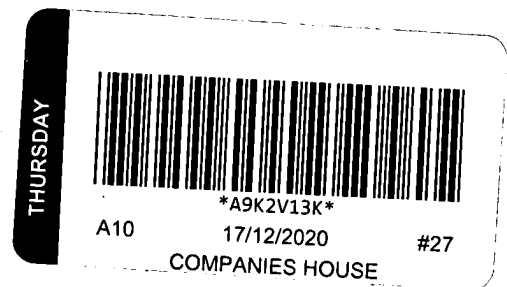


Company Registration No. 04525217 (England and Wales)

ZIPCAR (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



ZIPCAR (UK) LIMITED

COMPANY INFORMATION

Directors	P L Ford N Bell J C G Turner	(Appointed 14 August 2019)
Secretary	I Lall	
Company number	04525217	
Registered office	Avis Budget House Park Road Bracknell United Kingdom RG12 2EW	
Auditor	Deloitte LLP Reading United Kingdom RG1 3BD	

ZIPCAR (UK) LIMITED

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ZIPCAR (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal Activity

The Company's principal activity during the year was the operation of a car-sharing business providing short-term rentals of motor vehicles.

Strategic Review and Future Developments

Strategic review

The Company operates the Zipcar brand in the United Kingdom under a license agreement with its immediate parent company Zipcar, Inc. The Zipcar brand is one of the world's leading car sharing networks offering an alternative to traditional car rental and ownership. Zipcar provides its members on-demand, self-service vehicles in reserved parking spaces located in neighbourhoods and business districts as an alternative to car ownership. Members can reserve vehicles online, on a mobile device or over the phone, by the minute, hour or by the day, at rates that include fuel, insurance and other costs associated with vehicle ownership.

The Zipcar car sharing technology was specifically designed and built for the Zipcar car sharing business and has been continually refined and upgraded. This fully-integrated platform centralises the management of Zipcar reservations, member services, fleet operations and financial systems to optimise the member experience, minimize costs and leverage efficiencies. The platform allows for basic functions such as processing new member applications, managing reservations and keyless vehicle access, and providing the mobile and website applications used by the Zipcar members. This platform also allows the Company to manage and monitor member interactions and communications, billing and payment processing, manage the car sharing fleet, including service, cleanings, vehicle locations and monitor and analyse key metrics of each Zipcar such as utilisation rate, mileage and maintenance requirements.

Each Zipcar is typically equipped with a combination of telematics modules, including a control unit with mobile data service, radio frequency identification card readers, wireless antennae, wiring harness, vehicle interface modules and transponders for toll systems. This hardware, together with internally developed embedded firmware, vehicle communication protocols and datacentre software, allows the Company to authorize secure access to its Zipcar fleet from its data centres and provides the Company with a comprehensive set of fleet management data. This information helps the Company to improve the member experiences and optimise its business processes.

In 2019 the Company continued to increase its total membership base and utilisation, by expanding its Zipcar "Flex" product in London providing for one-way rentals in two further boroughs (12 in total).

The Company continued to grow its Zipcar "Flex" operation at Heathrow Terminal 5 and increased fleet size accordingly.

The Company continued to innovate its technology platform to provide scale to support growth, drive operational efficiency and improve the member experience.

The Company performed in line with market conditions and saw an increase in revenue to £37.72 million (2018: £31.29 million). The Company made a loss after taxation for the year of £5.67 million (2018: loss of £3.82 million) as the Company continued to invest in growth and network expansion.

Net liabilities of the Company were £34.62 million (2018: Restated £28.95 million) due to the cumulative reserves and the total comprehensive expense for the year.

ZIPCAR (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 our products, services, and employees, bypass the counter or change their minds about the make or model of a vehicle and review their options on their mobile device right up to the moment they exit the parking lot.

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

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

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

ZIPCAR (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal Risks and Uncertainties

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

Demand

The impact of economic conditions on the Company's ability to generate revenue and recruit new members as well as increasing competition from both direct car sharing competitors and alternative mobility options. The Company has detailed management reporting systems that help to monitor member acquisition and member attrition as well as daily rental performance and price relative to alternative mobility solutions.

Parking

The Company is dependent on the continuing agreement with London Boroughs and other parking providers to supply parking for the fleet in close proximity to our membership base. The Company maintains strong relationships with all relevant providers and has a strong record of renewing such contracts.

