Registered number: 00802486

AVIS BUDGET UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

AVIS BUDGET UK LIMITED

COMPANY INFORMATION

Directors	N A Bell P L Ford J C G Turner
Company secretary	I Lall
Registered number	00802486
Registered office	Avis Budget House Park Road Bracknell Berkshire United Kingdom RG12 2EW
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

AVIS BUDGET UK LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their Strategic Report for the Company for the year ended 31 December 2020.

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, as well as a number of local brands. The differentiated brands help to meet a wide range of customer mobility needs. Avis is a leading vehicle rental brand positioned to serve the premium commercial and leisure segments of the travel industry. Budget is a leading vehicle rental brand focused primarily on more value-conscious segments of the industry.

The strategy of the Company is aligned to those of the Avis Budget Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc. The year 2020 began with a focus of driving sustainable and profitable growth by leveraging differentiated brands and products, delivering margins from the Group's established businesses, and positioning itself as a global leader in the mobility sector. There were significant impacts on travel demand and the global economy from Coronavirus ("COVID-19"), the Group and Company proactively managed the business with cost removal and mitigating actions. At the same time, prioritising health and safety, and launched a coalition designed to enhance the cleanliness and disinfection of rental facilities and vehicles. The Group and Company also increased the availability of app-based products to provide customers with contactless, self-service rental transactions.

In response to the downturn in demand the Company also reviewed the size and profitability of its network of stores resulting in the permanent closure of a number of unprofitable stores, and downsizing of the number of staff in the Company's headquarters.

In executing the strategy, the Company will continue to position the distinct and well recognised 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-recognised 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 Company's efforts to enhance the Avis experience for 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 the 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.

Strategic review (continued)
To further support and strengthen the brands, the Company is committed to serving its customers and enhancing their rental experience through new organic offerings that optimise 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.

The Directors note that the Company's subsidiary company, Avis Europe Risk Management Limited, paid a dividend to the Company of £500,000 (2019: £550,000).

The Company made a loss after taxation for the year of £33,238,000 (2019: loss of £1,746,000). No shares were issued during the year (2019: £2,500,000), which in the prior year resulted in an increase in net assets. Net assets of the Company are £17,348,000 (2019: £62,111,000) due to the cumulative reserves and the share issue in the prior year, 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 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 Company has and will continue to see significant impacts in its business as a result of the COVID-19 outbreak. The COVID-19 outbreak has had, and the Company believes will continue to have, a significant adverse impact on the Company'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 Company cannot assure its assumptions used to estimate its liquidity requirements will be correct given there is no certainty to the length, severity and future mutations of the virus, fluctuations in the number of cases, the availability of the vaccine and the effectiveness of actions taken to contain disease. Therefore, the Company continues 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 and remain in compliance with existing debt covenants for the next twelve months. The Company expects to see travel demands start to normalise during 2021 and as the global economy emerges from COVID-19, the Company expects its strategy to continue to focus on cost discipline, revenue growth and reinvestment aimed at allowing the Company to increase profitability.

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 in respect of all such risks the Group continues 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. An economic downturn, particularly sudden, poses challenges for the Company 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 Company's results of operations. For instance, the ongoing Coronavirus outbreak 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 Company's results of operations.

The Company has detailed management reporting systems that help to monitor daily rental patterns and future reservation trends. The Company maintains a flexible business model to allowing it 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. The Company 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 adjusts prices accordingly.

Political risk
The Company'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.

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
The COVID-19 pandemic has had, and is expected to continue to materially affect the Group's business, financial condition, results of operations and/or cash flows for an extended period. Government authorities have taken and continue to take measures to address the outbreak, including restrictions on travel and other orders, including partial shelter-in-place orders. The pandemic is a highly fluid and rapidly evolving situation, which cannot be anticipated with any certainty the length, scope or severity of such restrictions in each of the jurisdiction that the Company operates.

The full impact that COVID-19 will have on the business cannot be predicted at this time due to numerous uncertainties, including the duration and severity of the outbreak, future mutations in the virus that causes COVID-19, increases or spikes in the number of cases, the availability of vaccines and effectiveness of actions taken to contain the disease, the length of time it takes for rental volume and pricing to return and normal economic and operating conditions to resume, and other factors. This impact could include, but is not limited to, those discussed below.

The Company's revenues and profitability were materially impacted during 2020 compared to prior years, and are expected to continue to be adversely affected. Although the Group believe that renting a vehicle will continue to be a safe, clean and attractive transport alternative, it is unable to predict whether and when volumes will increase to historical levels. The Group typically generates approximately 64% of its revenues from on-airport locations and is highly dependent on travel and both commercial demand and leisure demand. In addition, the van rental business is affected by the housing, light commercial and consumer sectors, all of which have been adversely impacted by the COVID-19 pandemic and cannot predict the pace of recovery in those sectors.

