of Changes in Equity
- the related Notes on pages 13 to 30.

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 Financial Reporting Council's (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.

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 control as the Directors determine is necessary to enable the preparation of 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions 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.

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.

Alexander Butterworth, ACA (Senior Satutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
31 July 2019

AVIS BUDGET SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Revenue	5	147,663	137,052
Gross profit		147,663	137,052
Administrative expenses		(125,756)	(114,254)
Exceptional items	6	(1,520)	(1,316)
Total administrative expenses		(127,276)	(115,570)
Operating profit	7	20,387	21,482
Finance income	8	5,071	6,044
Finance costs	8	-	(293)
Profit before taxation		25,458	27,233
Taxation	9	(7,829)	(3,440)
Profit for the financial year		17,629	23,793

All results derive from continuing operations.

There was no other comprehensive income for 2018 (2017: £nil).

The accompanying Notes on pages 13 to 30 form an integral part of these Financial Statements.

AVIS BUDGET SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Non-current assets					
Intangible assets	13		55,272		46,608
Tangible assets	14		14,385		14,878
Deferred tax assets	17		10,253		7,131
			79,910		68,617
Current assets					
Trade and other receivables	15	18,870		17,557	
Other financial assets:					
- amounts owed by group undertakings	20	168,581		198,997	
Cash at bank and in hand		27		1,042	
		187,478		217,596	
Current liabilities					
Trade and other payables	16	(41,987)		(28,325)	
Other financial liabilities:					
- amounts owed to group undertakings	20	(34,967)		(34,357)	
		(76,954)		(62,682)	
Net current assets			110,524		154,914
Total assets less current liabilities			190,434		223,531
Provisions	19		(724)		(1,450)
Net assets			189,710		222,081
Equity					
Called up share capital	22		10		10
Retained earnings			189,700		222,071
Total equity			189,710		222,081

The Financial Statements on pages 10 to 30 were approved by the Board on 31 July 2019 and were signed on its behalf by:

P L Ford
Director
Avis Budget Services Limited
Company Registration No. 01972749

AVIS BUDGET SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £000	Retained earnings £000	Total £000
At 1 January 2017		10	248,278	248,288
Profit and total comprehensive income for the year		-	23,793	23,793
Dividends	12	-	(50,000)	(50,000)
At 31 December 2017		10	222,071	222,081
At 1 January 2018		10	222,071	222,081
Profit and total comprehensive income for the year		-	17,629	17,629
Dividends	12	-	(50,000)	(50,000)
At 31 December 2018		10	189,700	189,710

The accompanying Notes on pages 13 to 30 form an integral part of these Financial Statements.

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.

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 Group, Inc. 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.

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.

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

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

3 Accounting policies **(Continued)**

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

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

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

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

Disclosures
The Company is a wholly owned subsidiary of Avis Budget Group, Inc. and is included in the consolidated financial statements of Avis Budget Group, Inc., which are publicly available. Consequently, the Company has elected to utilise the exemption provided in FRS 102 as detailed sensitivity, fair value and valuation disclosures are detailed in the consolidated financial statements of Avis Budget Group, Inc.

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.

The areas involving significant estimates are listed below:

Recoverability of the amounts owed by group undertakings
Amounts owed by group undertakings are unsecured and 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 group undertakings. The uncertainty exists over the recoverability of such balances. The Directors have concluded that all such amounts are expected to be fully recoverable hence no allowance for bad debts has been made during the reporting period.

Pensions
The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations, and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends (see Note 11).

5 Revenue

	2018 £000	2017 £000
Licence fee income - fellow subsidiary undertakings	41,979	33,854
Licence fee income - licensee and joint venture undertakings	34,137	33,911
Other income	71,547	69,287
	147,663	137,052

By geographical market:

	2018 £000	2017 £000
UK	6,747	8,470
Continental Europe	106,545	95,197
Other	34,371	33,385
	147,663	137,052

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

6 Exceptional items

An exceptional expense of £1,520,000 (2017: £1,316,000) has been recognised in respect of the following items:

- Restructuring costs of £1,520,000 (2017: £1,113,000) were incurred primarily relating to redundancy costs.
- No exceptional legal costs were incurred in 2018 (2017: £203,000).

7 Operating profit

	2018 £000	2017 £000
Operating profit for the year is stated after charging/(crediting):		
Amortisation of intangible assets	18,607	16,477
Depreciation on tangible assets	4,783	6,852
Operating lease charges	740	791
Fees payable to the Company's auditor for:		
Audit services - audit of the Company's annual Financial Statements	81	97
Other services - non-audit	157	112
Foreign exchange gains	(706)	(2,836)
Loss on disposal of non-current assets	10	211

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

Net realised losses on non-hedging derivatives were £259,000 (2017: £180,000).

