Company Registration No. 00802486 (England and Wales)

AVIS BUDGET UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

AVIS BUDGET UK LIMITED

COMPANY INFORMATION

Directors	N A Bell M J Kightley P L Ford
Secretary	I Lall
Company number	00802486
Registered office	Avis Budget House Park Road Bracknell RG12 2EW United Kingdom
Independent auditor	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading RG1 3BD United Kingdom

AVIS BUDGET UK LIMITED

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AVIS BUDGET UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

PRINCIPAL ACTIVITY

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

STRATEGIC REVIEW AND FUTURE DEVELOPMENTS

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

During the year to 31 December 2017 the Company performed in line with market conditions, and has seen an increase in revenue to £158,593,000 *(2016: £155,574,000)*.

The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, paid a dividend to the Company of £650,000 *(2016: £780,000)*.

The Company made a loss after taxation for the year of £10,314,000 *(2016: loss of £2,027,000)*. Net liabilities of the Company are £85,000 *(2016: £8,831,000)* due to the cumulative reserves and the total comprehensive loss for the year.

During the year the Company issued shares to the value of £20,000,000 (see Note 18), which resulted in the above reduction in net liabilities.

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, which the Directors believe is likely to be paid. 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.

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

Following the Balance Sheet date of 31 December 2017, the Directors have not identified any events that would have a material impact on the financial statements.

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 and return on capital employed. These are not disclosed due to the commercially sensitive nature of the data.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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.

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's financial exposure is to other companies within the Avis Budget EMEA Limited group. As such the Directors have not implemented a policy for the Company. Instead, the Company's financial risk management objectives and policies are aligned to those of the Avis Budget EMEA group of companies.

On behalf of the Board

M J Kightley
Director
27 September 2018

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

Directors

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

N A Bell
M J Kightley
P L Ford

Results and dividends

The Company made a loss after taxation for the year of £10,314,000 *(2016: loss of £2,027,000)*. The performance was in line with expectations in the annual plan. The Directors do not recommend the payment of a dividend *(2016: £nil)*.

Going concern

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

The Directors recognise that in 2017 the Company remains in a net liability position, reducing from the prior year due to a capital injection in the form of a £20,000,000 share issue in the year, demonstrating the continued support from the parent company. Thus, the Directors have adopted the going concern basis in preparing the Financial Statements.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employment policies and practices

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

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.

Statement of disclosure to auditor
Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Employment policies and practices
Details of the Company's employees during the year are set out in Note 6 to the Financial Statements.

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

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

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

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

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

Financial risk management objectives and policies can be found in the Strategic Report.

On behalf of the board

M J Kightley
Director
27 September 2018

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:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 of Avis Budget UK Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

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

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

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

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

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

Respective responsibilities of directors and auditor

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

AVIS BUDGET UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Revenue		158,593	155,574
Cost of sales		(108,425)	(108,552)
Gross profit		50,168	47,022
Administrative expenses		(55,375)	(47,329)
Operating loss	5	(5,207)	(307)
Income from shares in group undertakings		650	780
Net finance costs	7	(8,207)	(8,949)
Loss before taxation		(12,764)	(8,476)
Taxation	8	2,450	6,449
Loss for the financial year		(10,314)	(2,027)

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

The accompanying Notes on pages 14 to 34 form an integral part of these Financial Statements.

AVIS BUDGET UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Loss for the year		(10,314)	(2,027)
Other comprehensive income			
Actuarial loss on defined benefit pension schemes	17	(830)	(26,290)
Tax relating to other comprehensive income	8	60	1,905
Other comprehensive income for the year		(770)	(24,385)
Total comprehensive income for the year		(11,084)	(26,412)

AVIS BUDGET UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	9		382		592
Tangible assets	10		214,970		202,590
Investments	11		9,365		3,800
			224,717		206,982
Current assets					
Stock		876		974	
Trade and other receivables	12	48,566		241,829	
Cash at bank and in hand		4,461		17,362	
Deferred tax asset	15	37,948		35,438	
		91,851		295,603	
Current liabilities	13	(298,235)		(486,788)	
Net current liabilities			(206,384)		(191,185)
Total assets less current liabilities			18,333		15,797
Provisions for liabilities	14		(23,488)		(23,788)
Net assets excluding pension surplus/(deficit)			(5,155)		(7,991)
Defined benefit pension surplus/ (deficit)	17		5,240		(840)
Net assets/(liabilities)			85		(8,831)
Equity					
Called-up share capital	18		108,650		88,650
Share premium account			39,683		39,683
Retained earnings			(148,248)		(137,164)
Total equity			85		(8,831)