To date the business has incurred, and expects to continue to incur, certain increased costs related to COVID-19, such as costs associated with sanitising vehicles and facilities. In addition, the industry may become subject to enhanced health and hygiene requirements in attempts to address future outbreaks, which may increase costs and take a significant amount of time to implement across global operations. These additional costs may be required by regulators or expected by consumers even after the effects of COVID-19 subside. In response to the COVID-19 outbreak, the Company has aimed to right-size the business for vehicle rental demand by reducing operating costs, in some cases by working with suppliers, landlords and other stakeholders. There can be no guarantee that costs reduction efforts will be successful as the pandemic continues.

The COVID-19 outbreak has caused the Company to reduce and furlough employees in order to keep costs in line with demand. These actions could create risks, including but not limited to, the Company's ability to manage the size of the workforce given uncertain future demand.

The Company has and could face disruptions in the supply of vehicles from vehicle manufacturers or supply chain, whether due to outbreaks of COVID-19 at their manufacturing facilities, measures they take in response to COVID-19 or otherwise. The business has faced, and may face additional, delays in receiving delivery of vehicles or other supplies that may make it difficult to meet consumer demand.

The Company is dependent on the used car market to sell vehicles and enable it to refresh its fleet. The used car market has faced and may again experience lower demand due to shutdowns of sales channels, other restrictions and the slowdown in overall global economic activity due to COVID-19, unemployment rates, depressed consumer demand and related factors.

The Company has taken a number of actions as a result of COVID-19 that have increased its long-term debt. As the Company manages through the effects of the pandemic, the Company's level of indebtedness may further increase.

To date there have been significant increases in unemployment due to the adoption of social distancing and other policies to slow the spread of the virus, which are likely to continue to have a significant negative impact on consumer discretionary spending, including in the mobility industry and the travel industry.

Pandemic review (continued)
To the extent COVID-19 adversely affects the Company's business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in within Principal Risks and Uncertainties of the Strategic Report.

Fleet
Loss or material change in the terms on which the Company can obtain fleet vehicles from major vehicle suppliers could harm the performance of the Company. In the event that the Company 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 Company is starting to face 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 Company 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 Company is subject to a wide variety of environmental laws and regulations in connection with its operations. The Company 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 Company operate, demand for Company's services could be affected, fleet and/or other costs could increase, and Company's business could be adversely impacted.

The Company 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 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.

Liability and insurance
The nature of the Company's operations expose the business to several forms of liability, including claims for bodily injury, death and property damage related to the use of the Company vehicles, or for having its customers on the Company's premises, as well as workers' compensation and other employment-related claims by its employees. The Company insures most of such liability exposures through both related party captive insurance companies within the Avis Budget Group Inc. group as well as through unaffiliated third-party insurers.

Liability and insurance (continued)
As the Company retains a certain element of risk, it may become exposed to uninsured liability at levels in excess of historical levels resulting from unusually high losses or otherwise. In addition, liabilities in respect of existing or future claims may exceed the level of the Company's reserves and/or insurance, which could adversely impact its financial condition and results of operations. Furthermore, insurance with unaffiliated insurers may not continue to be available to the Company on economically reasonable terms or at all. Should the Company be subject to an adverse ruling or experience other significant liability for which the Company did not plan and are unable to adequately insure against such liability, the Company results of operations, financial position or cash flows could be negatively impacted.

Credit risk
The Company manages credit risk by performing credit checks where considered appropriate on corporate customers and travel intermediaries. Respected credit agencies are used as part of an internal process for setting and reviewing credit lines.

Liquidity risk
The Company's primary liquidity needs include the procurement of rental vehicles to be used in its operations, servicing of corporate and vehicle-related debt and the payment of operating expenses. The primary sources of funding are operating revenue, cash received upon the sale of vehicles, borrowings under vehicle-backed borrowing arrangements, funding from other companies in the Avis Budget Group, Inc. group, and other financing activities. The nature of the car rental business model is such that operations have 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 other group undertakings.

Foreign exchange risk
The Company is exposed to a variety of market risks, including changes in currency exchange rates. Currency risk is managed, 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 its 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.

Financial key performance indicators

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 considers different Key Performance Indicators (KPIs) in assessing the performance of the business which include rental revenue per day, rental days, average fleet, utilisation and EBITDA. These are not disclosed due to the commercially sensitive nature of data.

	2020	2020
	£000	£000
Turnover	61,851	157,400
Gross Profit	5,042	41,585
GP%	8	26

The reduction in revenue and gross profit reflects the impact COVID-19 has had on the performance of the business as described in this strategic report.

Pension Schemes

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 2021, 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, subject to the scheme remaining in a funding deficit position additional contributions to the scheme are payable until July 2024. Further details are provided in Note 23 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 the Avis Budget, Group Inc. group. As such the Directors have not implemented a policy for the Company. Instead, the Company's financial risk management objectives and policies are aligned to those of Avis Budget Group, Inc.

Fleet Residual Values
The Company closely monitors residual values of its vehicles to ensure no impairment is required. Regular monitoring and analysis of market trends allows accurate forecasting of residual values limiting any gain or loss on sale at the end of the vehicle's 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.