Fleet

Loss or material change in the terms on which the Company obtains fleet vehicles from major vehicle suppliers and the Company's fellow subsidiary, Avis Budget UK Limited, could harm the performance of the Company. In the event that it could not procure all of the required vehicles from current manufacturer sources, vehicles could be obtained from other sources, such as dealers.

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

Political and Economic Risk

The Company is exposed to risks related to political, economic and commercial instability or uncertainty in the geographical location in which it operates. For example, uncertainty related to the proposed withdrawal of the United Kingdom from the European Union could lead to volatility in the global financial markets, adversely affect tax, legal and regulatory regimes, including potential changes to import laws, trade treaties or tariffs, and could impact the economies of the United Kingdom and other countries within the European Union. The Company anticipates increases in the cost of importing vehicles due to increases to import tariffs or adversely affected foreign exchange rates which would increase the cost base for the Company. Exposure to these risks could impact the Company's financial condition or results of operations.

To mitigate these risks, the Company:

- benefits from being part of a global group;
- constantly monitors new and used vehicle market trends across its related fellow subsidiary operations and adjusts fleet rotations, pricing and procurement accordingly. Vehicles are sourced from a wide 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.

ZIPCAR (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Pandemic Risk

COVID-19 has had, and is expected to continue to have, a significant impact on Zipcar (UK) Limited operations. The current, and uncertain future, impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel, is expected to continue to impact results, operations, outlooks, plans, goals, growth, cash flows, and liquidity.

Whilst in the short to medium-term there is an opportunity as people look to alternatives to public transport, due to concerns around risk of infection, to date the Company has incurred, and expects to continue to incur, increased costs related to COVID-19 such as costs associated with sanitizing the Company's vehicles. In addition, the sector may be subject to enhanced health and hygiene requirements (and consumer expectations) in attempts to counteract future outbreaks, which requirements may be costly and take a significant amount of time to implement across our operations.

In addition, the COVID-19 outbreak has significantly increased economic uncertainty. The current outbreak and its continued spread could cause a global recession. Whilst in the short to medium-term there is an opportunity as people look to alternatives to private car ownership to reduce household expenditure, in the long-term any protracted global recession could have a further adverse impact on the Company's operations. Discretionary spending would likely be impacted resulting in reduced leisure activity (nights out, day trips, visits to museums, cinemas, restaurants etc) a key use case for members. Changes to working practices with greater levels of homeworking could also impact business use of the service. Furthermore, the supply chain and network of contractors (cleaning vendors, garages, bodyshops etc.) used by the Company could also be severely impacted as a result of any global recession, which could negatively impact the Company's operations.

The extent of the effects of the outbreak on the Company's business and the domestic travel industry at large is highly uncertain and will ultimately depend on future developments, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for normal economic and operating conditions to resume. To the extent COVID-19 adversely affects our 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.

To mitigate these risks, the Company:

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

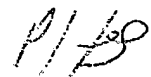
Key Performance Indicators (KPIs)

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

Financial Risk Management Objectives and Policies

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

Approved by the Board and signed on its behalf



P L Ford
Director

4 December 2020

ZIPCAR (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

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

P L Ford

N Bell

M Kightley

J C G Turner

(Resigned 14 August 2019)

(Appointed 14 August 2019)

Results and Dividends

The Company made a loss after taxation for the year of £5.67 million (2018: loss of £3.82 million). The performance was in line with expectations in the annual plan. The Directors do not recommend the payment of a dividend (2018: nil).

Future Developments

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

Financial Risk Management Objectives and Policies

Financial risk management objectives and policies are included in the Strategic Report on pages 1 to 3.

Going Concern

At 31 December 2019 the Company had cash of £9,000 (2018: £280,000), net current liabilities of £30,238,000 (2018: Restated £26,802,000), net liabilities of £34,617,000 (2018: Restated £28,950,000) and continued to incur losses. 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 Directors have received confirmation that Avis Budget Group Inc., the ultimate parent undertaking, will continue to provide adequate resources to enable the Company to continue in operation for at least 12 months from date of approval of the Financial Statements. Due to Group wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond.

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

ZIPCAR (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Post Reporting Date Events

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

The first outbreak was discovered in Wuhan China in December 2019 and quickly spread to multiple countries before being recognized by the World Health Organization as a Pandemic on the 11th of March 2020. Efforts to prevent the virus spreading include travel restrictions, quarantines, curfews, event postponements and cancellations, and facility closures across most of the world. These measures although temporary have had an immediate impact on the global economy, in particular the travel industry including vehicle rental.

