Company Registration No. 00802486 (England and Wales)

AVIS BUDGET UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AVIS BUDGET UK LIMITED

COMPANY INFORMATION

Directors	N A Bell	
	P L Ford	
	J C G Turner	(Appointed 14 August 2019)
	M J Kightley	(Resigned 14 August 2019)
Secretary	I Lall	
	T M Mannion	(Resigned 3 February 2020)
Company number	00802486	
Registered office	Avis Budget House Park Road Bracknell Berkshire RG12 2EW United Kingdom	
Auditor	Deloitte LLP Reading United Kingdom	

AVIS BUDGET UK LIMITED

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AVIS BUDGET UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report for the Company for the year ended 31 December 2019.

Strategic Review and Future Developments

Strategic review

The Company is a regional operating company of the Avis Budget Group, Inc. group of companies ("the Group"). The Company is a provider of mobility solutions across the United Kingdom market 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 that 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 for the Company 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.

In executing the strategy, the Company will continue to position the distinct and well-recognized global brands to focus on different segments of customer demand. While the brands address different use-cases and target customers, the Company achieves efficiencies by sharing the same operational and administrative infrastructure while providing differentiated value propositions tailored to each of the brands.

The Group's distinct and well-recognized global brands focus on different segments of customer demand. The Company continues to support and build the reputation of the Avis brand as an innovative, reliable and high-quality service provider. Investments in technology, including the Avis mobile application and websites, are key parts of the Group's efforts to enhance the Avis experience for the customers. The Budget brand is a global leader among value-conscious vehicle rental consumers who are looking to "get more" from their vehicle rental provider.

The Company plans to drive incremental performance by continuing to improve customer experience by growing ancillary sales, including services such as providing discounted bundling of products, promoting car class upgrades, piloting new customer vehicle choice models (through the mobile application) and new payment features.

The Company aims to provide a range of vehicles, products and services at competitive prices, to leverage various marketing channels and to maintain marketing affiliations and corporate account contracts that complement each brand's positioning. The Company continues to invest in these brands through a variety of efforts, including both on-line and off-line marketing.

The Company maintains a diverse rental fleet, in which no vehicle manufacturer represented more than 25% of fleet purchases, and regularly adjusts fleet levels to be consistent with demand, participating in a variety of vehicle purchase programs with major vehicle manufacturers.

To further support and strengthen the brands, the Company is committed to serving customers and enhancing their rental experience through new organic offerings that optimize the brands, systems and employees. Customers are regularly surveyed to solicit feedback and to better understand their needs and drive actions to enhance the services.

The Company continues to further streamline its administrative and shared-services infrastructure that identifies and replicates best practices, leverages the scale and capabilities of third-party service providers and is designed to increase the global standardisation and consolidation of non-rental location functions over time.

During the year to 31 December 2019 the Company performed in line with market conditions which saw a decrease in revenue to £157,233,000 *(2018: £169,765,000).*

The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, paid a dividend to the Company of £550,000 *(2018: £600,000)*.

The Company made a loss after taxation for the year of £3,470,000 *(2018: loss of £11,109,000)*. During the year the Company issued shares to the value of £25,000,000 (see Note 20), which resulted in an increase in net assets. Net assets of the Company are £41,821,000 (2018: £16,008,000) due to the cumulative reserves and the share issue, partially offset by the total comprehensive loss for the year.

Future developments
The Company is well-positioned as part of a global leading group in the evolving mobility marketplace. Mobility is more than providing a clean reliable car of choice for a customer to use to get from point A to point B. Mobility means customers, using their smartphones or tablets, can customise their experiences with the Group products, services, and employees, bypass the counter or change their minds about the make or model of a vehicle and review their options on their mobile device right up to the moment they exit the parking lot.

Consistent with other integral components of the global travel industry, the Group is seeing significant impacts in its business around the world as a result of the Coronavirus ("COVID-19") outbreak. Significant events affecting travel have historically had an impact on vehicle rental volumes with the full extent of the impact generally determined by the length of time the event influences travel decisions. The COVID-19 outbreak has had, and the Company believes will continue to have, a significant adverse impact on the Group's operations and vehicle rental volumes, and on financial results and liquidity, and such negative impact may continue well beyond the containment of the outbreak.

The Group cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a decrease in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the Group has taken, and plans to take further actions to manage its liquidity, including reducing capital expenditures, operating expenses and the number of vehicles in its fleet. Based on these actions and assumptions regarding the impact of COVID-19, the Directors concluded that the Company will be able to generate sufficient liquidity to satisfy its obligations for twelve months from date of approval of these financial statements.

The Company operates in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond the Company's control, or changes in the impact of identified risk factors may cause actual results to differ materially from past results and/or those anticipated, estimated or projected. Although the Directors believe that the assumptions are reasonable, any or all of the Company's forward-looking statements may prove to be inaccurate and the Company can make no guarantees about its future performance.

In 2020, the Company used various government support programs including the Coronavirus Job Retention Scheme. The Company completed a strategic network review in 2020, which resulted in a partnership with a 3rd party provider and certain restructuring initiatives which included the closure of some locations.

Principal Risks and Uncertainties
Risk mitigation is a key part of the management of the Company and the Company has 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 all such risks continue to be monitored in the changing environment. Summarised below are some of the key risks that may affect the Company's business.

Demand
The Group faces various risks associated with demand for its services, which is subject to seasonal variations. An economic downturn, particularly sudden, poses challenges for the Group given its capital intensity and limited visibility of forward reservations.

Any significant airline capacity reductions, airfare or related fee increases, reduced flight schedules, or any events that disrupt or reduce business or leisure air travel or weaken travel demand and tourism, such as work stoppages, military conflicts, terrorist incidents, natural disasters, disease epidemics, or the response of governments to any such events, could have an adverse impact on the results of the Group's operations. For instance, the ongoing Coronavirus outbreak emanating from China at the beginning of 2020 has resulted in increased travel restrictions. In addition, any significant increases in fuel prices, a severe protracted disruption in fuel supplies or rationing of fuel could discourage customers from renting vehicles or reduce or disrupt air travel, which could also adversely impact the Group's results.