Public Liability, Property Damage and Other Insurance Liabilities
Insurance liabilities on the Company's Balance Sheet include an element of public liability and property damage for which the Company is self-insured. The Company estimates the required liability of such claims on an undiscounted basis utilising an actuarial method that is based upon various assumptions which include, but are not limited to, 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 the number of incidents for which the Company is ultimately liable and changes in the cost per incident.

Research and development

The Company has not undertaken any Research & Development activities itself during the year, but benefits from developments being undertaken across the wider Avis Budget Group, Inc. group.

Section 172(1) 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 Company. The Directors recognise that building strong relationships with the Company 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 focus 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 its 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 utilise 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 references and find innovative ways to better serve and anticipate customers' needs.

Employees
The Directors receive various metrics and feedback tools in relation to the Company's operations. The Company Directors and senior managers engage with employees in a number of ways. These include attending town halls and exchange sessions with employees, visiting rental locations, 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 "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.

Employees (continued)
The health and safety of employees is of the highest priority. In response to COVID-19, the Company added work-from-home flexibility for employees who can work remotely; established new physical distancing procedures; provided additional personal protective equipment and cleaning supplies; modified certain work spaces with plexiglass dividers; implemented protocols to address actual and suspected COVID-19 cases and potential exposure; and required masks to be worn in all locations where allowed by local law.

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 reservation systems.

Leases and vehicle rental concessions are also maintained at locations across the territories where the Company operates including airports and train stations, where vehicle rental companies are frequently required to bid periodically for space at these locations. The Avis Budget Group Inc group maintains a "Supplier Diversity Policy". Increased purchases from diverse suppliers is recognised to enhance the operational supply chain and assist in meeting and exceeding customer's expectations at on-airport locations 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 UK 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 2020, SRS Investment Management, LLC ("SRS") disclosed ownership of 18,430,882 shares of the Group's common stock. Avis Budget Group Inc entered into an updated cooperation Agreement with SRS on 12 August 2020. The terms of the agreement include the provision for the Board of Avis Budget Group Inc to comprise nine Directors, of which two would be appointed by SRS.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

This report was approved by the board and signed on its behalf.

J C G Turner
Director

Date: 30 September 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the Financial Statements for the year ended 31 December 2020.

Principal activity

The Company continued to be the UK operation of the Avis Budget Group, Inc. group of companies, a leading global provider of mobility solutions. There is no planned change to the principal activity.

Results and dividends

The loss for the year, after taxation, amounted to £33,238,000 (2019 - loss £1,746,000).

The Company has not paid or proposed any dividends (2019: £nil) during the year and after the year.

Directors

The Directors who served during the year were:

N A Bell
P L Ford
J C G Turner

Qualifying third party indemnity provisions

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

Future developments

Details of future developments can be found in the Strategic Report on pages 1 - 10.

Going concern

At 31 December 2020 the Company had cash of £7,984,000 (2019: £22,127,000), net current liabilities of £84,688,000 (2019: £162,282,000), net assets of £17,348,000 (2019: £62,111,000) 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 (including the use of certain available Government COVID-19 initiatives) 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 assets and liabilities of the Company at this date constitute balances with other group undertakings. 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 and the effectiveness of the vaccine rollout in 2021, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to September 2022 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 2.2 of the Financial Statements.

Streamlined Energy and Carbon Reporting (SECR)

The Avis Budget Group Inc is committed to innovation and moving the future of mobility forward. As part of this commitment the Company is focused on caring for the planet and proactively capitalising on opportunities to increase the value-add for customers and stakeholders, while dramatically reducing the Company's environmental footprint.

The success of the business is directly tied to the health of the planet, and the Company aims to make meaningful contributions to address global and local challenges associated with a changing climate and threats to land, water, air and soil.

As a responsible corporate citizen, the Company is committed to monitoring, measuring and managing its environmental impact, and working to reduce it where practicable on an ongoing basis. This enables the Company to meet customer expectations while building a resilient business for generations to come. The following illustrates these commitments:

- Environmental Footprint: Through a continuous improvement approach, the Company works proactively to address the environmental challenges that impact the business. Guided by the Avis Budget Group Inc Environmental Policy, focus is on the environmental issues most important to the Company and its stakeholders.

- Sustainable Operations: The Company looks to drive efficiencies needed to reduce its environmental impact and enhance the sustainability of its operations. These are mainly driven by the incorporation of green building practices and by complying with all environmental regulations.

- Sustainable Fleet: Avis Budget Group Inc and the Company are actively anticipating and driving changes in mobility. Connected and autonomous vehicles are likely to become a common feature worldwide, along with an increased use of electric and shared vehicles, which is why, building on the core experience, data intelligence and technology the Group is developing entirely new lines of business and extending the offering and capabilities for customers, businesses and cities. Efforts include:

    - Fleet Efficiency: The Company offers customers the opportunity to choose from a wide variety of vehicles, including hybrids, electric or fuel-efficient vehicles at many of its locations. The fleet consists primarily of vehicles from the current and immediately preceding model year - this ensures the highest possible standards of air emissions control.