Since March 2020 car reservations and revenue began to be negatively affected as travel restrictions were broadly implemented and the outlook for the second half of 2020 continues to be challenged. Further details on subsequent events can be found in the Note 22 of the Financial Statements.

Directors indemnities

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

ZIPCAR (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Employment Policies and Practices

Details of the Company's employees during the year are set out in Note 9 to the Financial Statements.

During the year the Company continued to focus on developing a lean, efficient and flexible organisation. In this context the Company continued to focus on the positive elements of the business, celebrating success, communicating regularly and openly at a team level, giving employees direct contact with senior management and continuing to provide training and development opportunities.

The Company has maintained the practices of keeping employees informed about current activities and progress by various methods including newsletters, management presentations and in-house publications. The Company follows principles of equal opportunities in recruitment, development, remuneration and advancement. Every effort is made to offer part time and flexible working arrangements to those employees who have personal and family commitments.

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

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

ZIPCAR (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ZIPCAR (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Disclosure to Auditor

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

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

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

Auditor

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

Approved by the Board and signed on its behalf



P L Ford

Director

4 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZIPCAR (UK) LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in Equity; and
- the related notes 1 to 25.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZIPCAR (UK) LIMITED

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 have been prepared in accordance with applicable legal requirements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZIPCAR (UK) LIMITED

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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.



Mark Tolley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
4 December 2020

ZIPCAR (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Revenue	5	37,716	31,294
Cost of sales		(28,964)	(21,323)
Gross profit		8,752	9,971
Administrative expenses		(13,699)	(13,037)
Operating loss	7	(4,947)	(3,066)
Interest payable and similar expenses	6	(719)	(754)
Loss before taxation		(5,666)	(3,820)
Taxation	10	-	-
Loss and total comprehensive expense for the financial year		(5,666)	(3,820)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The accompanying Notes on pages 16 to 29 form an integral part of these Financial Statements.

ZIPCAR (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£000	Restated £000
Fixed assets			
Intangible assets	11	24	83
Tangible assets	12	282	473
		<u>306</u>	<u>556</u>
Current assets			
Stocks	14	116	122
Debtors	15	4,716	3,188
Cash at bank and in hand		9	280
		<u>4,841</u>	<u>3,590</u>
Current liabilities			
Trade and other payables	16	(33,301)	(28,404)
		<u>33,301</u>	<u>28,404</u>
Net current liabilities		(28,460)	(24,814)
Provisions	17	(6,462)	(4,692)
Net liabilities		<u>(34,616)</u>	<u>(28,950)</u>
Capital and reserves			
Called up share capital	19	62	62
Share premium account		5,381	5,381
Profit and loss reserves		(40,059)	(34,393)
Total equity		<u>(34,616)</u>	<u>(28,950)</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 4 December 2020 and are signed on its behalf by:


P L Ford
Director
Zipcar (UK) Limited
Company Registration No. 04525217

ZIPCAR (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2018 as previously reported		62	3,703	(30,430)	(26,665)
Impact of prior year adjustment (Note 25)		-	1,678	(143)	1,535
Balance at 1 January 2018 (Restated)		62	5,381	(30,573)	(25,130)
Year ended 31 December 2018:					
Loss and total comprehensive expense for the year		-	-	(3,820)	(3,820)
Balance at 31 December 2018		62	5,381	(34,393)	(28,950)
Year ended 31 December 2019:					
Loss and total comprehensive expense for the year		-	-	(5,666)	(5,666)
Balance at 31 December 2019		62	5,381	(40,059)	(34,616)

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2019**

1 General Information

The Company is part of the Avis Budget Group, Inc. group of companies, a leading global provider of mobility solutions. The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Avis Budget House, Park Road, Bracknell, United Kingdom, RG12 2EW.

2 Statement of compliance

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

3 Accounting policies

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

3.1 Basis of accounting

These Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standards 102 ("FRS 102") and the requirements of the Companies Act 2006.