The Company has detailed management reporting systems that help to monitor daily rental patterns and future reservation trends. The Group maintains a flexible business model allowing it to readily flex fleet and staff when required in response to changes in demand. The Group is dependent on the granting and renewal of concessionary arrangements at airports and railway stations. The Group seeks 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 ecommerce and rental brokers. This transparency has increased the prevalence and intensity of price competition. The business has a team and systems that review market prices and demand on a regular basis relative to fleet availability and adjust prices accordingly.

Political risk
The Group's operations expose it to risks related to international, national and local economic and political conditions and instability. For example, operations in the United Kingdom include a significant amount of cross border business that could be negatively impacted by the withdrawal of the United Kingdom from the European Union. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the withdrawal of the United Kingdom from the European Union will have and how such withdrawal would affect the Company's operations. The withdrawal could lead to volatility in the global financial markets, adversely affect tax, legal and regulatory regimes and could impact the economy of the United Kingdom and other countries in which the Group operates, which could have a material adverse effect on the Company's results. This could lead to reduction in the demand for rental vehicles, and a risk of vehicles becoming more expensive and new supply chain challenges relating to the import of vehicles.

To mitigate these risks, the Company:
- benefits from being part of a global group;
- constantly monitors new and used vehicle market trends across all operations and adjusts fleet rotations, pricing and procurement accordingly. Vehicles are sourced from a wide range of manufacturers; and
- 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.

Pandemic Risk
COVID-19 has had, and is expected to continue to have, a significant impact on Avis Budget Group, Inc. group operations. The current, and uncertain future, impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel, is expected to continue to impact results, operations, outlooks, plans, goals, growth, cash flows, liquidity, and stock price.

The spread of COVID-19 and the recent developments surrounding the global pandemic are having material negative impacts on all aspects of the Group's business. In addition, the Group has been, and will continue to be further, negatively impacted by related developments, including heightened governmental regulations and travel advisories, including government mandates, quarantine policies or social distancing measures, travel bans and restrictions, each of which has impacted, and is expected to continue to significantly impact the travel industry.

In addition, the COVID-19 outbreak has significantly increased economic and demand uncertainty. The current outbreak and its continued spread could cause a global recession, which would have a further adverse impact on the Company's operations. In past recessions the travel industry has been significantly negatively impacted. Significant unemployment in the U.S. and other regions due to the adoption of social distancing and other policies to slow the spread of the virus is likely to have a negative impact on vehicle rental volume once travel restrictions and stay-at-home orders are lifted, and these impacts could exist for an extensive period of time.
The COVID-19 outbreak has also caused the Company and the Group to reduce headcount and furlough employees in order to right size its business for vehicle rental demand and reduce operating costs. These actions could create risks, including but not limited to, a shortage of personnel. The Company believes to have no such negative impact from the actions at this time. However, if the COVID-19 outbreak continues to have an adverse impact on the Company and the Group's operations in the future, the Group may be forced to make more layoffs and furloughs which could put the Group at risk.

The extent of the effects of the outbreak on the Company's business and the travel industry at large is highly uncertain and will ultimately depend on future developments, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for rental volume and pricing to return and normal economic and operating conditions to resume. To the extent COVID-19 adversely affects the Group's business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in Principal Risks and Uncertainties of the Strategic Report.

To mitigate these risks, the Company:

- benefits from being part of a global group;
- constantly monitors the size of the fleet to increase or decrease the fleet size to meet demand; and
- works to constantly review and manage costs.

Fleet
Loss or material change in the terms on which the Group can obtain fleet vehicles from major vehicle suppliers could harm the performance of the Group. In the event that the Group 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.

The Group is starting to face the pressure to ensure its fleet has both electric and hybrid vehicles both from consumer demand, and from purchase agreements with various vehicle manufacturers. The vehicle manufacturing industry is expected to continue to experience significant change in the coming years, in particular as it relates to vehicle electrification. Worldwide demand for electric and hybrid vehicles continues to increase, and manufacturers continue to invest more time and cost into producing these types of vehicles to reduce fuel consumption and greenhouse gas emissions, as mandated by various governmental standards and regulations. If the Group is not adequately prepared to meet consumer demand for electric, hybrid and autonomous vehicles as such demand develops, the financial condition or results of operations could be adversely impacted.

Environmental laws and regulations
The Group is subject to a wide variety of environmental laws and regulations in connection with its operations. The Group will continue to comply with environmental laws and regulations. Environmental regulatory authorities are likely to continue to pursue measures related to climate change and greenhouse gas emissions, including vehicle emissions. Should rules establishing limitations on greenhouse gas or other emissions or rules imposing fees on entities deemed to be responsible for greenhouse gas emission, or rules establishing bans on diesel or fuel vehicles from entering certain locations become effective in the countries in which the Group operates, demand for the Group 's services could be affected, fleet and/or other costs could increase, and the Group's business could be adversely impacted.

The Group is driving the efficiencies needed to reduce environmental impacts and enhance the sustainability of operations. These include improvements in vehicle preventive maintenance, the incorporation of green building practices and by complying with all environmental regulations. Customers also have the opportunity to choose from a wide variety of vehicles, including hybrids, electric or fuel efficient vehicles at almost all of its locations.

Given that the fleet consists primarily of vehicles from the current and immediately preceding model year, this ensures the highest possible standards of air emissions control.

Credit risk
The Company manages credit risk by performing credit checks where considered appropriate. Respected credit agencies are used 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, finance lease facilities and group undertakings.
The Company cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a decrease in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the Company has taken, and plans to take further actions to manage its liquidity, including reducing capital expenditures and operating expenses.

The Group has no meaningful corporate debt maturities until 2023 and does not need to refinance any fleet debt in 2020. The Group plans to finance the routine 2020 debt maturities with program cash on hand and as a result, based on current operational assumptions, the Company believes both the Group and itself has adequate liquidity for the balance of 2020 and into 2021.

Foreign exchange risk
The Company is exposed to a variety of market risks, including changes in currency exchange rates. The Company manages its exposure to currency risks, where deemed appropriate, through the use of derivative financial instruments, particularly currency forward contracts to manage and reduce currency exchange rate risk.