    - Connected Vehicles: Connected vehicles will support the Company's ability to reduce emissions through a steadfast focus on fleet maintenance and optimisation.

    - Car Sharing: The Company works closely with its sister company Zipcar UK Limited car sharing operation. Zipcar technology was designed and specifically built for car sharing and has been continually refined and upgraded. With more than one million members worldwide, Zipcar is taking thousands of vehicles off the road and reducing congestion. In addition, car sharing members report notable reductions in their own driving behaviour after joining.

The Group's most recent Corporate Social Responsibility Report ("CSR") is available on the Avis Budget Group Inc website: www.avisbudgetgroup.com.

Greenhouse Gas (GHG) Emissions

Currently, vehicles are a significant source of global greenhouse gas emissions and air pollution across local communities. Building on the Company's long-standing commitment to the environment, through innovation, the Company is embarking on a journey to introduce mobility solutions that will significantly reduce greenhouse gas emissions related to the business. This includes increasing the selection of more fuel-efficient vehicles and leveraging the capabilities of connected cars with efficient route planning and intelligent driver services.

While most greenhouse gas emissions are associated with the Company's fleet, the Company also aims to maximise the energy efficiency of its facilities.

The Company currently maintains scopes one (1), two (2) and three (3) emissions, which are generated from the Company's offices, and transport, respectively. The Company incurs transport emissions from company cars and "grey fleet" (personal cars used for business purposes), where staff mileage has been reimbursed.

The Company has a longstanding commitment to tackling climate change. The calculated U.K. carbon footprint for the year ended 31 December 2020 is 762.77 tCO2e, whilst energy consumption was 2,810,606.36 kWh (2,810.61 MWh).

Methodology

The Company reported all its emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required. Emissions have been calculated and reported in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020 (reference "Introduction guidance").

The reporting period is the financial year (year ended 31 December 2020), the same as that covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

2020 Emissions

Scope 1 (natural gas, transport)	Tonnes CO2 equivalent (tCO2e) 194.5
Scope 2 (electricity)	Tonnes CO2 equivalent (tCO2e) 510.15
Scope 3 (transport, electricity T & D)	Tonnes CO2 equivalent (tCO2e) 58.12
Total	762.77 tCO2e

Scopes 1, 2 and 3 carbon intensity ratio = 0.00001397 tCO2e based on an annual turnover of £62,771,000 during the financial year.

Total Emissions

Efficiency Measures Taken

1) Reduced the average CO2 emissions of the UK rental fleet each year.
2) Replaced aging office equipment with energy-efficient products.
3) Expanded video conferencing and online meetings (as opposed to face-to-face meetings).
4) Upgraded lighting portfolio to LED's where possible.

Objectives for 2021

1) Source lower CO2 emission vehicles from the manufacturers.
2) Reduce the Company's baseline electricity and gas consumption by 2% compared to 2019.
3) Continual review of existing office equipment and company policies.
4) Reviewing supply contracts to determine feasibility of renewable energy.
5) Implementation and assessment of the Energy Savings Opportunity Scheme (ESOS) recommendations.
6) Continue with our energy-savings programme.

The Company will report on progress within the year-ending 31 December 2021 financial accounts.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 '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 for the Company's Financial Statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

BDO LLP were appointed during the year and will continue in office as permitted by Section 487 of the Companies Act 2006.

This report was approved by the board on 30 September 2021 and signed on its behalf.

J C G Turner
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OFAVIS BUDGET UK LIMITED

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Avis Budget UK Limited ("the Company") for the year ended 31 December 2020, which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the Financial Statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 has 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 the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OFAVIS BUDGET UK LIMITED (CONTINUED)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company, and determined that the most significant which are directly relevant to specific assertions in the Financial Statements are those related to the reporting framework (Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006);
- We determined how the entity is complying with these legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures, corroborating our enquiries through review of board minutes;
- We used an engagement team with appropriate competence and capabilities to identify non-compliance with laws and regulations;
- We enquired with management from various parts of the business to understand where they consider there was susceptibility to fraud and inspected policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have any knowledge of any actual, suspected or alleged fraud;
- We performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that fleet rental revenue is recorded in the incorrect period and the risk that management may be in a position to make inappropriate accounting entries. We also considered performance targets and their influence on efforts made by management to manage revenues and earnings; and
- We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks related to posting inappropriate journal entries to manipulate financial position and management bias in accounting estimates. We considered the controls that the company has established to address the risks identified, or that otherwise prevent, deter and detect fraud. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. We have done this by performing operating effectiveness of controls testing and substantive testing. These procedures included challenging management on the assumptions made in their significant accounting estimates.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OFAVIS BUDGET UK LIMITED (CONTINUED)

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.