8 Net finance income

	2018 £000	2017 £000
Interest receivable on loans to group undertakings	4,189	6,044
Bank interest and other	882	-
	5,071	6,044
Interest payable on loans from group undertakings	-	(293)
	5,071	5,751

9 Tax on profit on ordinary activities

Analysis of charge in year

	2018 £000	2017 £000
Current tax:		
UK corporation tax	5,618	3,359
Adjustments in respect of prior periods	5,406	-
Double tax relief	(3,065)	(3,359)
	7,959	-
Foreign tax	2,992	3,462
Total current tax	10,951	3,462
Deferred tax:		
Origination and reversal of timing differences	(529)	108
Adjustments in respect of previous years	(2,593)	(130)
Total deferred tax credit (see note 17)	(3,122)	(22)
Total tax charge on ordinary activities	7,829	3,440

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 19.00% (2017: 19.25%).

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:

	2018 £000	2017 £000
Profit before taxation	25,458	27,233
Expected tax profit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	4,837	5,242
Expenses not deductible for tax purposes	217	385
Group relief received for nil consideration	-	(2,146)
Tax effect of income not taxable in determining taxable profit	(33)	-
Double tax relief	(3,065)	(3,359)
Foreign withholding tax	2,992	3,462
Adjustments in respect of prior years	2,813	(130)
Difference in tax rate	62	(14)
Transfer pricing adjustments	6	-
Taxation for the year	7,829	3,440

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017 (substantively enacted on 26 October 2015 by Finance Bill (No. 2) 2015). A further reduction from 19% to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016 by Finance Bill 2016. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these Financial Statements.

In previous years, group relief was received for nil consideration. Subsequent to 31 December 2017, the Company entered into an agreement with other group companies whereby, effective from 1 January 2017, tax losses claimed would be paid for at the applicable statutory tax rate. The adjustments in respect of prior years of £2.8 million recognised above includes the liability for group relief received for 2017 in accordance with the new approach as well as the impact of a change in the capital allowances claimed in the submitted 2017 tax return.

10 Directors' emoluments and employees

Directors' emoluments

Aggregate emoluments:

	2018 £000	2017 £000
Remuneration for management services	367	370
Amounts receivable under long term incentive schemes	208	74
	575	444

Highest paid director:

Remuneration for management services	419	253

The accrued pension lump sum of the highest paid Director from the Retirement Capital Plan was nil as at 31 December 2018 (2017: £nil).

Employees

	2018 Number	2017 Number
Average monthly number employed (including Directors)	390	412
	390	412

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

	2018 £000	2017 £000
Staff costs:		
Wages and salaries	28,917	26,841
Social security costs	4,202	4,598
Other pension costs (see note 11)	2,855	5,617
Share-based payments	1,230	858
	37,204	37,914

The Share-based Payments 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.

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 Group, Inc. 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 2018 was £1,615,000 (2017: £1,753,000).

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 October 2018 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 2018, a charge of £1,240,000 (2017: £3,864,000) 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.

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.

11 Post-employment benefits **(Continued)**

a) Assumptions

Adjustments to the valuation have been made based on the following assumptions:

	2018 %	2017 %
Discount rate	2.70	2.40
Rate of inflation*	2.10	2.10
Expected rate of increase of pensions in payment	1.90	1.90

* 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:

	2018 Years	2017 Years
Retiring today		
- Males	22	23
- Females	24	24
Retiring in 15 years		
- Males	23	23
- Females	26	26

c) Amounts recognised in the income statement

	2018 £000	2017 £000
Current service cost	170	140
Net interest on defined benefit assets	(160)	(70)
Other costs and income	390	810
Total cost	400	880

11 **Post-employment benefits** **(Continued)**

d) Amounts taken to other comprehensive income

	2018 £000	2017 £000
Actual loss/(return) on scheme assets	7,530	(21,190)
Calculated interest element	6,190	6,210
Loss/(return) on scheme assets	13,720	(14,980)
Actuarial changes related to obligations	(10,520)	15,810
Total costs	3,200	830

e) Amounts recognised in the balance sheet

	2018 £000	2017 £000
Present value of defined benefit obligations	(242,050)	(253,840)
Fair value of scheme assets	246,570	259,080
Net surplus in the scheme	4,520	5,240

f) Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2018	259,080	(253,840)	5,240
Benefits paid	(7,470)	7,470	-
Employer contributions	2,880	-	2,880
Current service cost	-	(170)	(170)
Administrative expenses	(390)	-	(390)
Interest income/(expense)	6,190	(6,030)	160
- Acturial gains	-	10,520	10,520
- Return on plan assets excluding interest income	(13,720)	-	(13,720)
At 31 December 2018	246,570	(242,050)	4,520