Corporate Social Responsibility
As a responsible corporate citizen, the Company is committed to the highest standards of ethics, integrity and compliance in all respects of our business.

The Company's corporate social responsibility practices are aligned to those of Avis Budget Group, Inc. and the most recent Corporate Social Responsibility Report ("CSR") is publicly available at www.avisbudgetgroup.com.

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 key measures include rental revenue per day, rental days, average fleet utilisation, underlying pre-tax margin, return on capital employed and customer satisfaction. These are not disclosed due to the commercially sensitive nature of the data.

The Company operates 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 19 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 within 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.

Section 172 Statement
Section 172 of the Companies Act 2006 requires each Director of the Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, Section 172 requires a Director to have regard, among other matters to: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with customers, suppliers, licensees and others; the impact of the Company's operations on the community and environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under Section 172. The stakeholders considered in this regard are the people who work for the Company, and rent vehicles from the Group companies. The Directors recognise that building strong relationships with the Company's stakeholders will help the Company deliver its strategy in line with its long-term values and operate the business in a sustainable way.

The Directors of the Company seek to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate. Some of the ways in which the Directors engaged directly with the stakeholders over the year are detailed below:

Customers
The Company's commitment to delivering a consistently high level of customer service across all of its brands is a critical element of the Company's success and business strategy. The Company focuses on continually improving the overall customer experience based on research of customer service practices, improved customer insights, executing the customer relationship management strategy, delivering customer-centric employee training and leverage mobile applications technology and the enriched experience it provides to customers.

The employees at rental locations are trained and empowered to resolve most customer issues at the location level. The Company also continuously tracks customer-satisfaction levels by sending location specific ("Voice Of The Customer") surveys to recent customers and utilize detailed reports and tracking to assess and identify ways that the customer service delivery and the overall customer experience can be improved. The location specific surveys ask customers to evaluate their overall satisfaction with their rental experience and the likelihood that they will recommend the brands, as well as key elements of the rental experience. Results are analysed in aggregate and by location to help further enhance service levels to customers. Customers' time is recognised as being valuable and the strategy is to increasingly offer rental options that provide customers with greater control and self-service capabilities. While mobile applications provide a fast customer experience, customers also know that an employee representative is always available to meet their needs. The survey platform includes specific questions to learn more about individual preferences and find innovative ways to better serve and anticipate customers' needs.

Employees
The Directors receive various metrics and feedback tools in relation to employees of the Company. The Company Directors and senior managers engage with employees in a number of ways. These include attending town halls and exchange sessions with employees, and meeting with employee representatives including as part of an overall Avis Budget Group European Employee Council. In addition, the Company participates in the Avis Budget Group, Inc. annual "Voice Of The Employee" survey to gain formal feedback on employee feelings and suggestions, and benchmark employee feelings across the Group. More informal communication and feedback is also performed through interaction with the Avis Budget Group "Ngage" employee web-site and mobile application.

The Company helps and encourages employees to connect to the communities in which they reside. Through the Avis Budget Group "Inspire the World" program employees are challenged to dedicate an hour of their time to a local cause close to their hearts.

Suppliers
The Company maintains ongoing relationships with all major vehicle manufacturers globally, leveraging both global and local relationships with such manufacturers and dealers that have been built up over many years.

Relationships are also maintained with all major third-party distribution channels to generate a significant portion of vehicle rental reservations, including:

- traditional and online travel agencies, airlines and hotel companies, marketing partners such as credit card companies and membership organisations and other entities that help the business attract customers; and
- global distribution systems ("GDS"), such as Amadeus, Galileo/Apollo, Sabre and Worldspan, that connect travel agents, travel service providers and corporations to the Group's reservation systems.

The Avis Budget Group, Inc. group maintains a "Supplier Diversity Policy". Increased purchases from diverse suppliers is recognized to enhance the operational supply chain and assist in meeting and exceeding customer's expectations and for major corporate customers.
Licensees
The Company grants third party licensees the exclusive right to operate under one or more of the Company's brands in certain territories. Licensed locations are independently operated by the licensees and generally maintain separate independently owned and operated fleets. One-way vehicle rentals are facilitated between Group-operated and licensed locations, which enables the Group to offer an integrated network of locations to customers. Royalty fees are generally structured to be a percentage of the licensee's gross rental income. Audits are performed as part of the licensee program to assure licensee compliance with brand quality standards and contract provisions. The Company's management generally enjoys good relationships with its licensees and meet regularly with them at regional, national and international meetings.

Shareholders
The Company is a wholly owned subsidiary of Avis Europe Overseas Limited, and the ultimate parent company is Avis Budget Group, Inc. The Company's Directors have day-to-day interaction with both the senior management of the Avis Budget Group - International division and regular dialogue with the senior executive management of Avis Budget Group, Inc. Given this direct dialogue, the Directors have a comprehensive understanding of the needs and expectations of its immediate shareholders.

At the Avis Budget Group, Inc. level, senior executive management regularly engage in dialogue with the Group's stockholders regarding strategy and performance and are committed to acting in the best interests of all of the Group's stockholders. The Group has been, and may be in the future, subject to formal or informal actions or requests, including a proxy contest, from stockholders or other interested parties. As at 31 December 2019, SRS Investment Management, LLC ("SRS") disclosed ownership of 16,189,300 shares of the Group's common stock and economic exposure to an additional 8,810,700 notional shares of the Group's common stock pursuant to cash settled equity swaps. Avis Budget Group, Inc. entered into a new cooperation Agreement with SRS on 24 February 2020. The terms of the new approximately two-year cooperation agreement include the agreement for the Board of Avis Budget Group, Inc. to comprise nine directors, of which three would be appointed by SRS.

Approved by the Board of Directors' and signed on its behalf

J C G Turner
Director
20 January 2021

AVIS BUDGET UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report and the audited Financial Statements of the Company for the year ended 31 December 2019.

Directors
The directors who served throughout the year and up to the date of this report, except as noted, are shown below:

N A Bell
M J Kightley (Resigned 14 August 2019)
P L Ford
J C G Turner (Appointed 14 August 2019)

Results and Dividends
The Company made a loss after taxation in the year of £3,470,000 (*2018: £11,109,000*). The performance was in line with expectations in the annual plan.

