

Company Registration No. 00802486 (England and Wales)

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



AVIS BUDGET UK LIMITED

COMPANY INFORMATION

Directors	N A Bell M J Kightley P L Ford	(Appointed 16 March 2016)
Secretary	G Jones	
Company number	00802486	
Registered office	Avis Budget House Park Road Bracknell RG12 2EW United Kingdom	
Auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD United Kingdom	

AVIS BUDGET UK LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 7
Income Statement	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 31

AVIS BUDGET UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Principal Activities

The Company's principal activity during the year was the renting of motor vehicles.

Strategic Review and Future Developments

Strategic Review

The Company is the UK operation of the Avis Budget Group, Inc. group of companies, a global car rental services company.

During the year to 31 December 2016 the Company performed in line with market conditions, and has seen an increase in revenue to £155,574,000 (2015: £152,721,000).

The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, paid a dividend to the Company of £780,000 (2015: £800,000).

The Company made a loss after taxation for the year of £2,027,000 (2015: profit of £829,000). Net liabilities of the Company are £8,831,000 (2015: net assets of £17,581,000) due to the cumulative reserves and the total comprehensive income for the year.

Future developments

The Directors expect the Company to continue to transact business as a car rental company in the coming year and forecast a competitive market with plans to continue a program of tight cost control.

In quarter 2 2017, the Company extended its fleet financing agreement by a further year ensuring that the capacity is there to grow the fleet and facilitate revenue growth over the next three years.

Key Performance Indicators (KPIs)

The Company monitors a range of financial and non-financial performance indicators, reported on a periodic basis, to measure performance. The KPI key measures include rental revenue per day, rental days, average fleet utilisation, underlying pre-tax margin and return on capital employed. These are not disclosed due to the commercially sensitive nature of the data.

AVIS BUDGET UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Risks and Uncertainties

Risk mitigation is a key part of the management of the Company and we have a consistent process to identify, manage and help mitigate exposure to issues that may have a negative impact on the business. The relative importance of identified risks is reviewed regularly and in respect of all such risks we continue to monitor and respond to the changing environment. Summarised below are some of the key risks that may affect the Company's business.

Demand

The Company faces various risks associated with demand for its services, which in itself is subject to seasonal variations. There may be disruptions in air travel for a number of reasons including natural disasters, terrorist activity or as a consequence of increased security measures being taken by authorities in anticipation of such a threat. An economic downturn, particularly sudden, poses challenges for the Company given its capital intensity and limited visibility of forward reservations. However, we have detailed management reporting systems that help to monitor daily rental patterns and future reservation trends. The Company maintains a flexible business model to allow us to readily flex fleet and staff when required in response to changes in demand.

The Company is dependent on the granting and renewal of concessionary arrangements at airports and railway stations. We seek to maintain strong relationships with all relevant authorities and have a strong track record of renewing such contracts on a regular basis.

Price

The Company is exposed to the risk of price movements in the market. The car rental industry faces pressure from increased price competitiveness as a result of the growth of internet travel portals, other forms of e-commerce and rental brokers. This transparency has increased the prevalence and intensity of price competition. The Company has a team who review market prices and demand on a regular basis.

Fleet

Loss or material change in the terms on which we obtain fleet vehicles from major vehicle suppliers could harm the performance of the Company. In the event that we could not procure all of the required vehicles from current sources, vehicles could be obtained from other sources, such as dealers.

Where difficulties are experienced in sourcing vehicles, or where prevailing economic conditions result in depressed used vehicle prices and reduced demand, these risks may be mitigated by extending the holding period of vehicles.

Credit Risk

The Company manages credit risk by performing credit checks where considered appropriate on corporate customers. The Company uses a respected credit agency as part of an internal process for setting and reviewing credit lines.

Liquidity Risk

The nature of the car rental business model is such that the Company has the ability to flex the size of the business and hence funding requirements as required. The Company is primarily funded by secured bank loans and group undertakings.

AVIS BUDGET UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 within 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 group of companies.