The Financial Statements were approved by the Board of Directors and authorised for issue on 27 September 2018 and are signed on its behalf by:

M J Kightley
Director
Avis Budget UK Limited
Company Registration No. 00802486

AVIS BUDGET UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Called-up share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 January 2016		88,650	39,683	(110,752)	17,581
Year ended 31 December 2016:					
Loss for the year		-	-	(2,027)	(2,027)
Other comprehensive loss:					
Actuarial loss on defined benefit plans	17	-	-	(26,290)	(26,290)
Tax relating to other comprehensive income	8	-	-	1,905	1,905
Total comprehensive loss for the year		-	-	(26,412)	(26,412)
Balance at 31 December 2016		88,650	39,683	(137,164)	(8,831)
Year ended 31 December 2017:					
Loss for the year		-	-	(10,314)	(10,314)
Other comprehensive loss:		-	-	-	-
Actuarial loss on defined benefit plans	17	-	-	(830)	(830)
Tax relating to other comprehensive income	8	-	-	60	60
Total comprehensive loss for the year		-	-	(11,084)	(11,084)
Shares issued	18	20,000	-	-	20,000
Balance at 31 December 2017		108,650	39,683	(148,248)	85

1 GENERAL INFORMATION

The Company is the UK operation of the Avis Budget Group, Inc. group of companies, a global car rental services company. The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Avis Budget House, Park Road, Bracknell, RG12 2EW.

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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.

3.2 Going concern

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

The Directors recognise that in 2017 the Company remains in a net liability position, reducing from the prior year due to a capital injection in the form of a £20,000,000 share issue in the year, demonstrating the continued support from the parent company. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

3.3 Cash flow statement

The Company is included in the consolidated financial statements of Avis Budget Group, Inc., which are publicly available, and therefore has elected to utilise the exemption provided in section 1.12 of FRS 102, and not produce a cash flow statement.

3.4 Revenue

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

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

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 ACCOUNTING POLICIES **(Continued)**

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.

3.8 Intangible assets

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

Software	3 to 5 years
Goodwill	3 to 4 years

3.9 Tangible assets

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

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

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

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

3.10 Investments

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

3 ACCOUNTING POLICIES **(Continued)**

3.11 Leased assets

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

3.12 Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised. Provisions are measured at the value of the expenditures expected to be required to settle the obligation.

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

3.13 Stocks

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

3.14 Dividends

Final dividends to the Company's shareholders are recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3.15 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is only recognised when there are expected to be suitable future taxable profits within the tax group against which to reverse the underlying timing differences.

3.16 Foreign currency

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

3 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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and short term deposits

Cash comprises cash in hand, demand deposits and bank overdrafts. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within "borrowings" in "current liabilities" in the Balance Sheet.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs. They are subsequently held at amortised cost unless part of a fair value hedge. Any difference between the amount on initial recognition and redemption value is recognised in the statement of comprehensive income using the effective interest method. Short term liabilities (including trade and other payables) are measured at original invoice amount.

Inter-company loans

Inter-company loans are measured at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

Other payables

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

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.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Embedded derivatives are held at fair value with unrealised gains or losses reported in the statement of comprehensive income as they arise. No embedded derivatives have been identified 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)

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 EMEA Limited group of companies is associated. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

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

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

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

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

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

4 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The 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.

Pensions

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations, and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends (see Note 17).

Residual values

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

Management uses professional judgement in determining residual value provisions. The best possible information, data, and experience is available to enable informed decisions to be made. 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 2017 it would require a 5.31% decline in residual values before any write down would be necessary.

5 OPERATING LOSS

Operating loss for the year is stated after charging/(crediting):	**2017 £000**	**2016 £000**
Re-measurement gain on non-hedging derivatives	1,000	1,939
Foreign exchange gains	(227)	(4,167)
Fees payable to the Company's auditor for the audit of the Company's financial statements	39	51
- Other services; the audit of the Financial Statements of the subsidiary pursuant to legislation	6	6
- Other services; the auditing of revenue, as required by concession agreements	6	6
Depreciation of owned property, plant and equipment	30,922	29,038
Amortisation of intangible assets	254	149
Operating lease charges	4,513	4,414

Net re-measurement gains on non-hedging derivatives of £1,000,000 (2016: £1,939,000), comprises net realised gains of £1,000,000 (2016: £1,939,000) and net unrealised gains of £nil (2016: £nil).