The Company has not paid or proposed any dividends (*2018: £nil*) during the year and after the year.

Post Reporting Date Events
The on-going global pandemic Coronavirus (COVID-19) has caused severe disruptions in the global economic and financial markets. Consistent with other integral components of the global travel industry, the Company is seeing significant impacts in business around the World as a result of the Coronavirus. The teams across the Company are united in facing the current unprecedented health crisis, and are committed to taking the necessary steps to protect the health and safety of customers, employees, and to navigate through this disruptive global event.

The first outbreak was discovered in Wuhan, China, and quickly spread to multiple countries before being recognized by the World Health Organization as a Pandemic on the 11 March 2020. Efforts to prevent the virus spreading include travel restrictions, quarantines, curfews, event postponements and cancellations, and facility closures across most of the World. These measures although temporary have had an immediate impact on the global economy, in particular the travel industry including vehicle rental.

Since March 2020 car reservations and revenue began to be negatively affected as travel restrictions were broadly implemented and the outlook for the second half of 2020 continues to be challenged. Further details on subsequent events can be found in the Note 25 of the Financial Statements.

Future Developments
Details of future developments can be found in the Strategic Report on pages 1 to 7.

Going Concern
At 31 December 2019 the Company had cash of £22,127,000 (*2018: £11,292,000*), net current liabilities of £183,169,000 (*2018: £211,954,000*), net assets of £41,821,000 (*2018: £16,008,000*) and continued to trade at a loss. When preparing Financial Statements, the Directors assessed the Company's ability to continue as a going concern.

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations.

The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

In 2019 the Avis Budget Group, Inc. group of companies updated its intra-group arrangements in recognition of the operation of the Group as an increasingly globally integrated business and to reflect the contribution that members of the Avis Budget Group located in different countries provide to the global network. It is important to note that the Company's cash flow should not be evaluated in isolation due to the global intra-group arrangements in place. Due to Group wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond.

Further details regarding the adoption of the going concern basis can be found in Note 3 of the Financial Statements.

Principal Risks and Uncertainties
Details of the Company's financial risk management objectives and policies are given in the Strategic Report on pages 1 to 7.

Section 172 Statement
Details of the Company's consideration to the factors set out under Section 172 can be found in the Strategic Report.

Auditor
Pursuant to s386 Companies Act 1985, an elective resolution has been passed dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditors.

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.

Employee 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 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.

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) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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.

Approved by the Board of Directors' and signed on its behalf

J C G Turner
Director
20 January 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVIS BUDGET UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Avis Budget UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 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 and 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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
20 January 2021

AVIS BUDGET UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 Restated £000
Revenue	**5**	157,400	169,765
Cost of sales		(115,815)	(124,376)
Gross profit		41,585	45,389
Administrative expenses		(54,905)	(47,430)
Other operating income	**7**	9,783	-
Operating loss	**6**	(3,537)	(2,041)
Investment income		550	600
Net finance cost	**9**	(8,782)	(8,353)
Loss before taxation		(11,769)	(9,794)
Tax	**10**	10,023	17
Loss for the financial year		(1,746)	(9,777)

All results derive wholly from continuing operations.

The accompanying Notes on pages 18 to 46 form an integral part of these Financial Statements.

AVIS BUDGET UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 Restated £000
Loss for the year		(1,746)	(9,776)
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension schemes	**20**	2,280	(3,200)
Tax relating to other comprehensive income	**10**	(60)	232
Other comprehensive income for the year		2,220	(2,968)
Total comprehensive income for the year		474	(12,744)

AVIS BUDGET UK LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 £000	2019 £000	2018 Restated £000	2018 Restated £000
Non-current assets					
Intangible assets	**11**		11		172
Tangible assets	**12**		226,912		237,473
Investments	**13**		9,365		9,365
			236,288		247,010
Current assets					
Stock		1,083		1,053	
Trade and other receivables	**15**	92,939		75,340	
Cash at bank and in hand		22,127		11,292	
Deferred tax asset	**18**	34,152		30,511	
		150,301		118,196	
Current liabilities	**16**	(312,583)		(309,521)	
Creditors: Amounts falling due within one year			(162,282)		(191,325)
Total assets less current liabilities			74,006		55,685
Provisions for liabilities	**17**		(25,265)		(23,568)
Net assets excluding pension surplus			48,741		32,117
Defined benefit pension surplus	**20**		13,370		4,520
Net assets			62,111		36,637
Equity					
Called up share capital	**21**		141,150		138,650
Share premium account			62,183		39,683
Retained earnings			(141,222)		(141,696)
Total equity			62,111		36,637

The Financial Statements were approved by the Board of Directors' and authorised for issue on 20 January 2021 and are signed on its behalf by

J C G Turner
Director
Avis Budget UK Limited
Company Registration No. 00802486

AVIS BUDGET UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2018 as previously reported		108,650	39,683	(148,248)	85
Impact of prior year adjustment (Note 30)		-	-	19,297	19,297
Balance at 1 January 2018 (Restated)		108,650	39,683	(128,951)	19,382
Year ended 31 December 2018:					
Loss for the year (Restated)		-	-	(9,777)	(9,777)
Other comprehensive income/(expense):					
Actuarial losses on defined benefit plans		-	-	(3,200)	(3,200)
Tax relating to other comprehensive expense		-	-	232	232
Total comprehensive expense for the year (Restated)		-	-	(12,745)	(12,745)
Issue of share capital	**21**	30,000	-	-	30,000
Balance at 31 December 2018 (Restated)		138,650	39,683	(141,696)	36,637
Year ended 31 December 2019:					
Loss for the year		-	-	(1,746)	(1,746)
Other comprehensive income/(expense):					
Actuarial gains on defined benefit plans		-	-	2,280	2,280
Tax relating to other comprehensive income		-	-	(60)	(60)
Total comprehensive income for the year		-	-	474	474
Issue of share capital	**21**	2,500	22,500	-	25,000
Balance at 31 December 2019		141,150	62,183	(141,222)	62,111

1 General information

The Company is the UK operation of the Avis Budget Group, Inc. group of companies, a leading global provider of mobility solutions. 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. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to present consolidated 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. These financial statements are for the Company only.