By Order of the Board



G. Jones
Secretary

29 June 2017

AVIS BUDGET UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Directors

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

N A Bell	(Appointed 16 March 2016)
M J Kightley	
P L Ford	
M J Servodidio	(Resigned 16 March 2016)

Results and dividends

The Company made a loss after taxation for the year of £2,027,000 (2015: profit of £829,000). The performance was in line with expectations. The Directors do not recommend the payment of a dividend (2015: nil).

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. After making enquiries, the Directors have received a letter of support from an intermediate parent company, Cilva Holdings Ltd, confirming that they are willing to provide the necessary financial support and that they have the necessary funds available to pay the Company's debts as they fall due. Thus, the Directors have adopted the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of disclosure to Auditor

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.

Employment Policies and Practices

Details of the Company's employees during the year are set out in Note 7 to the Financial Statements.

During the year the Company continued to focus on developing a lean, efficient and flexible 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.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report and form part of this report by cross-reference.

Independent Auditors

Deloitte LLP will continue in office as auditors since the Company has elected to dispense with the annual reappointment of auditors, as permitted by Sections 485-488 of the Companies Act 2006.

By order of the board



G Jones
Secretary

29 June 2017

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

We have audited the Financial Statements of Avis Budget UK Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related Notes on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alexander Butterworth, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
29 June 2017

AVIS BUDGET UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Revenue		155,574	152,721
Cost of sales		(108,552)	(108,832)
Gross profit		47,022	43,889
Administrative expenses		(47,329)	(44,662)
Exceptional item	5	-	10,000
Operating (loss)/profit	6	(307)	9,227
Income from shares in group undertakings		780	800
Finance costs	8	(8,949)	(8,149)
(Loss)/profit before taxation		(8,476)	1,878
Taxation	9	6,449	(1,049)
(Loss)/profit for the financial year		(2,027)	829

The income statement has been prepared on the basis that all operations are continuing operations.

The accompanying Notes on pages 12 to 31 form an integral part of these Financial Statements.

AVIS BUDGET UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £000	2015 £000
(Loss)/profit for the year	(2,027)	829
	<u> </u>	<u> </u>
Other comprehensive income		
Actuarial (loss)/gain on defined benefit pension schemes	(26,290)	2,830
Tax relating to other comprehensive income	1,905	(105)
	<u> </u>	<u> </u>
Other comprehensive income for the year	(24,385)	2,725
	<u> </u>	<u> </u>
Total comprehensive income for the year	(26,412)	3,554
	<u> </u>	<u> </u>

AVIS BUDGET UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets		592	92
Tangible assets	11	202,590	210,569
Investments	12	3,800	3,800
		<u>206,982</u>	<u>214,461</u>
Current assets			
Stock		974	946
Trade and other receivables	13	277,267	152,063
Cash at bank and in hand		17,362	953
		<u>295,603</u>	<u>153,962</u>
Current liabilities	14	<u>(486,788)</u>	<u>(349,309)</u>
Net current liabilities		(191,185)	(195,347)
Total assets less current liabilities		<u>15,797</u>	<u>19,114</u>
Creditors: amounts falling due after more than one year	15	-	(141)
Provisions for liabilities	16	(23,788)	(21,232)
Net assets excluding pension (liability)/surplus		<u>(7,991)</u>	<u>(2,259)</u>
Defined benefit pension (liability)/surplus	19	(840)	19,840
Net (liabilities)/assets		<u><u>(8,831)</u></u>	<u><u>17,581</u></u>
Equity			
Called up share capital	20	88,650	88,650
Share premium account		39,683	39,683
Retained earnings		(137,164)	(110,752)
Total equity		<u><u>(8,831)</u></u>	<u><u>17,581</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 June 2017 and are signed on its behalf by:



M J Kightley

Director

Avis Budget UK Limited

Company Registration No. 00802486

AVIS BUDGET UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
Balance at 1 January 2015	88,650	39,683	(114,306)	14,027
Year ended 31 December 2015:				
Profit for the year	-	-	829	829
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	2,830	2,830
Tax relating to other comprehensive income	-	-	(105)	(105)
Total comprehensive income for the year	-	-	3,554	3,554
Balance at 31 December 2015	88,650	39,683	(110,752)	17,581
Year ended 31 December 2016:				
Loss for the year	-	-	(2,027)	(2,027)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(26,290)	(26,290)
Tax relating to other comprehensive income	-	-	1,905	1,905
Total comprehensive income for the year	-	-	(26,412)	(26,412)
Balance at 31 December 2016	88,650	39,683	(137,164)	(8,831)

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

The Company is the UK operation of the Avis Budget Group, Inc. group of companies, a global car rental services company. 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, 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

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. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to present group financial statements as it is a wholly owned subsidiary undertaking of Avis Budget Group, Inc., a company incorporated in the United States of America, which itself prepares consolidated financial statements.