6 DIRECTORS AND EMPLOYEES

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

	2017 Number	2016 Number
Operations	850	870
Sales and reservations	33	33
Administration and finance	78	66
	961	969

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	26,819	25,150
Social security costs	2,344	2,042
Pension costs	2,053	535
	31,216	27,727

Directors' remuneration

	2017 £000	2016 £000
Remuneration for qualifying services	797	437
	797	437

Following the closure of the Final Salary and Retirement Capital section to future accruals, retirement benefits are accruing to 2 (2016 - 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 (2016 - 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.

6 DIRECTORS AND EMPLOYEES (Continued)

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

	2017 £000	2016 £000
Remuneration for qualifying services	310	205
Amounts receivable under long term incentive schemes	11	9
Company pension contributions to defined contribution schemes	-	-
Accrued pension at the end of the year	18	17

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

7 NET FINANCE COSTS

	2017 £000	2016 £000
On finance leases & other fleet financing facilities	5,226	5,546
On loans due to group undertakings	11,170	9,118
On loans due from group undertakings	(8,189)	(5,715)
	8,207	8,949

8 TAXATION ON LOSS ORDINARY ACTIVITIES

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

	2017 £000	2016 £000
Current tax		
UK Corporation tax	-	-
	-	-
Deferred tax		
Origination and reversal of timing differences	(3,072)	(4,655)
Remeasurement of deferred tax - change in rate	-	2,039
Adjustment in respect of prior periods	622	(3,833)
Total deferred tax	(2,450)	(6,449)

8 TAXATION ON LOSS ORDINARY ACTIVITIES (Continued)

ii) Factors affecting the current tax charge for the year

The standard rate of tax applied to reported loss on ordinary activities is 19.25% (2016: 20%). 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:

	2017 £000	2016 £000
Loss before taxation	(12,764)	(8,476)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	(2,457)	(1,695)
Expenses not deductible for tax purposes	383	70
Adjustments in respect of prior years	622	(3,833)
Group relief surrendered for nil consideration	(1,280)	(3,391)
Non-taxable dividend	(125)	(156)
Revaluation of deferred tax closing balance	-	2,039
Difference in deferred tax rate	407	517
Taxation for the year	(2,450)	(6,449)

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

	2017 £000	2016 £000
Deferred tax arising on:		
Origination and reversal of timing differences	(60)	(1,950)
Remeasurment of deferred tax - change in rate		45
Total tax recognised in other comprehensive income	(60)	(1,905)

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

During the year beginning 1 January 2018, the net reversal of deferred tax assets and liabilities is expected to increase the corporation tax charge for the year by £1,054,000.

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

9 INTANGIBLE ASSETS

	Goodwill	Internally generated software	Total
	£000	£000	£000
Cost			
At 1 January 2017	637	104	741
Additions - internally developed	-	44	44
At 31 December 2017	637	148	785
Amortisation and impairment			
At 1 January 2017	126	23	149
Charge for the year	203	51	254
At 31 December 2017	329	74	403
Carrying amount			
At 31 December 2017	308	74	382
At 31 December 2016	511	81	592

Goodwill is associated with the repurchase of several locations from our licensees.
Amortisation charge has been recognised in administrative expenses for all classes of intangible assets.

10 TANGIBLE ASSETS

	Freehold land and buildings	Short leasehold property	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	4,877	8,085	5,238	210,231	228,431
Additions	2	883	1,884	346,090	348,859
Disposals	(1,221)	(1,353)	(1,084)	(337,896)	(341,554)
At 31 December 2017	3,658	7,615	6,038	218,425	235,736
Depreciation and impairment					
At 1 January 2017	4,025	5,742	2,657	13,417	25,841
Charge for the year	83	893	729	29,217	30,922
Disposals	(1,221)	(1,354)	(1,084)	(32,338)	(35,997)
At 31 December 2017	2,887	5,281	2,302	10,296	20,766
Carrying amount					
At 31 December 2017	771	2,334	3,736	208,129	214,970
At 31 December 2016	852	2,343	2,581	196,814	202,590