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 principle accounting policies, all of which have been applied consistently throughout the year, and preceding year, is set out below.

3.1 Basis of accounting

These Financial Statements have been prepared in accordance with FRS 102 "The Financial Reporting *Standard applicable in the UK and Republic of Ireland*" ("FRS 102") and the *requirements of the* Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by financial instruments measured at fair value.

The Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including the Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The Financial Statements of the Company are consolidated in the financial statements of Avis Budget Group, Inc. These consolidated financial statements are available from its registered office, 6 Sylvan Way, Parsippany, NJ 075054 and www.avisbudgetgroup.com.

3 Accounting policies **(Continued)**

3.2 Going concern

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations.

The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

The Directors have received confirmation that Avis Budget Group Inc., the ultimate parent undertaking, will continue to provide adequate resources to enable the company to continue in operation for at least 12 months from date of approval of the Financial Statements. Due to Group wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements. Various of the Company's wholly owned subsidiaries also retain distributable reserves to which the Company theoretically could have access. The Directors have therefore adopted the going concern basis 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.

All revenue relates to rendering of services 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.

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 Accounting policies **(Continued)**

3.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised through administrative expenses. 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

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:

Short leasehold property	5 years
Plant and equipment	2 to 10 years
Motor vehicles	Variable depreciation rates as above
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 Leases

Company as a lessee

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. No assets have been held under finance leases in the current or prior period.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Profit and Loss acount on a straight line basis over the lease period.

Company as a lessor

Rental income from operating leases is credited to the income statement on a straight line basis over the term of the relevant lease.

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 purchase cost. There is no material difference between the carrying value of stocks and their replacement costs.

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

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 Income statement.

3 Accounting policies **(Continued)**

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 cost less any 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.

3 Accounting policies **(Continued)**

3.17 Financial instruments (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. No cash flow hedges have been held in the current or prior period.

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. No fair value hedges have been held in the current or prior period.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

3 Accounting policies **(Continued)**

3.17 Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

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)**

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 Group Inc. 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.

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'.

3.19 Comparatives

In the current year the Company identified an error related to the treatment of cash contributions to the defined benefit pension plan by other Group entities. The comparative figures in the primary statements have been restated to reflect the prior period error. The full details of this error and the impact on the Financial Statements have been summarised in Note 30.

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 Company does not have any critical judgements in the process of applying the Company's accounting policies.

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.

Recoverability of deferred tax asset
Significant judgement is required in determining the recoverability of deferred tax asset. Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount of their tax bases. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognition of deferred tax assets, therefore, includes judgements regarding the timing and level of future taxable income. The Company's ability to recover deferred tax assets is assessed by management at the close of each financial year taking into account forecasts of future taxable results and any acceptability and available tax planning strategies.

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 Statement of Financial Position. The assumptions reflect historical experience and current trends (see Note 20).

Self-insurance reserves
The balance sheet includes liabilities associated with retained risks of liability to third parties. Such liabilities relate to public liability and third-party damage claims. These obligations represent an estimate for both reported claims not yet paid and claims incurred but not yet reported. The estimated reserve requirements for such claims are recorded on an undiscounted basis utilizing actuarial methodologies and various assumptions which include, but are not limited to, the Company's historical loss experience and projected loss development factors. The required liability is also subject to adjustment in the future based upon changes in claims experience, including changes in claims experience, including changes in the number of incidents for which the Company is ultimately liable and changes in the cost per incident.

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 in 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. In addition, management exercises an element of prudence when valuing the rental fleet using the industry standard valuation model as the basis for measurement. Sensitivity analysis is performed on a regular basis and at 31 December 2019 it would require a 14.16% decline in residual values before any write down would be necessary.

5 Revenue

The Company's revenue and loss before taxation was all earned in the primary business segment, namely short term vehicle rental, and in the United Kingdom.

An analysis of the Company's revenue by class of business is set out below:

	2019	2018
	£000	£000
Revenue		
Fleet rental and related ancillary income	157,400	169,765

The reduction in revenue year on year is due to a reduction in both volume of rentals and in rates due to pressures from the highly competitive UK market.

6 Loss before tax

	2019	2018
Operating loss for the year is stated after charging/(crediting):	£000	£000
Re-measurement (gain)/loss on hedging derivatives	(541)	559
Foreign exchange losses	1,842	228
Fees payable to the Company's Auditor for the audit of the company's Financial Statements	147	75
Other services - audit of the finance statements of the subsidiary pursuant to legislation	6	6
Other services - audit of revenue, as required by concession agreements	-	6
Depreciation of owned property, plant and equipment (see note 10)	40,531	42,769
Amortisation of intangible assets (see note 9)	173	234
Bad and doubtful debts	4,988	751
Stocks recognised as an expense in the year	4,208	4,693
Operating lease charges	7,706	4,928

Net re-measurement gains on hedging derivatives of £541,000 (2018: losses £559,000), comprises net realised gains of £541,000 (2018: losses £559,000) and net unrealised gains of £nil (2018: £nil).

7 Other operating income

	2019 £000	2018 £000
Global profit share	9,283	-
Investment valuation change	500	-
	9,783	-

In 2019 the Avis Budget Group, Inc. group of companies updated its intra-group arrangements in recognition of the operation of the group as an increasingly globally integrated business and to reflect the contribution that members of the Avis Budget Group located in different countries provide to the global network. The arrangements have resulted in the Company receiving additional net income in the year in the amount of 9,283,000 (2018: £nil) presented as Other operating income.

The investment valuation change is due to the contigent consideration payable on an investment being settled at a lower amount than the initial fair value analysis.