This 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 this 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': Carrying amounts, 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 the statement of comprehensive income 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 available from its registered office, 6 Sylvan Way, Parsippany, NJ 075054 and www.avisbudgetgroup.com.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Accounting policies

(Continued)

3.2 Going concern

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

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

A large proportion of assets and liabilities of the Company at this date constitute balances with other Group companies. The Directors have received confirmation that Avis Budget Group Inc., the ultimate parent undertaking, will continue to provide adequate resources to enable the company to continue in operation for at least 12 months from date of approval of the Financial Statements. Due to Group wide cost reduction and business rationalisation measures taken, Directors have reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements.

3.3 Cash flow statement

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

3.4 Revenue

Revenue is shown net of value added tax, and includes the following elements:

- Vehicle rental income - Recognised based on usage by members. Where usage is included in an arrangement including other elements, such as joining fees, turnover is based upon the fair value of usage in proportion to the overall fair value of the entire arrangement.
- Membership fees - Recognised rateably over the life of the contractual membership period. Where membership fees are included in an arrangement including other elements, such as free usage, the fair value of the other element is recognised separately and the remaining value of the transaction is recognised as membership fees.
- Damage waiver fees - Recognised over the period of cover.
- Local authority subsidies - Recognised upon completion of the contract milestone.

Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of creditors due within one year.

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

All revenue relates to rendering of services in the UK. Further segment information has not been provided as in the opinion of the Directors, this would be seriously prejudicial to the interests of the Company.

3.5 Cost of sales

Cost of sales includes the following items: fuel costs, parking expenses, insurance, vehicle damage and maintenance costs, fines, congestion charging, vehicle registration and tax costs, depreciation and hire purchase interest costs. Contributions to vehicle costs from suppliers are credited over the holding period of the related vehicles. If contributions are dependent on performance criteria, it is recognised in the income statement only to the extent that it is considered probable that the criteria will be met.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Accounting policies

(Continued)

3.6 Administrative expenses

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

3.7 Intangible fixed assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of the individual projects. In such cases, the identifiable expenditure, specifically software, is deferred and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

3.8 Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets as follows:

Office and computer equipment	33% per annum straight line
Motor vehicles	15% to 33% per annum straight line
Vehicle modifications	25% to 50% per annum straight line

3.9 Investments

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

3.10 Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownerships of the assets are classified as operating leases and rentals payable are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

3.11 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.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Accounting policies

(Continued)

3.12 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. Timing differences are differences between the taxable profits and the results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end date and that are expected to apply to the reversal of the timing difference. Deferred tax is measured on a non-discounted basis.

3.13 Foreign currency

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Statement of Comprehensive Income for the period.

3.14 Stocks

Stocks are stated at historic cost comprising direct materials and those overheads that have been incurred in bringing the inventories to their present location.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its historic cost is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

3.15 Provisions

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

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

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Accounting policies

(Continued)

3.16 Financial instruments

Disclosure

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

Financial assets

The classification of financial assets is determined at initial recognition depending on the purpose for which they were acquired. Any impairment is recognised in the Statement of Comprehensive Income as it arises.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and short term deposits

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

Financial liabilities

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

Inter-company loans

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

Other payables

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

3.17 Comparatives

In the current year the Company identified two prior year errors which have been corrected through restating the opening balance sheet and reserves in 2018. One error related to a duplicate posting of an intercompany payable from 2012 and the other error related to shares issued where the share capital and share premium arising had been incorrectly recorded as a capital contribution in retained earnings. The full details of these errors and the impact on the Financial Statements have been summarised in Note 25.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Critical accounting judgements and key sources of estimation uncertainty

The Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The Directors have not applied any critical accounting judgements. 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.

Insurance claims

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 the number of incidents for which the Company is ultimately liable and changes in the cost per incident. The provisions for liabilities note (note 17) includes further details on the sensitivity of these estimates.

Vehicle holding periods

Vehicle holding periods are a key estimate of the business. The Company leases the majority of its vehicles from its fellow subsidiary Avis Budget UK Limited under short term operating lease agreements. The holding period dictates the total commitments to Avis Budget UK Limited. The estimated holding period is 24 months which is agreed by both Avis Budget UK Limited and the Company, however by mutual agreement these periods can be shortened. There is a reasonable possibility that this will occur therefore the lease commitments note (note 21) includes information on how this disclosure would be impacted by a reasonable change in this estimate.

5 Revenue

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

The major revenue streams of the business arise from the rental of vehicles (usage), the sale of annual memberships and the sale of damage waiver reductions.