11 INVESTMENTS

	Shares in group undertakings £000
Cost of investments	
At 1 January 2017 & 2016	3,800
Additions in the year	5,565
At 31 December 2017	9,365
Carrying amount	
At 31 December 2017	9,365
At 31 December 2016	3,800

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. 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 2017 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

12 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:	2017 £000	2016 £000
Trade receivables	43,758	50,916
Amounts due from subsidiary undertakings	21	-
Amounts due from fellow group undertakings	1,499	184,191
Prepayments and accrued income	3,288	6,722
	48,566	241,829

Within amounts owed by group undertakings, £nil *(2016: £172,780,000)* is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed by fellow subsidiaries at 31st December 2017 of 4.05% *(2016: 5.20%)*. There were no floating rate intercompany loans. The remaining balance of £1,499,000 *(2016: £11,411,000)* with other group undertakings is unsecured, interest free and payable on demand.

No allowance for bad debts has been made as all amounts owed by fellow subsidiaries are expected to be fully recoverable. However, a provision for doubtful debts of £1,048,159 *(2016: £1,828,324)* has been made against the trade debtors at year end.

13 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Bank and other loans	167,108	185,580
Trade payables	37,025	27,924
Amounts due to fellow group subsidiary	62,550	247,851
Taxation and social security	8,428	7,748
Accruals and deferred income	23,124	17,685
	298,235	486,788

Within amounts owed to group undertakings, £31,242,000 *(2016: £219,302,000)* is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed to fellow subsidiaries at 31st December 2017 of 4.47% *(2016: 5.49%)*. There were no floating rate intercompany loans. The remaining balance of £31,308,000 *(2016: £28,549,000)* with other group undertakings is unsecured, interest free and payable on demand.

Banks and other loans encompass secured loans carrying an average interest rate of 1.99% *(2016: 1.75%)* and are payable on demand.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance reserves £000	Other trading £000	Total £000
At 1 January 2017	21,018	2,452	23,470
Additional provisions in the year	14,046	81	14,127
Utilisation of provision	(13,618)	(491)	(14,109)
At 31 December 2017	21,446	2,042	23,488

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

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

15 DEFERRED TAXATION

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

Balances:	Assets 2017 £000	Assets 2016 £000
Accelerated capital allowances	36,727	35,143
Retirement benefit obligations	(360)	81
Other timing differences	1,581	214
	37,948	35,438

Movements in deferred taxation	£000
Balance as at 1 January 2017	35,438
Profit and loss movement	2,450
Other comprehensive income	60
Balance as at December 31, 2017	37,948

15 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.

16 FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities:

	2017 Book amount £000	2017 Fair value £000	2016 Book amount £000	2016 Fair value £000
Prepayments	3,288	3,288	6,722	6,722
Trade receivables	43,758	43,758	50,916	50,916
Other financial assets:				
- amounts owed by fellow subsidiaries	1,499	1,499	184,191	184,191
Cash at bank and in hand	4,461	4,461	17,362	17,362
Trade payables	37,025	37,025	27,924	27,924
Other payables	31,552	31,552	25,433	25,433
Other financial liabilities:				
- bank and other loans	167,108	167,108	185,580	185,580
- amounts due to fellow group subsidiary	62,550	62,550	247,851	247,851

The Company operates a vehicle funding agreement to finance the purchase of its rental vehicles. The total value outstanding at the December 31, 2017 of £167,108,000 (2016: 185,580,000) is secured on the value of the rental fleet disclosed in the Motor Vehicles category of the tangible fixed asset Note 10.

17 POST-EMPLOYMENT BENEFITS

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

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

Defined contribution scheme

The defined contribution retirement benefit scheme is operated for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2017 was £1,172,000 *(2016: £692,000).*

17 POST-EMPLOYMENT BENEFITS **(Continued)**

The Company contributions to the DC plan depend on member choices. The contribution levels are Tier 1: employee 3%, Company 6%; Tier 2: employee 4%, Company 8%. For former Final Salary and RCP members who transferred to the DC Plan in July 2011, there is an additional Tier 3: employee 5%, Company 10% to 30 June 2016. In the Automatic-Enrolment tier, the employee and employer contributions are 1%. From October 2017 these contributions increase to 3% employee, 2% Company and from October 2018 to 5% employee, 3% Company.