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. After making enquiries, the Directors have received a letter of support from an intermediate parent company, Cilva Holdings Ltd, confirming that they are willing to provide the necessary financial support and that they have the necessary funds available to pay the Company's debts as they fall due. Thus, the Directors 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 Revenue

Revenue comprises charges for the rental of a vehicle and is recognised on a daily rental basis. Other revenue including charges arising from the provision of services incidental to vehicle rental (such as the sale of fuel and the provision of foreign exchange services to rental customers) are recognised in line with underlying rental revenue. Other revenue also includes fees receivable from sub-licensees which is ordinarily recognised as a contracted percentage of the rental revenue of each individual sub-licensee.

Charges recovering the cost of damages incurred to vehicles are not recognised as revenue, but are netted against the related damage repair costs within cost of sales.

Revenue relates to the Company's activities in the UK. Further segment information has not been provided as in the opinion of the Directors, this would be seriously prejudicial to the interests of the Company.

3.5 Cost of Sales

Cost of sales includes selling, revenue related (e.g. commissions and credit card fees) and vehicle costs. Contributions to vehicle costs from suppliers are credited over the holding period of the related vehicles. Any such contributions dependent on performance criteria are recognised in the income statement only to the extent that it is considered probable that the criteria will be met.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 ACCOUNTING POLICIES

(Continued)

3.6 Administrative Expenses

Administrative expenses are recognised as an expense in the period in which they are incurred and include staff costs, non-vehicle related rental charges and other overheads.

3.7 Exceptional Items

Exceptional items are material non-recurring items that derive from events or transactions 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.

3.8 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	3 to 5 years
Goodwill	3 to 4 years

3.9 Tangible Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Vehicle depreciation is based on estimates of future residual values or on guaranteed residual values. Depreciation rates vary between 4% and 20% per annum, depending upon the type of vehicle.

Depreciation on other assets is calculated so as to write down the cost of tangible assets to their estimated residual value in equal installments over their useful economic lives, being:

Leasehold land and buildings	the period of the lease
Plant and equipment	2 to 10 years
Freehold buildings	50 years or the life of the assets
Freehold land	not depreciated

3.10 Investments

Investments are stated at cost unless, in the opinion of the Directors, there has been an impairment in the value of an investment, when an appropriate provision is made. All of the investments are direct investments.

3.11 Leased assets

Leases of vehicles (including vehicles subject to manufacturer repurchase agreements) and other property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. The interest element of the finance cost is charged to the Profit and Loss account over the lease period. The leased assets are depreciated over their expected useful lives on a basis consistent with similar owned vehicles or other property, plant and equipment. If there is no reasonable certainty that ownership will be acquired by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 ACCOUNTING POLICIES

(Continued)

3.12 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.

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties, but self-insures subject to excess limits and annual aggregate stop losses for total claims. A provision is made for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company (subject to the overall stop losses) based on an assessment of the expected settlement on known claims, and after taking appropriate professional advice.

3.13 Stocks

Stocks, consisting of consumables, are valued at replacement cost.

3.14 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.

3.15 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.

3.16 Foreign Currency

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the year-end. Transactions in foreign currencies during the year are recorded at rates of exchange in effect when the transaction occurs. Gains and losses on exchange are dealt with in the Income statement.

3.17 Financial instruments

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.

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.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 ACCOUNTING POLICIES

(Continued)

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.

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.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 ACCOUNTING POLICIES

(Continued)

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.

3.18 Pension arrangements

Defined contribution scheme

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit plan

The Company is the principle sponsoring employer of a defined benefit plan to which other UK companies in the Avis Budget EMEA Limited group of companies is associated. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 ACCOUNTING POLICIES

(Continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

4 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 estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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.