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

	2019	2018
	£000	£000
Revenue		
Rendering of services	37,715	31,294

6 Net finance costs

	2019	2018
	£000	£000
Interest payable to group undertakings	724	645

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Operating loss

	2019 £000	2018 £000
Operating loss for the year is stated after charging:		
Depreciation	506	668
Amortisation	63	89
Operating lease charges - offices	347	107
Operating lease charges - vehicles	7,111	4,563
Insurance provision charges	5,388	3,379
	<u> </u>	<u> </u>

8 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's Financial Statements	60	47
	<u> </u>	<u> </u>

No non-audit fees were incurred in the year (2018: nil).

9 Directors and employees

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

	2019 Number	2018 Number
Sales and advertising	39	40
Administration	73	83
	<u> </u>	<u> </u>
	112	123
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	3,657	3,772
Tax and social security costs	405	543
Pension contributions	91	78
	<u> </u>	<u> </u>
	4,153	4,393
	<u> </u>	<u> </u>

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Directors and employees

(Continued)

Directors' remuneration

The Directors received no remuneration (2018: nil) in respect of their qualifying services as Directors of the Company. The Directors are remunerated by other Group Companies and it is not possible to accurately determine the allocation of the Directors' remuneration related to the Company for the current year.

The number of Directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2018: 3). Two Directors are paid by the fellow subsidiary, Avis Budget UK Limited, and one Director is paid by the fellow subsidiary, Avis Budget Services Limited. Disclosure of their remuneration can be found in the respective accounts of those companies, which are available at Companies House.

10 Tax on loss on ordinary activities

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

	2019 £000	2018 £000
UK Corporation tax	-	-

ii) Factors affecting the current tax charge for the year

The standard rate of tax applied to reported loss on activities is 19% (2018: 19%).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £000	2018 £000
Loss before taxation	(5,666)	(3,820)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,077)	(726)
Expenses not deductible for tax purposes	150	132
Group relief	-	10
Deferred tax not recognised	927	584
Taxation for the year	-	-

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

As at 31 December 2019, there are unrecognised deferred tax assets of £8.3 million (2018: £7.4 million), the majority of the unrecognised deferred tax asset relates to carried forward trading losses of £29.7 million (2018: £25.3 million) and fleet £13.9 million (2018: £13.5 million) these amounts have not been recognised due to insufficient certainty of recovery in line with FRS 102 principles.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Intangible fixed assets

	Software purchased	Software developed internally	Total
	£000	£000	£000
Cost			
At 1 January 2019	94	284	378
Additions - internally developed	-	4	4
At 31 December 2019	94	288	382
Amortisation and impairment			
At 1 January 2019	69	226	295
Amortisation charged for the year	19	44	63
At 31 December 2019	88	270	358
Carrying amount			
At 31 December 2019	6	18	24
At 31 December 2018	25	58	83

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

12 Tangible fixed assets

	Office and computer equipment	Motor vehicles	Vehicle modifications	Total
	£000	£000	£000	£000
Cost				
At 1 January 2019	990	64	3,031	4,085
Additions	13	-	302	315
At 31 December 2019	1,003	64	3,333	4,400
Accumulated depreciation				
At 1 January 2019	899	64	2,649	3,612
Depreciation charged in the year	45	-	461	506
At 31 December 2019	944	64	3,110	4,118
Carrying amount				
At 31 December 2019	59	-	223	282
At 31 December 2018	91	-	382	473

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Investments

Prolita Limited was dissolved on 26 February 2019 via compulsory strike-off.

14 Stocks

	2019 £000	2018 £000
Consumables	116	122
Stocks recognised as an expense in the year	5,227	4,887

15 Debtors

	2019 £000	2018 £000
Trade debtors	1,996	1,221
Amounts owed by group undertakings	1,578	455
Other receivables	11	460
Prepayments	1,131	1,052
	4,716	3,188

There were no fixed rate intercompany loans. There were no floating rate intercompany loans. The balance of £1,578,000 (2018: £455,000) with other group undertakings is unsecured, interest free and payable on demand.