11 Post-employment benefits (Continued)

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

	2018 £000	2017 £000
Equities	96,409	104,409
Property	13,561	12,954
Bonds	49,561	59,848
Other	87,039	81,869
	246,570	259,080

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

12 Dividends

	2018 £000	2017 £000
Interim paid	50,000	50,000

13 Intangible fixed assets

	Software	Assets in the course of construction	Total
	£000	£000	£000
Cost			
At 1 January 2018	84,109	15,991	100,100
Additions	2,626	24,584	27,210
Disposals	(11)	-	(11)
Transfers	18,227	(18,156)	71
At 31 December 2018	104,951	22,419	127,370
Accumulated amortisation			
At 1 January 2018	53,492	-	53,492
Charge for the year	18,607	-	18,607
Disposals	(1)	-	(1)
At 31 December 2018	72,098	-	72,098
Carrying amount			
At 31 December 2018	32,853	22,419	55,272
At 31 December 2017	30,617	15,991	46,608

14 Tangible assets

	Leasehold improvements	Plant and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
At 1 January 2018	5,340	31,959	2,245	39,544
Additions	96	2,372	1,893	4,361
Disposals	-	(234)	-	(234)
Transfers	406	2,144	(2,621)	(71)
At 31 December 2018	5,842	36,241	1,517	43,600
Accumulated depreciation				
At 1 January 2018	687	23,979	-	24,666
Charge for the year	640	4,143	-	4,783
Disposals	-	(234)	-	(234)
At 31 December 2018	1,327	27,888	-	29,215
Carrying amount				
At 31 December 2018	4,515	8,353	1,517	14,385
At 31 December 2017	4,653	7,980	2,245	14,878

15 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	10,145	8,949
Other taxation and social security	194	221
Prepayments and accrued income	8,531	8,387
	18,870	17,557

16 Trade and other payables

	2018	2017
	£000	£000
Trade payables	4,544	1,157
Deferred income	173	-
Accruals	28,308	27,168
Group relief creditor	7,920	-
Other taxation and social security	1,042	-
	41,987	28,325

17 Deferred taxation

	2018 £000	2017 £000
Provided:		
Accelerated capital allowances	9,432	6,120
Other timing difference	821	1,011
Deferred tax asset	10,253	7,131

	2018 £000	2017 £000
As at 1 January	7,131	7,109
Deferred tax credited in statement of comprehensive income (see note 9)	3,122	22
As at 31 December	10,253	7,131

18 Financial risk management

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

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

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

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

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

19 Provisions for liabilities and charges

	2018 £000	2017 £000
Dilapidation provision	680	1,150
Restructuring provision	44	300
	724	1,450

The provisions of £724,000 (2017: £1,450,000) represent:

- a dilapidation provision of £680,000 (2017: £1,150,000) expected to crystallize within the next 10 years
- a restructuring provision of £44,000 (2017: £300,000) expected to crystallize within the next year

20 Inter-company items

	2018 £000	2017 £000
Amounts owed by group undertakings	168,581	198,997
Amounts owed to group undertakings	(34,967)	(34,357)
Net amounts owed by group undertakings	133,614	164,640

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 2018 of 3.46% (2017: 4.29%).

21 Financial instruments

	2018 Book amount £000	2018 Fair value £000	2017 Book amount £000	2017 Fair value £000
Trade and other receivables	10,145	10,145	8,949	8,949
Other taxation and social security receivable	194	194	221	221
Prepayments and accrued income	8,531	8,531	8,387	8,387
Deferred tax asset	10,253	10,253	7,131	7,131
Other financial assets:				
- amounts owed by group undertakings	168,581	168,581	198,997	198,997
Cash at bank and in hand	27	27	1,042	1,042
Other trade payables	(4,544)	(4,544)	(1,157)	(1,157)
Other taxes and social security payable	(1,042)	(1,042)	-	-
Accruals and deferred income	(28,481)	(28,481)	(27,168)	(27,168)
Provisions	(724)	(724)	(1,450)	(1,450)
Other financial liabilities:				
- amounts owed to group undertakings	(34,967)	(34,967)	(34,357)	(34,357)

22 Share capital

	2017 and 2018 £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.

23 Financial commitments

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

	2018 £000	2017 £000
Payments due:		
Within one year	975	975
Between two and five years	2,356	3,331
	3,331	4,306

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.