Share based payments

The Company has obligations to pay cash settled share based payments to certain Directors. The scheme is administered by the ultimate holding company; Avis Budget Group, Inc. Any costs applicable to Avis Budget UK Limited are recharged via the intercompany process.

Provisions

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Impairment of trade and other receivables

The Company generates a provision for impairment of trade and other receivables based on the ageing of receivables and historical write off data. The assumptions used in the calculation are reviewed and updated on a monthly basis.

Useful lives of tangible assets

The useful lives of tangible assets are determined by the group accounting policy issued by the ultimate holding company; Avis Budget Group, Inc. Useful lives are shown in Note 3.

Damage provisions

The Company has an obligation to repair buy-back vehicles to the manufacturer standard as specified in individual buy-back contracts. The cost of repair is based on a number of factors, including, manufacturer, fixed or variable cost contracts, and the model and trim level of vehicles. Management estimates these costs in determining the obligation at the year end. The assumptions used reflect historical data/experience and current contractual obligations.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Residual values

The Company closely monitors residual values of its vehicles to ensure no impairment is required. Regular monitoring and analysis of market trends allow accurate forecasting of residual values limiting any gain or loss on sale at the end of the vehicles life. Provisions are made should management see consistent downward trends in residuals values and the used car market.

Management uses professional judgement in determining residual value provisions. The best possible information, data, and experience is available to enable informed decisions to be made.

5 EXCEPTIONAL ITEMS

	2016 £000	2015 £000
Business support payment	-	(10,000)

In 2016, the Company received a business support payment of £nil (2015: £10,000,000) from Avis Budget Services Limited to assist the Company to continue operating at current levels.

6 OPERATING (LOSS)/PROFIT

	2016 £000	2015 £000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Re-measurement gain on non-hedging derivatives	1,939	(172)
Foreign exchange (gains)/losses	(4,167)	(587)
Fees payable to the company's auditor for the audit of the company's financial statements	51	19
- Other services; the audit of the accounts of the subsidiary pursuant to legislation	6	5
- Other services; the auditing of revenue, as required by concession agreements	6	6
Depreciation of owned property, plant and equipment	29,038	30,981
Amortisation of intangible assets	149	-
Operating lease charges	4,414	3,589

7 DIRECTORS AND EMPLOYEES

The average monthly number of persons (including Directors) employed by the company during the year was:

	2016 Number	2015 Number
Operations	870	822
Sales and Reservations	33	26
Administration and Finance	66	66
	969	914

AVIS BUDGET UK LIMITED

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

7 DIRECTORS AND EMPLOYEES

(Continued)

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	25,150	22,596
Social security costs	2,042	1,775
Pension costs	535	(453)
	<u>27,727</u>	<u>23,918</u>

The 2015 employees' remuneration figures have been amended to include the remuneration attributable to temporary staff, since on reflection, this is the most appropriate value to disclose.

Directors' remuneration

	2016 £000	2015 £000
Remuneration for qualifying services	437	307
	<u>437</u>	<u>307</u>

Following the closure of the Final Salary and Retirement Capital section to future accruals, retirement benefits are accruing to 2 (2015 - 2) Directors under the Company's Defined Contribution plan section of the pension scheme.

The number of Directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2015 - 0).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2016 £000	2015 £000
Remuneration for qualifying services	205	231
Amounts receivable under long term incentive schemes	9	63
Company pension contributions to defined contribution schemes	-	13
Accrued pension at the end of the year	17	28
	<u></u>	<u></u>

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 NET FINANCE COSTS

	2016 £000	2015 £000
On finance leases & other fleet financing facilities	5,546	5,477
On loans due to group undertakings	9,118	3,732
On loans due from group undertakings	(5,715)	(1,060)
	<u>8,949</u>	<u>8,149</u>