DocuSigned by:
Joseph Aswani
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Joseph Aswani (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date: 30 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Revenue	4	61,851	157,400
Cost of sales		(56,809)	(115,815)
Gross profit		5,042	41,585
Administrative expenses		(51,734)	(54,905)
Other operating income	5	16,233	9,783
Operating loss	6	(30,459)	(3,537)
Income from shares in group undertakings		500	550
Interest payable and similar expenses	9	(5,783)	(8,782)
Loss before tax		(35,742)	(11,769)
Tax on loss	10	2,504	10,023
Loss after tax for the financial year		(33,238)	(1,746)

The notes on pages 25 to 51 form part of these Financial Statements.

All results derive from continuing operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Loss after tax for the financial year		(33,238)	(1,746)
Other comprehensive (loss)/income			
Actuarial (loss)/gain on defined benefit schemes	23	(12,480)	2,280
Movement on deferred tax relating to pension gains/(losses)	10	955	(60)
Other comprehensive (loss)/income for the year		(11,525)	2,220
Total comprehensive (loss)/income for the year		(44,763)	474

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note		2020 £000		2019 £000
Fixed assets					
Intangible assets	11		-		11
Tangible assets	12		114,312		226,912
Investments	13		9,365		9,365
			123,677		236,288
Current assets					
Stocks		536		1,083	
Debtors	15	95,334		127,091	
Cash at bank and in hand		7,984		22,127	
		103,854		150,301	
Creditors: amounts falling due within one year	16	(188,542)		(312,583)	
Net current liabilities			(84,688)		(162,282)
Total assets less current liabilities			38,989		74,006
Provisions for liabilities					
Other provisions	18	(24,651)		(25,265)	
			(24,651)		(25,265)
Pension asset	23		3,010		13,370
Net assets			17,348		62,111
Capital and reserves					
Called up share capital	19		141,150		141,150
Share premium account	20		62,183		62,183
Profit and loss account	20		(185,985)		(141,222)
			17,348		62,111

The Financial Statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2021.

J C G Turner
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	138,650	39,683	(141,696)	36,637
Comprehensive income for the year				
Loss for the year	-	-	(1,746)	(1,746)
Other comprehensive income	-	-	2,220	2,220
Total comprehensive income for the year	-	-	474	474
Shares issued during the year	2,500	22,500	-	25,000
At 1 January 2020	141,150	62,183	(141,222)	62,111
Comprehensive expense for the year				
Loss for the year	-	-	(33,238)	(33,238)
Other comprehensive expenses	-	-	(11,525)	(11,525)
Total comprehensive expense for the year	-	-	(44,763)	(44,763)
At 31 December 2020	141,150	62,183	(185,985)	17,348

1. General information

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 Statement are for the Company only.

2. Accounting policies

2.1 Basis of accounting

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Going concern

At 31 December 2020 the Company had cash of £7,984,000 (2019: £22,127,000), net current liabilities of £84,688,000 (2019: £162,282,000), net assets of £17,348,000 (2019: £62,111,000) 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 (including the use of certain available Government COVID-19 initiatives) 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 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 and the effectiveness of the vaccine rollout in 2021, the Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to September 2022 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined within 'administrative expenses' in the Income Statement.

2. Accounting policies (continued)

2.4 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 the 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.

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.

2.5 Cost of sales

Cost of sales includes selling, revenue related (e.g. commissions and credit card fees) and vehicle costs. Any contributions dependent on performance criteria are recognised in the Statement of Other Comprehensive Income only to the extent that it is considered probable that the criteria will be met.

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

2.6 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.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	3 to 5 years

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Vehicles are typically held between 9 months and 2 years, and vans are held for 3 years. Depreciation is based on estimates of future residual values or on guaranteed residual values.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Freehold property	- 50 years or the life of the assets
Long-term leasehold property	- 5 years
Plant and machinery	- 2 to 10 years
Motor vehicles	- Variable depreciation rates as above

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

All of the investments are direct investments.

2.10 Leased assets: the Company as 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 Statement of Other Comprehensive Income 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 Statement of Other Comprehensive Income on a straight line basis over the lease period.

2.11 Leased assets: the Company as lessor

Rental income from operating leases is credited to the 'administrative expenses' within the Income Statement on a straight line basis over the term of the relevant lease.

2. Accounting policies (continued)

2.12 Provisions for liabilities

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.

2.13 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.

2.14 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.

2.15 Current and deferred 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.

Deferred tax balances are not discounted, and are recognised in the Income Statement.

2.16 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.

2. Accounting policies (continued)

2.16 Financial instruments (continued)

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 Other Comprehensive Income as it arises.

Trade and other debtors

Trade and other debtors 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 "creditors" in the Statement of Financial Position.

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 Other Comprehensive Income using the effective interest method. Short term liabilities (including trade and other creditors) 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 creditors

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

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the Statement of Other 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 Other 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 Other 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 Other Comprehensive Income. No cash flow hedges have been held in the current or prior period.

2. Accounting policies (continued)

2.16 Financial instruments (continued)

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 Other 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 Other 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 Other 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 Statement of Other Comprehensive Income, 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 the Statement of Other Comprehensive Income.