8 Directors' emoluments and employees

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

	2019 Number	2018 Number
Operations	874	883
Sales and reservations	32	36
Administration and finance	75	78
	981	997

Their aggregate remuneration comprised:

	2019 £000	2018 Restated £000
Wages and salaries	28,630	28,974
Social security costs	2,495	2,600
Pension costs - defined contribution plan	223	1,412
Pension costs - defined benefit plan	670	374
Group entity contributions to defined benefit plan	(3,346)	(1,332)
	28,672	32,028

8 Directors' emoluments and employees (Continued)

Directors' emoluments

	2019 £000	2018 £000
Remuneration for qualifying services	361	586

Following the closure of the Final Salary and Retirement Capital section to future accruals, retirement benefits are accruing to 2 (2018 - 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 (2018 - 2).

One Director is paid by a fellow subsidiary, Avis Budget Services Limited, and disclosure of their remuneration can be found in the accounts of that Company, which are available from Companies House.

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

	2019 £000	2018 £000
Remuneration for qualifying services	238	233
Amounts receivable under long term incentive schemes	168	161
Accrued pension at the end of the year	13	39

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

9 Finance costs

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	6,241	5,684
Interest payable to group undertakings	2,541	2,669
	8,782	8,353

10 Tax on loss on ordinary activities

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

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the current period	(3,873)	(2,563)
Adjustments in respect of prior periods	(2,449)	(5,123)
Total current tax	(6,322)	(7,686)
Deferred tax		
Origination and reversal of timing differences	1,196	595
Adjustment in respect of prior periods	(1,282)	7,074
Effect of changes in tax rates	(3,615)	-
Total deferred tax	(3,701)	7,669
Total tax credit	(10,023)	(17)

ii) Factors affecting the tax charge for the year

The standard rate of tax applied to the reported loss on ordinary activities is 19% (2018: 19%). The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2019 £000	2018 £000
Loss before taxation	(11,769)	(9,793)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(2,236)	(1,861)
Expenses not deductible for tax purposes	395	330
Adjustments in respect of prior years	(3,731)	1,951
Non-taxable dividend	(105)	(114)
Difference in deferred tax rate	(3,615)	(70)
Income not taxable	(731)	(253)
Taxation for the year	(10,023)	(17)

10 Tax on loss on ordinary activities (Continued)

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

	2019 £000	2018 £000
Deferred tax arising on:		
Origination and reversal of timing differences	60	(232)
Total tax recognised in other comprehensive income	60	(232)

Legislation to maintain the main rate of corporation tax at 19% from 1 April 2020 is included in Finance Act 2020 and was substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968.

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2019	637	172	809
Additions - internally developed	-	12	12
Disposals	(637)	-	(637)
At 31 December 2019	-	184	184
Amortisation and impairment			
At 1 January 2019	508	129	637
Amortisation charged for the year	129	44	173
Disposals	(637)	-	(637)
At 31 December 2019	-	173	173
Carrying amount			
At 31 December 2019	-	11	11
At 31 December 2018	129	43	172

12 Tangible assets

	Freehold land and buildings	Short leasehold property	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2019	3,818	8,784	6,406	245,898	264,906
Additions	95	894	946	307,547	309,482
Disposals	-	(2,953)	(1,072)	(315,757)	(319,782)
At 31 December 2019	3,913	6,725	6,280	237,688	254,606
Depreciation and impairment					
At 1 January 2019	2,973	6,211	3,119	15,130	27,433
Charge for the year	91	936	830	38,674	40,531
Disposals	-	(2,601)	(107)	(37,562)	(40,270)
At 31 December 2019	3,064	4,546	3,842	16,242	27,694
Carrying amount					
At 31 December 2019	849	2,179	2,438	221,446	226,912
At 31 December 2018	845	2,573	3,287	230,768	237,473

13 Investments

	Shares in group undertakings £000
Cost of investments	
At 1 January 2019 & 31 December 2019	9,365
Carrying amount	
At 31 December 2019	9,365
At 31 December 2018	9,365

On November 9, 2017 the Company acquired 100% of the issued share capital of J&W Harris Holdings Limited, a private limited company incorporated in Scotland, for cash consideration of £3,565,000 and contingent consideration of £2,000,000. The contingent consideration was settled during the year at £1,500,000. By virtue of control over J&W Harris Holdings Limited, Avis Budget UK Limited, indirectly controls 100% of the issued share capital of ACL Hire Limited and its wholly owned subsidiary, Armadale Commercials Limited. Both entities are private limited companies incorporated in Scotland.

Details of the Company's subsidiaries at 31 December 2019 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
J&W Harris Holdings Limited*	47 West Main Street, Blackburn, Bathgate, West Lothian, EH47 7LT	Dormant	100
ACL Hire Limited	47 West Main Street, Blackburn, Bathgate, West Lothian, EH47 7LT	Commercial Vehicle Hire	100
Armadale Commercials Limited	47 West Main Street, Blackburn, Bathgate, West Lothian, EH47 7LT	Dormant	100

* Shares held directly by the Company

14 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.

At the reporting end date, the Company had no outstanding derivative financial instruments.

15 Trade and other receivables

	2019	2018 Restated
Amounts falling due within one year:	**£000**	**£000**
Trade receivables	45,701	46,099
Amounts due from subsidiary undertakings	-	1,165
Amounts due from fellow group undertakings	39,082	17,388
Derivative financial instruments	127	-
Group relief debtor	3,873	7,686
Prepayments and accrued income	4,156	3,002
	92,939	75,340

There were no fixed rate intercompany loans. There were no floating rate intercompany loans. The balance of £39,082,000 *(2018: £17,388,000 Restated)* with other group undertakings is unsecured, interest free and payable on demand.

No allowance for bad debts with respect to fellow group and subsidiary undertakings has been made, as all amounts owed by fellow group and subsidiaries, are expected to be fully recoverable. However, a provision for doubtful debts of £3,759,000 *(2018: £688,446)* has been made against the trade debtors at year end.

16 Trade and other payables

	2019	2018 Restated
Amounts falling due within one year:	**£000**	**£000**
Bank and other loans	152,628	192,359
Trade payables	43,441	30,249
Amounts due to subsidiary undertakings	4,001	-
Amounts due to fellow group subsidiary	85,121	58,089
Taxation and social security	6,860	7,649
Accruals and deferred income	20,532	21,175
	312,583	309,521

Within amounts owed to fellow group subsidiary, £73,095,000 (2018: £50,634,000) is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed to fellow subsidiaries at 31 December 2019 of 2.82% (2018: 3.49%). There were no floating rate intercompany loans. The remaining balance of £12,063,000 (2018: £11,270,000) with fellow group subsidiary is unsecured, interest free and payable on demand.