9 TAXATION ON (LOSS)/PROFIT ORDINARY ACTIVITIES

i) Analysis of tax charge / (credit) in year

	2016 £000	2015 £000
Current tax		
UK Corporation tax	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(4,655)	(3,669)
Remeasurment of deferred tax - change in rate	2,039	3,135
Adjustment in respect of prior periods	(3,833)	1,583
	<u>(6,449)</u>	<u>1,049</u>
Total deferred tax	<u>(6,449)</u>	<u>1,049</u>

ii) Factors affecting the current tax charge for the year

The standard rate of tax applied to reported (loss)/profit on ordinary activities is 20% (2015: 20.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2013. The differences between the total tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

AVIS BUDGET UK LIMITED

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

9 TAXATION ON (LOSS)/PROFIT ORDINARY ACTIVITIES

(Continued)

	2016 £000	2015 £000
(Loss)/profit before taxation	(8,476)	1,878
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1,695)	380
Expenses not deductible for tax purposes	70	35
Adjustments in respect of prior years	(3,833)	1,583
Group relief claimed/(surrendered) for nil consideration	(3,391)	(3,969)
Non-taxable dividend	(156)	(162)
Revaluation of deferred tax closing balance	2,039	3,136
Difference in deferred tax rate	517	46
Taxation for the year	(6,449)	1,049

In addition to the amount (credited)/charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £000	2015 £000
Deferred tax arising on:		
Origination and reversal of timing differences	(1,950)	232
Remeasurment of deferred tax - change in rate	45	(127)
Total tax recognised in other comprehensive income	(1,905)	105

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

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

During the year beginning 1 January 2017, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £2,028,000. This is due to origination of timing differences.

There is no expiry date on timing differences, unused tax losses or tax credits.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 INTANGIBLE FIXED ASSETS

	Goodwill	Internally generated software	Total
	£000	£000	£000
Cost			
At 1 January 2016	92	177	269
Additions - internally developed	-	104	104
Additions - separately acquired	545	-	545
Disposals	-	(177)	(177)
At 31 December 2016	637	104	741
Amortisation and impairment			
At 1 January 2016	-	177	177
Charge for the year	126	23	149
Disposals	-	(177)	(177)
At 31 December 2016	126	23	149
Carrying amount			
At 31 December 2016	511	81	592
At 31 December 2015	92	-	92

Goodwill is associated with the repurchase of several locations from our licensees.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 TANGIBLE ASSETS

	Freehold land and buildings	Short leasehold property	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2016	738	9,314	8,901	216,906	235,859
Additions	-	489	1,702	354,505	356,696
Disposals	-	(182)	(2,762)	(361,180)	(364,124)
Transfers	4,139	(1,536)	(2,603)	-	-
At 31 December 2016	4,877	8,085	5,238	210,231	228,431
Depreciation and impairment					
At 1 January 2016	738	5,321	7,686	11,545	25,290
Charge for the year	87	725	729	27,497	29,038
Disposals	-	(100)	(2,762)	(25,625)	(28,487)
Transfers	3,200	(204)	(2,996)	-	-
At 31 December 2016	4,025	5,742	2,657	13,417	25,841
Carrying amount					
At 31 December 2016	852	2,343	2,581	196,814	202,590
At 31 December 2015	-	3,993	1,215	205,361	210,569

During the year a review of the categorisation of assets was performed, which resulted in the movement of assets between categories.

12 INVESTMENTS

	Shares in group undertakings £000
Cost of investments	
At 1 January 2016 & 31 December 2016	13,000
Provisions for impairment	
At 1 January 2016 & 31 December 2016	9,200
Carrying amount	
At 31 December 2016	3,800
At 31 December 2015	3,800

AVIS BUDGET UK LIMITED

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

12 INVESTMENTS

(Continued)

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name	Address of the registered office	Activity	% of the Ordinary Share capital owned
Avis Pension Trustees Limited	Avis Budget House, Park Road, Bracknell RG12 2EW	Management	100
Avis Rent A Car (Isle of Man) Limited	P.O. Box 227, Clinches House, Lord Street, Douglas, IM99 1RZ, Isle of Man	Dormant	100
Avis Europe Risk Management Limited	Avis Budget House, Park Road, Bracknell RG12 2EW	Insurance	100

13 TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade receivables	50,916	34,899
Amounts due from fellow group undertakings	184,191	88,572
Prepayments and accrued income	6,722	1,508
	<hr/>	<hr/>
	241,829	124,979
Deferred tax asset (note 17)	35,438	27,084
	<hr/>	<hr/>
	277,267	152,063
	<hr/>	<hr/>

Within amounts owed by group undertakings, £172,780,000 (2015: £71,201,000) is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed by fellow subsidiaries at 31st December 2016 of 5.20% (2015: 3.82%). There were no floating rate intercompany loans. The remaining balance of £11,411,000 (2015: £17,371,000) with other group undertakings is unsecured, interest free and payable on demand.