Defined benefit scheme

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

As the Final Salary and the RCP Sections of the Plan are closed to future service, the Employer does not make normal contributions in respect of those Sections. During 2017, the Company made additional deficit funding of £3,328,417 *(2016: £2,185,465)* to the Final Salary and Retirement Capital Plan section.
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 deficit payments of £2,453,000 became payable each 1 July and 1 January commencing 1 July 2015 and ending 1 July 2017. A new agreement came into effect on 1 January 2018 with a contribution payment of £2,453,000 being due on 1 January 2018 and each 1 July and 1 January thereafter through to 1 January 2021 and £2,074,000 due on 1 July 2021.

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

Key assumptions

Adjustments to the valuation undertaken at 31 March 2017 and 31 March 2014 have been made based on the following assumptions:

	2017	2016
	%	%
Discount rate	2.4	2.6
Rate of inflation*	2.1	1.9
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

17 POST-EMPLOYMENT BENEFITS **(Continued)**

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

	2017 Years	2016 Years
Retiring today		
- Males	23	23
- Females	24	25
Retiring in 20 years		
- Males	23	24
- Females	26	26

Amounts recognised in the income statement	2017 £000	2016 £000
Current service cost	140	120
Net interest on defined benefit (assets) / liabilities	(70)	(900)
Other costs and income	810	470
Total costs/(income)	880	(310)

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

Amounts recognised in the balance sheet	2017 £000	2016 £000
Present value of defined benefit obligations	253,840	238,110
Fair value of plan assets	(259,080)	(237,270)
(Surplus)/deficit in scheme	(5,240)	840

17 POST-EMPLOYMENT BENEFITS **(Continued)**

Movements in the fair value of plan liabilities	**£000**
Liabilities at 1 January 2017	238,110
Current service cost	140
Benefits paid	(6,360)
Actuarial gains and losses	15,810
Interest cost	6,140
Liabilities at 31 December 2017	253,840

Movements in the fair value of plan assets	**£000**
Fair value of assets at 1 January 2017	237,270
Interest income	6,210
Return on plan assets (excluding amounts included in net interest)	14,980
Benefits paid	(6,360)
Contributions by the employers	7,790
Other	(810)
Fair value of assets at 31 December 2017	259,080

Analysis of the scheme assets as at the balance sheet date	**2017 £000**	**2016 £000**
Equity instruments	104,409	75,689
Property	12,954	11,864
Bonds	59,848	113,177
Other	81,869	36,540
	259,080	237,270

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

18 CALLED UP SHARE CAPITAL

	2017 £000	**2016 £000**
Ordinary share capital		
Issued and fully paid		
108,650,000 of £1 each	108,650	88,650

18 CALLED UP SHARE CAPITAL **(Continued)**

Reconciliation of movements during the year:

	Ordinary Shares Number
At 1 January 2017	88,650
Issue of fully paid shares	20,000
At 31 December 2017	108,650

On November 1, 2017, 20,000,000 Ordinary £1 shares were issued to Avis Europe Overseas Limited for cash consideration of £20,000,000.

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.

19 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.

20 CAPITAL COMMITMENTS

At 31 December 2017 the Company had capital commitments contracted for but not provided amounting to £469,750 *(2016: £26,261)* for building works, £245,075,644 *(2016: £187,000,000)* for committed vehicle purchases and £168,342,636 *(2016: £186,966,929)* for amounts payable under finance leases, all of which will be settled within the following year.

21 FINANCIAL COMMITMENTS

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

	2017 Land and Buildings £000	2017 Other £000	2016 Land and Buildings £000	2016 Other £000
Operating leases which expire:				
Within one year	1,950	-	1,985	-
Between one and five years	3,114	-	2,852	-
After more than five years	801	-	195	-
	5,865	-	5,032	-

22 CONTINGENT LIABILITIES

The Company has entered into a cross-guarantee arrangement with its bankers, under which the Company's funds may be used to offset the liabilities of other Group undertakings. As at 31 December 2017, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £nil *(2016: £74,000)*.

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

23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a subsidiary undertaking of Avis Europe Overseas Limited, which is part of the group of companies owned by Avis Budget EMEA Limited. Both these parent undertakings are registered in England and Wales.

The smallest and largest parent undertaking to consolidate the Financial Statements of the Company is Avis Budget Group, Inc., which is incorporated in the United States of America and registered on NASDAQ. The financial statements of Avis Budget Group, Inc. are publicly available at www.avisbudgetgroup.com.

24 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within 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.