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 the Statement of Other Comprehensive Income.

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 the Income Statement, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments are subsequently measured at fair value through Statement of Other Comprehensive Income. Debt instruments may be designated as being measured at fair value though Statement of Other Comprehensive Income 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.

2. Accounting policies (continued)

2.16 Financial instruments (continued)

Derivatives

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

2.17 Pensions

Defined contribution pension plan

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 in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees, which was closed to new members in 2011. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

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 to 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.

2. Accounting policies (continued)

Defined benefit pension plan (continued)

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 'Remeasurement of net defined benefit liability'.

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

a) the increase in net 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 the Income Statement as a 'administrative expense'.

Group pension plan

Where the risks of a defined benefit plan are shared between entities under common control, the net defined benefit cost is recognised in the financial statements of the Group entity which is legally responsible for the plan and all other Group entities recognise a cost equal to their contribution payable for the period. See Note 7 and 23.

2.18 Government grants

Grants are accounted under the accruals model as required by FRS 102. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Income Statement in the same period as the related expenditure.

3. Judgements in applying accounting policies 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 a 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

3. Judgements in applying accounting policies (continued)

Recoverability of deferred tax asset (continued)
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 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 23).

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 utilising 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.

Impairment of investment in subsidiaries
Where there are indicators of impairment, the Company performs impairment loss calculations based upon the difference between the carrying value and the present value of the estimated future cash flows. These calculations are based upon the expected performance and future cash flows of the subsidiaries. The cash flows are derived from the previous twelve months results, unless a declining trend is identified. The cash flows do not include restructuring activities that have not been committed to or significant future investments that will enhance performance.

Impairment of trade debtors
An impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The Company considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable should be impaired.

Carrying values of intercompany positions
The Company has intercompany receivables and payables, which it expects to be fully paid and received without a premium or discount. In assessing the recoverability of amounts owed to the Company by fellow group undertakings, Management has considered the anticipated cash flow within the wider group and the support from the ultimate parent company, and has deemed these balances recoverable.

3. Judgements in applying accounting policies (continued)

Determination of intercompany transactions
Determine whether transactions with other subsidiary undertakings of the Company have been conducted on an arm's length basis. These decisions involve the input of internal and external tax advisors to the Company, including analysis of comparable companies and groups who operate in similar markets to Avis Budget UK Limited.

4. 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:

	2020 £000	2019 £000
Fleet rental and related ancillary income	61,851	157,400

5. Other operating income

	2020 £000	2019 £000
Global network support services	10,223	9,283
Government grants receivable	6,010	-
Investment valuation change	-	500
	16,233	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 £10,223,000 (2019: £9,283,000) presented in other operating income.

The Company made use of the Government Coronavirus Job Retention Scheme (CJRS) during the year claiming £5,305,000 (2019: £nil). Between April and December 2020 the Company had an average of 538 employees on the scheme, who were on furlough an average of 89% of the time, using the "flexible furlough" option. The Company has followed all the rules attached to the CJRS and has therefore recognised grants received in full.

6. Operating loss

The operating loss is stated after charging/(crediting):

	2020 £000	2019 £000
Re-measurement loss/(gain) on hedging derivatives	443	(541)
Foreign exchange loss/(gain)	(1,338)	1,842
Fees payable to the Company's Auditor for the audit of the Company's Financial Statements	68	147
Depreciation of tangible fixed assets	26,168	40,531
Amortisation of intangible fixed assets	11	173
Bad and doubtful debts	460	4,988
Other operating lease rentals	6,486	(7,706)
Intercompany royalty fee	1,900	-
Redundancy costs	5,877	257
Profit/(Loss) on sale of fixed assets	2,705	103

Net re-measurement losses on hedging derivatives of £443,000 (2019: gains £541,000), comprises fully of realised losses.

The Company was given relief of an obligation to pay the intercompany royalty fee from 2017 through 2019 by the intercompany licensor counterparties. The intercompany royalty fee was reinstated in 2020.

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	24,428	28,630
Social security costs	1,992	2,495
Credit of defined benefit scheme	(724)	(2,676)
Cost of defined contribution scheme	1,030	223
	26,726	28,672

The defined benefit scheme cost includes contributions by group entities of £954,000 (2019: £3,346,000).

7. Employees (continued)

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Operations	290	874
Sales and reservations	12	32
Administrative and finance	65	75
	367	981

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	384	361
Company contributions to defined contribution pension schemes	21	21
	405	382

During the year retirement benefits were accruing to 2 Directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £228,000 (2019 - £238,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £12,000 (2019 - £13,000).

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.