No allowance for bad debts has been made as all amounts owed by fellow subsidiaries are expected to be fully recoverable. However, a provision for doubtful debts of £1,828,324 (2015: £958,464) has been made against the trade debtors at year end.

AVIS BUDGET UK LIMITED

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

14 TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Bank and other loans	185,580	127,736
Trade payables	27,924	29,618
Amounts due to fellow group subsidiary	247,851	162,089
Taxation and social security	7,748	12,177
Accruals and deferred income	17,685	17,689
	<u>486,788</u>	<u>349,309</u>

Within amounts owed to group undertakings, £219,302,000 (2015: £142,979,000) is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed to fellow subsidiaries at 31st December 2015 of 5.49% (2015: 4.09%). There were no floating rate intercompany loans. The remaining balance of £28,549,000 (2015: £19,110,000) with other group undertakings is unsecured, interest free and payable on demand.

Banks and other loans encompass secured loans carrying an average interest rate of 1.75% (2015: 2.56%) and are payable on demand.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £000	2015 £000
Accruals and deferred income	-	141

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance Reserves £000	Other Trading £000	Total £000
At 1 January 2016	18,589	2,643	21,232
Additional provisions in the year	13,151	43	13,194
Utilisation of provision	(10,404)	(235)	(10,639)
At 31 December 2016	<u>21,336</u>	<u>2,452</u>	<u>23,788</u>

Insurance reserves represent provisions for losses under third party liabilities or claims. Due to the timescales and uncertainties involved in such claims, provision is made upon the profile of claims experience, allowing for potential claims for a number of years after policy inception.

Other trading provisions primarily comprise of dilapidation and onerous lease provisions to cover the costs of remediation of certain properties held under operating leases, the ultimate expenditure of which is expected to be coterminous with the underlying remaining lease periods. The dilapidation provisions run to 2035.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2016 £000	Assets 2015 £000
Balances:		
Accelerated capital allowances	35,143	28,332
Retirement benefit obligations	81	(1,449)
Other timing differences	214	201
	<u>35,438</u>	<u>27,084</u>
Movements in the year:		2016 £000
Asset at 1 January 2016		(27,084)
Credit to profit or loss		(6,449)
Credit to other comprehensive income		(1,950)
Effect of change in tax rate - other comprehensive income		45
Asset at 31 December 2016		<u>(35,438)</u>

Deferred tax arising in relation to retirement benefit obligations has been calculated on the balance relating to Avis Budget UK Limited employees only.

18 FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities:

	2016 Book amount £000	Fair value £000	2015 Book amount £000	Fair value £000
Prepayments	6,722	6,722	1,508	1,508
Trade receivables	50,916	50,916	34,899	33,941
Other financial assets:				
- amounts owed by fellow subsidiaries	184,191	184,191	88,572	88,572
Cash at bank and in hand	17,362	17,362	953	953
Trade payables	27,924	27,924	29,618	29,618
Other payables	25,433	25,433	29,866	29,866
Other financial liabilities:				
- bank and other loans	185,580	185,580	127,736	127,736
- amounts due to fellow group subsidiary	247,851	247,851	162,089	162,089

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 POST-EMPLOYMENT BENEFITS

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

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

Defined contribution scheme

The defined contribution retirement benefit scheme is operated for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2016 was £692,000 (2015: £692,000).

The Company contributions to the DC plan depend on member choices. The contribution levels are Tier 1: employee 3%, Company 6%; Tier 2: employee 4%, Company 8%. For former Final Salary and RCP members who transferred to the DC Plan in July 2011, there is an additional Tier 3: employee 5%, Company 10% to 30 June 2016. In the Automatic-Enrolment tier, the employee and employer contributions are 1%. From October 2017 these contributions increase 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 2016, the Company made additional deficit funding of £2,185,465 (2015: £2,547,000) to the Final Salary and Retirement Capital Plan section.