Banks and other loans encompass secured loans carrying an average interest rate of 2.41% (2018: 2.43%) and are payable on demand.

17 Provisions for liabilities and charges

	Insurance reserves £000	Other trading £000	Total £000
At 1 January 2019	21,591	1,977	23,568
Additional provisions in the year	13,246	395	13,641
Utilisation of provision	(11,932)	(12)	(11,944)
At 31 December 2019	22,905	2,360	25,265

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.

18 Deferred taxation

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

Balances:	Assets 2019 £000	Assets 2018 £000
Accelerated capital allowances	34,230	30,478
Retirement benefit obligations	(815)	(101)
Other timing differences	737	134
	34,152	30,511

Movements in deferred taxation	£000
Balance as at 1 January 2019	30,511
Profit and loss movement	3,701
Other comprehensive income	(60)
Balance as at 31 December 2019	34,152

18 Deferred taxation (Continued)

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

There is no expiry date on accelerated capital allowances or other timing differences.

19 Financial instruments

Fair value of financial assets and financial liabilities:

	2019 Book amount £000	2019 Fair value £000	2018 Book amount £000	2018 Fair value £000
Prepayments	4,156	4,156	3,002	3,002
Trade receivables	45,701	45,701	46,099	46,099
Group relief debtor	3,873	3,873	7,686	7,686
Other financial assets:				
- amounts owed by fellow group undertakings	39,082	39,082	17,388	17,388
- amounts owed by subsidiary undertakings	-	-	1,165	1,165
Cash at bank and in hand	22,127	22,127	11,292	11,292
Trade payables	43,441	43,441	30,249	30,249
Other payables	27,392	27,392	28,824	28,824
Other financial liabilities:				
- bank and other loans	152,628	152,628	192,359	192,359
- amounts due to fellow group subsidiary	89,122	89,122	58,089	58,089

The Company operates a vehicle funding agreement to finance the purchase of its rental vehicles. The total value outstanding at 31 December 2019 of £152,628,000 (2018: £192,359,000) is secured on the value of the rental fleet disclosed in the Motor Vehicles category of the tangible fixed asset Note 12.

20 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.

In the current year the Company identified an error related to the treatment of cash contributions to the defined benefit pension plan by other Group entities. The full details of this error and the impact on the Financial Statements have been summarised in Note 30.

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 2019 was £893,000 (2018: £1,786,000).

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%. Tier 1 and Tier 2 levels closed to new entrants on 1 May 2019. In the Automatic-Enrolment tier, the employee and employer contributions were 5% and 3% respectively. From April 2019 Company contributions increased to 4%.

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. The contributions paid by the other group entities has been recorded as a reduction to the cost recorded by the Company in the year.

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 2019, the Company made additional deficit funding of £3,434,000 (2018: £1,167,000) to the Final Salary and Retirement Capital Plan section.

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

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. It was also agreed to reduce the contributions should the funding level exceed 100%, or the contribution payment would be expected to take the funding level above 100%. Funding level check was undertaken on 30 November 2019. The resulting deficit at 30 November 2019 was less than the deficit contribution payment due in January 2020 of £2,453,000, therefore the deficit contribution payment was reduced under the agreed funding level check process to £1,900,000.

The Trustee and the Company have agreed that the deficit contribution of £2,453,000 due on 1 July 2020 will be payable in three instalments with the first two instalments of £950,000 payable on 1 July 2020 and 1 October 2020. Unless the actuarial valuation as at 31 March 2020 has been completed by 30 June 2021, the final instalment plus interest of £573,000 will be payable 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.

a) Assumptions

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

	2019	2018
	%	%
Discount rate	2.1	2.7
Rate of inflation*	2.2	2.1
Expected rate of increase of pensions in payment	1.9	1.9

* 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:

	2019	2018
	Years	Years
Retiring today		
- Males	22	22
- Females	24	24
Retiring in 15 years		
- Males	23	23
- Females	25	26

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

c) Amounts recognised in the income statement

	2019 £000	2018 Restated £000
Current service cost	160	170
Net interest on defined benefit assets	(230)	(160)
Other costs	740	390
Group entity contributions	(3,346)	(1,332)
Total income	(2,676)	(932)

d) Amounts taken to other comprehensive income

	2019 £000	2018 £000
Actual (return)/loss on scheme assets	(35,010)	7,530
Calculated interest element	6,680	6,190
(Return)/loss on scheme assets	(28,330)	13,720
Actuarial changes related to obligations	26,050	(10,520)
Total (income)/costs	(2,280)	3,200

e) Amounts recognised in the Statement of Financial Position

	2019 £000	2018 £000
Present value of defined benefit obligations	(267,750)	(242,050)
Fair value of scheme assets	281,120	246,570
Net surplus in the scheme	13,370	4,520

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

f) Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2019	246,570	(242,050)	4,520
Benefits paid	(6,960)	6,960	-
Employer contributions	7,240	-	7,240
Current service cost	-	(160)	(160)
Administrative expenses	(740)	-	(740)
Interest income/(expense)	6,680	(6,450)	230
- Actuarial changes	-	(26,050)	(26,050)
- Return on plan assets excluding interest income	28,330	-	28,330
At 31 December 2019	281,120	(267,750)	13,370

g) Analysis of the scheme assets as at the Statement of Financial Position date

	2019 £000	2018 £000
Equities	113,854	96,409
Property	-	13,561
Bonds	58,473	49,561
Other	108,793	87,039
	281,120	246,570

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.

21 Called up share capital

	2019	2018
	£000	£000
Ordinary share capital		
Issued and fully paid		
141,150,100 of £1 each	141,150	138,650
(2018: 138,650,000 of £1 each)		

Reconciliation of movements during the year:

	Ordinary Shares Number
At 1 January 2019	138,650
Issue of fully paid shares	2,500
At 31 December 2019	141,150

On 29 November 2019, 2,500,000 Ordinary £1 shares were issued to Avis Europe Overseas Limited for cash consideration of £25,000,000.