9. Interest payable and similar expenses

	2020 £000	2019 £000
Loans from group undertakings	2,661	2,541
Finance leases and hire purchase contracts	3,122	6,241
	5,783	8,782

10. Taxation

	2020 £000	2019 £000
Corporation tax		
UK corporation tax on profits for the period	(2,678)	(3,873)
Adjustments in respect of previous periods	1,570	(2,449)
Total current tax	(1,108)	(6,322)
Deferred tax		
Origination and reversal of timing differences	(3,903)	1,197
Adjustment in respect of previous periods	2,507	(1,282)
Effect of changes to tax rates	-	(3,616)
Total deferred tax	(1,396)	(3,701)
Taxation on loss on ordinary activities	(2,504)	(10,023)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	(35,742)	(11,769)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(6,791)	(2,236)
Effects of:		
Expenses not deductible for tax purposes	486	395
Adjustments to tax charge in respect of prior periods	4,077	(3,731)
Non-taxable income	(181)	(731)
Dividends from UK companies	(95)	(105)
Difference in deferred tax rate	-	(3,615)
Total tax charge/(credit) for the year	(2,504)	(10,023)

10. Taxation (continued)

Factors that may affect future tax charges

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

	2020 £000	2019 £000
Deferred tax arising on:		
Origination and reversal of timing differences	(955)	60
Total tax recognised in other comprehensive income	(955)	60

The Finance Act 2020 maintained the main rate of corporation tax at 19% from 1 April 2020. Legislation to increase the main rate of corporation to 25% from 1 April 2023 is included in Finance Act 2021 which was substantively enacted on 24 May 2021. The impact of this tax rate change would be to increase the deferred tax assets at the balance sheet date by £11,500,000 to £48,000,000.

The adjustments in respect of prior years recognised above relate to changes in the amount of losses surrendered by the Company to the wider UK Group. The final capacity for loss surrender is only known once all UK tax returns are filed and once the expiry period for claiming historic withholding tax and for finalising Group-wide corporate interest restrictions has passed.

11. Intangible assets

	Computer software £000
Cost	
At 1 January 2020	184
Amortisation	
At 1 January 2020	173
Charge for the year on owned assets	11
At 31 December 2020	184
Net book value	
At 31 December 2020	-
At 31 December 2019	11

12. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2020	3,913	6,725	6,280	237,688	254,606
Additions	3	239	362	102,302	102,906
Disposals	(499)	(2,577)	(1,320)	(218,246)	(222,642)
At 31 December 2020	3,417	4,387	5,322	121,744	134,870
Depreciation					
At 1 January 2020	3,064	4,546	3,842	16,242	27,694
Charge for the year on owned assets	113	957	787	24,311	26,168
Disposals	(323)	(1,970)	(873)	(30,138)	(33,304)
At 31 December 2020	2,854	3,533	3,756	10,415	20,558
Net book value					
At 31 December 2020	563	854	1,566	111,329	114,312
At 31 December 2019	849	2,179	2,438	221,446	226,912

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2020	18,565
At 31 December 2020	18,565
Impairment	
At 1 January 2020	9,200
At 31 December 2020	9,200
Net book value	
At 31 December 2020	9,365
At 31 December 2019	9,365

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
Avis Pension Trustees Limited	Avis Budget House, Park Road, Bracknell, RG12 2EW	Management	100%
Avis Rent A Car (Isle of Man) Limited	PO 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%
ACL Hire Limited	47 West Main Street, Blackburn, Bathgate, West Lothian, EH47 7LT	Commercial Vehicle Hire	100%

All subsidiaries are wholly owned 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 derivative financial instruments of £31,000 (2019: £127,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Debtors

	2020 £000	2019 £000
Trade debtors	13,568	45,701
Amounts owed by group companies	36,837	39,082
Amounts owed by subsidiary undertakings	275	-
Prepayments and accrued income	3,138	4,156
Group relief debtor	4,982	3,873
Deferred taxation (Note 17)	36,503	34,152
Derivative financial instruments	31	127
	95,334	127,091

There were no fixed rate intercompany loans. There were no floating rate intercompany loans. The balance of £36,837,000 (2019: £39,082,000) with other group undertakings and the balance of £275,000 (2019: £nil) with subsidiary undertakings are 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 £3,108,000 (2019: £3,759,000) has been made against the trade debtors at year end.

16. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank loans	45,057	152,628
Trade creditors	8,269	43,441
Amounts owed to group companies	110,364	85,121
Amounts owed to subsidiary undertakings	3,220	4,001
Other taxation and social security	7,883	6,860
Accruals and deferred income	13,749	20,532
	188,542	312,583

Within amounts owed to group companies, £108,133,000 (2019: £73,801,000) is an unsecured intercompany loan. Intercompany loans are fixed rate with a weighted average cost for amounts owed to fellow subsidiaries at 31 December 2020 of 2.73% (2019: 2.82%). There were no floating rate intercompany loans. The remaining balance of £2,231,000 (2019: £11,320,000) 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 2.68% (2019: 2.41%) and are payable on demand.

17. Deferred taxation

	2020 £000
At beginning of year	34,152
Charged to income statement	1,396
Charged to other comprehensive income	955
At end of year	36,503

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	36,015	34,230
Retirement benefit obligation	(125)	(815)
Other timing differences	613	737
	36,503	34,152

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.