16 Trade and other payables

	2019 £000	2018 Restated £000
Trade creditors	675	275
Amounts due to group undertakings	26,107	21,617
Other creditors	-	568
Accruals	3,990	3,214
Deferred income	1,916	2,257
Taxation and social security	613	473
	33,301	28,404

Intercompany loans are fixed rate with a weighted average cost for amounts owed to fellow group undertakings at 31 December 2019 of 3.56% (2018: 3.49%). All intercompany loans are unsecured and payable on demand.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Provisions for liabilities

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

Sensitivities exist around the calculation for insurance reserves which relies on data relating to the frequency of claims and costs associated with settling those claims. This is especially true in relation to the "Flex" fleet of vehicles which is a relatively new offering by the Company where journeys are generally of shorter length and are primarily concentrated in dense urban areas, more so than "Roundtrip" and general short-term rental car. While certain assumptions are made in the calculation of the provision, the immature stage and lack of historical data relating to "Flex" frequency of claims means that the costs associated with settling these provisions could reasonably be significantly higher or lower than that assumed. Should the frequency of claims increase/(decrease) by 25% (2018: 25%) and the cost to settle them increase/(decrease) by 10% (2018: 10%) this would result in an increase/(decrease) in the required provision of £1.80 million (2018: £1.76 million).

The provisions are based on management's best estimate of the expected probable outflow.

	Insurance Reserves £000
At 1 January 2019	4,692
Charged in the year	5,388
Utilised in the year	(3,618)
	<u>6,462</u>
At 31 December 2019	<u>6,462</u>
Short term	1,777
Long term	4,685
	<u>6,462</u>
At 31 December 2019	<u>6,462</u>

18 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>91</u>	<u>78</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

19 Share capital

	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
6,221,767 of 1p each	62	62

All shares are fully authorised and issued at £0.01. The Company has one class of ordinary shares which carry no right to fixed income.

20 Reserves

The share premium reserve contains the premium arising on the issue of equity shares, £5.4 million (2018: Restated £5.4 million)

The retained deficit reserve represents cumulative profits or losses and other adjustments, £40.1 million (2018: Restated £34.4 million)

21 Lease commitments

Obligations under operating leases

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

	2019 Vehicles £000	2018 Vehicles £000
Due date:		
Within one year	5,443	5,137
Between one and five years	1,958	3,253
At 31 December	7,401	8,390

In 2019, holding periods for vehicles charged by Avis Budget UK Limited were predicted based on the Company's latest operational expectation.

In 2018, the charges from Avis Budget UK Limited included an assumption that the vehicles will be held for 24 months, which is the maximum committed holding period for a vehicle by the Company. This period can be shortened by mutual consent between the companies, and this is likely to occur over the next 12 months. If the holding periods were based on 18 months, which represents the average holding period, the disclosure commitment for within one year would reduce by £243,266 and between two to five years by £778,064.

The Company has arrangements with various local councils permitting access to various parking spaces. These are primarily short-term uncommitted parking permit arrangements with most permits paid up-front.

The Company also leases office space from fellow subsidiary companies, Avis Budget UK Limited and Avis Budget Services Limited, on an uncommitted month-by-month basis.

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22 Events after the reporting date

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

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

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

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

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

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

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

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

ZIPCAR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Zipcar Inc., which is incorporated in the United States of America.

The Company's ultimate holding company, controlling party and the smallest and largest parent undertaking to consolidate the Financial Statements of the Company is Avis Budget Group, Inc. which is incorporated in the United States of America and registered on NASDAQ. The Financial Statements of Avis Budget Group, Inc., are publicly available from its registered office at 6 Sylvan Way, Parsippany, NJ 075054 and www.avisbudgetgroup.com.

24 Related party transactions

The Company has taken advantage of the exemption within Paragraph 1.12 of FRS 102, for wholly owned subsidiary undertakings not to disclose transactions with other entities within the same group. The 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.

25 Prior year adjustment

In the current year the Company identified an intercompany payables posting of £1,535,055 from 2012 had been duplicated, with an expense recognised within that year. As a result, we have corrected this through restating prior year intercompany payables and historical profit and loss reserves.

Furthermore, it was identified that 2 shares issued in 2012 for a nominal value of £0.01 and consideration received of £1,677,710, were recognised as a capital contribution within profit and loss reserves as opposed to share capital and share premium, and hence we have restated profit and loss reserves and the share premium account.

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

The cumulative effects of the adjustments are summarised below:

	As previously stated 2018 £000	Adjustment £000	As restated 2018 £000
Balance sheet			
Trade and other payables	(29,939)	(1,535)	(28,404)
Profit and loss reserves	(34,250)	(143)	(34,393)
Share premium account	3,703	1,678	5,381