An actuarial valuation was prepared as at 31 March 2014 to review the financial position of the Plan relative to its statutory funding objective, and to determine the appropriate level of future contributions. Based on this actuarial valuation it was agreed with the Trustee that deficit payments of £2,453,000 became payable each 1 July and 1 January commencing 1 July 2015 and ending 1 July 2017, with an additional contribution deficit payment of £444,000 on 1 January 2018. In March 2015, an additional conditional contribution of £562,000 was paid based on the level of profit for the Avis Budget EMEA Limited group for the twelve months ending the preceding 31 December. The last conditional payment becomes payable in March 2016 (based on 2015 profit), however the Avis Budget EMEA Limited group profitability for 2015 was below the required threshold, therefore no additional contribution was payable in March 2016.

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 POST-EMPLOYMENT BENEFITS

(Continued)

Key assumptions

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

	2016 %	2015 %
Discount rate	2.6	3.8
Rate of inflation*	1.9	1.9
Expected rate of increase of pensions in payment	1.9	1.67

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

Mortality assumptions

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

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

<i>Amounts recognised in the income statement</i>	2016 £000	2015 £000
Current service cost	120	110
Net interest on defined benefit liability/(asset)	(900)	(520)
Other costs and income	470	340
Past service credit	-	(980)
Total costs/(income)	(310)	(1,050)

AVIS BUDGET UK LIMITED

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

19 POST-EMPLOYMENT BENEFITS

(Continued)

	2016 £000	2015 £000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(35,350)	(5,380)
Less: calculated interest element	7,740	7,330
Return on scheme assets excluding interest income	(27,610)	1,950
Actuarial changes related to obligations	53,900	(4,780)
Total costs/(income)	26,290	(2,830)

	2016 £000	2015 £000
<i>Amounts recognised in the balance sheet</i>		
Present value of defined benefit obligations	238,110	182,240
Fair value of plan assets	(237,270)	(202,080)
Deficit/(surplus) in scheme	840	(19,840)

	2016 £000
<i>Movements in the fair value of the plan liabilities</i>	
Liabilities at 1 January 2016	182,240
Current service cost	120
Benefits paid	(4,990)
Actuarial gains and losses	53,900
Interest cost	6,840
At 31 December 2016	238,110

	2016 £000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2016	202,080
Interest income	7,740
Return on plan assets (excluding amounts included in net interest)	27,610
Benefits paid	(4,990)
Contributions by the employer	5,300
Other	(470)
At 31 December 2016	237,270

AVIS BUDGET UK LIMITED

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

19 POST-EMPLOYMENT BENEFITS

(Continued)

	2016 £000	2015 £000
<i>Analysis of the scheme assets as at the balance sheet date</i>		
Equity instruments	75,689	69,718
Property	11,864	5,456
Bonds	113,177	91,340
Other	36,540	35,566
	<u>237,270</u>	<u>202,080</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.

20 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
Ordinary share capital		
Issued and fully paid		
88,650,000 of £1 each	<u>88,650</u>	<u>88,650</u>

21 CAPITAL COMMITMENTS

At 31 December 2016 the Company had capital commitments contracted for but not provided amounting to £26,261 (2015: £nil) for building works, £187,000,000 (2015: £68,880,467) for committed vehicle purchases and £186,966,929 (2015: £126,953,516) for amounts payable under finance leases, all of which will be settled within the following year.

22 FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	1,985	-	1,966	-
Between one and five years	2,852	-	2,687	-
After more than five years	195	-	315	-
	<u>5,032</u>	<u>-</u>	<u>4,968</u>	<u>-</u>

AVIS BUDGET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

23 CONTINGENT LIABILITIES

The Company has entered into a cross-guarantee arrangement with its bankers, under which the Company's funds may be used to offset the liabilities of other Group undertakings. As at 31 December 2016, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £74,000 (2015: *£nil*).

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

24 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a subsidiary undertaking of Avis Europe Overseas 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 Company's ultimate holding company and 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 Paragraph 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.