Legislation to increase the main rate of corporation to 25% from 1 April 2023 is included in Finance Act 2021 which was substantively enacted on 24 May 2021. The impact of this tax rate change would be to increase the deferred tax assets at the balance sheet date by £11,500,000 to £48,000,000.

18. Provisions

	Insurance Reserves £000	Other Trading £000	Total £000
At 1 January 2020	22,905	2,360	25,265
Charged to the profit or loss	5,510	3,801	9,311
Utilised in year	(9,651)	(274)	(9,925)
At 31 December 2020	18,764	5,887	24,651

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 up to 8 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 which are typically between 0 and 5 years.

19. Share capital

	2020 £000	2019 £000
Authorised, allotted, called up and fully paid		
141,150,100 (2019 - 141,150,100) Ordinary shares of £1.00 each	141,150	141,150

All shares are fully authorised and issued at £1.00. The Company has one class of ordinary shares which carry no right to fixed income.

20. Reserves

Share premium account

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

Profit and loss account

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

21. 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 2020, the liabilities of the relevant other Group undertakings amounted, in aggregate, to £nil (2019: £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.

22. Capital commitments

At 31 December 2020 the Company had capital commitments contracted for but not provided amounting to £nil (2019: £54,045) for building works, £nil (2019: £nil) for committed vehicle purchases and £45,193,947 (2019: £153,416,196) for amounts payable under finance leases, all of which will be settled within the following year.

23. Pension commitments

The Company operates a Defined Benefit Pension Scheme.

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

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

Defined contribution scheme

The defined contribution retirement benefit scheme is operated for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2020 was £1,030,000 (2019: £223,000).

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. From July 2020, Tier 2 Company contributions were reduced to 6%. 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.

23. Pension commitments (continued)

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 2020, the Company made additional deficit funding of £946,000 (2019: £3,434,000) to the Final Salary and Retirement Capital Plan section.

An actuarial valuation was prepared as at 31 March 2021 to review the financial position of the Plan relative to its statutory funding objective, and to determine the appropriate level of future contributions. Based on this actuarial valuation it was agreed with the Trustee that with effect from 1 July 2021 deficit contribution payments of £2,453,000 would become due on the first working day of each January and July commencing July 2021 and ending July 2023, and £2,300,000 due on 1 January 2024. 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%.

The actuarial valuations of the Avis UK Pension Plan were prepared using the projected unit credit method, and were carried out by Willis Towers Watson, independent consulting actuaries.

	2020 £000	2019 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	267,750	242,050
Current service cost	160	160
Interest cost	5,560	6,450
Benefits paid	(6,420)	(6,960)
Remeasurement of obligation	33,580	26,050
At the end of the year	300,630	267,750

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
At the beginning of the year	281,120	246,570
Administrative expenses	(350)	(740)
Interest income	5,840	6,680
Actuarial gains	21,100	28,330
Contributions	2,350	7,240
Benefits paid	(6,420)	(6,960)
At the end of the year	303,640	281,120

23. Pension commitments (continued)

Composition of plan assets:

	2020 £000	2019 £000
Equities	115,383	113,854
Bonds	60,728	58,473
Other	127,529	108,793
Total plan assets	303,640	281,120

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.

	2020 £000	2019 £000
Fair value of plan assets	303,640	281,120
Present value of plan liabilities	(300,630)	(267,750)
Net pension scheme asset	3,010	13,370

The amounts recognised in the Income Statement are as follows:

	2020 £000	2019 £000
Current service cost	160	160
Net interest on defined benefit assets	(280)	(230)
Other costs	350	740
Group entity contributions	(954)	(3,346)
Total	(724)	(2,676)

The amounts recognised in Other Comprehensive Income are as follows:

	2020 £000	2019 £000
Actual return on scheme assets	(26,940)	(35,010)
Calculated interest element	5,840	6,680
Actuarial changes to related obligations	33,580	26,050
Actuarial loss/(gain) on defined benefit scheme	12,480	(2,280)

23. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2020 %	2019 %
Discount rate	1.5	2.1
Future pension increases	2.1	1.9
Inflation assumption*	2.5	2.2
Mortality rates		
- for a male aged 65 now	21	22
- at 65 for a male aged 45 now	22	23
- for a female aged 65 now	24	24
- at 65 for a female member aged 45 now	25	25

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

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 shown above.

24. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Land and buildings		
Not later than 1 year	1,399	2,417
Later than 1 year and not later than 5 years	1,766	3,333
Later than 5 years	43	80
	3,208	5,830

	2020 £000	2019 £000
Vehicles		
Not later than 1 year	3,061	4,353
Later than 1 year and not later than 5 years	365	1,677
	3,426	6,030

25. Related party transactions

The Company has taken advantage of the exemption within Paragraph 1.12 of FRS 102, for wholly owned subsidiary undertakings not to disclose transactions with other entities within the same group. The consolidated financial statements for Avis Budget Group, Inc., in which the Company is included, are publicly available at www.avisbudgetgroup.com.

26. 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.