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

22 Reserves

Share premium account
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Retained earnings
This reserve records all current and prior accumulated profits and losses.

23 Operating lease commitments

Lessor
At the reporting end date the Company had entered into a vehicle leasing arrangement with a fellow group undertaking for the following minimum lease payments:

	2019	2018
	£000	£000
Within one year	5,725	3,170
Between one and five years	1,959	1,091
Over five years	-	-
	7,684	4,261

24 Events after the reporting date

Coronavirus 2019 (COVID-19), is an ongoing pandemic caused by severe acute respiratory syndrome. Although the virus had been detected as of the balance sheet date in a limited region in China, the event of spread and subsequent travel restrictions did not exist as of the balance sheet date but arose after. Therefore, the Directors concluded that the impact of COVID-19 is a non-adjusting event after the end of the reporting period.

The Company evaluated its 31 December 2019 Financial Statements for subsequent events through the date the Financial Statements were issued. COVID-19 coronavirus has disrupted the global travel industry subsequent to 31 December 2019. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

When preparing the Financial Statements, the Directors assessed the Company's ability to continue as a going concern.

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations. The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

In 2019 the Avis Budget Group, Inc. group of companies updated its intra-group arrangements in recognition of the operation of the group as an increasingly globally integrated business and to reflect the contribution that members of the Avis Budget Group located in different countries provide to the global network. It is important to note that the Company's cash flow should not be evaluated in isolation due to the global intra-group arrangements in place.

In April 2020, the Avis Budget Group, Inc. entered into the Second Amendment (the "Amendment") to its Floating Rate Term Loan due 2027. The Amendment waives the quarterly-tested leverage covenant in the Floating Rate Term Loan due 2027 through and including the second quarter of 2021, adjusts the required leverage levels for the covenant when it is re-imposed at the end of the waiver period, and imposes a new monthly-tested liquidity covenant for the duration of the wavier period. The Amendment also makes certain other amendments to the terms of the Floating Rate Term Loan due 2027, including increasing the interest and fees payable on the Credit Facility for the duration of the period during which the waiver of the leverage covenant remains in effect, tightening the lien covenant and the covenant on share repurchases and distributions, and imposing new covenants limiting asset sales, investments and discretionary capital expenditures. The £1 billion (US$ 1.2 billion) aggregate commitment amount remains unchanged.

In May 2020, the Group issued £377 million (US $500 million) of 10.50% Senior Secured Notes due May 2025. The notes were issued at 97% of their face value. In August 2020, the Group issued £267 million (US $350 million) of 5.75% Senior Notes due July 2027. The notes were issued at 92% of their face value.

Due to the cost reduction and other business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through the end of December 2021 and beyond.

24 Events after the reporting date (Continued)

COVID-19 has impacted demand across the sector in which the Company trades, but the Company continues to be well placed to take advantage of future trading opportunities. The Company has used government incentives relating to the furlough of staff, as well as undertaking a review of investment activities to ensure cashflow is maximized without a negative impact on customers or suppliers. The Company has closed a large number of local market stores and partnered with a third party to reduce fixed cost whilst maintaining our offer to customers.

The Directors have treated COVID-19 as a non-adjusting event and as such the accounting estimates and judgements as disclosed within note 4 of the Financial Statements have not been updated to reflect this.

The United Kingdom left the European Union on 31 January 2020 and entered an 11-month transition period, which ended on 31 December 2020. The United Kingdom left the European Union without an agreed or ratified a trade deal, this did not have a significant impact on the Company. When the transition period ended the United Kingdom agreed a trade deal, this deal has not had a significant impact on the Company to date.

25 Capital commitments

At 31 December 2019 the Company had capital commitments contracted for but not provided amounting to £54,045 *(2018: £160,820)* for building works, £nil *(2018: £294,874,614)* for committed vehicle purchases and £153,416,196 *(2018: £193,851,088)* for amounts payable under finance leases, all of which will be settled within the following year.

26 Financial commitments

Total of future minimum lease payments under non-cancellable operating leases are as follows:

	2019 Land and Buildings £000	2019 Vehicles £000	2018 Land and Buildings £000	2018 Vehicles £000
Operating leases which expire:				
Within one year	2,417	4,353	1,980	2,221
Between one and five years	3,333	1,677	3,923	2,507
After more than five years	80	-	401	-
	5,830	6,030	6,304	4,728

27 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 2019, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £nil *(2018: £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.

28 Ultimate parent undertaking

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 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.

29 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.

30 Prior year adjustment

In the current year the Company identified an adjustment related to the treatment of cash contributions to the defined benefit plan by other Group entities. The Company has not previously recognised contributions by other Group entities to the defined benefit pension plan as a reduction of the net service cost in the Income Statement per Group Plan guidance under FRS 102 28.38 with the offset being to amounts due from fellow group undertakings . The adjustment to retained earnings in 2018 represents the accumulated effect of the this change in the periods prior to 2018. The 2018 cash contributions paid by to the plan by other Group entities is now reflected in the Income Statement as a reduction to the pension charge for 2018. The change in retained earnings in 2018 is also reflected in the Statement of Changes in Equity. The error did not have an impact on the defined contribution pension plan.

The comparative figures in these primary statements and notes have been restated to reflect these changes.

The cumulative effects of the adjustments are summarised below:

	As previously stated 2018 £000	Adjustment £000	As restated 2018 £000
Statement of Financial Position			
Amounts due to fellow group subsidiary	(61,904)	3,815	(58,089)
Amounts due from fellow group undertaking	574	16,814	17,388
Retained earnings	162,325	(20,629)	141,696
Net assets	16,008	20,629	36,637
Income Statement			
Administrative expenses	(48,762)	1,332	(47,430)
Loss before tax	(11,126)	1,332	(9,794)
Loss after tax	(11,109)	1,332	(9,777)
Statement of Changes in Equity			
Retained earnings at 1 January 2018	148,248	(19,297)	128,951
Loss for the year	(11,109)	1,332	(9,777)