

Company Registration No. 04634240 (England and Wales)

ZODIAC EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



ZODIAC EUROPE LIMITED

COMPANY INFORMATION

Directors	P L Ford P E Rollason
Secretary	I Lall
Company number	04634240
Registered office	Avis Budget House Park Road Bracknell United Kingdom RG12 2EW
Auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD United Kingdom

ZODIAC EUROPE LIMITED

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ZODIAC EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Strategic Review and Future Developments

Strategic review

The Company is primarily engaged in the provision of management services to franchisees that provide the short term rental of motor vehicles under the Budget Rent a Car brand name in Europe, the Middle East and Africa.

The Company has continued to perform as expected during the year. Total revenue was up by 1% at £16,610,000 (2018: £16,383,000) on prior year with the increase due to stronger trading in Middle East and parts of Europe. The Directors expect that the Company will continue to operate as a provider of management services to franchisees that provide the short term rental of motor vehicles under the Budget Rent a Car brand name in Europe, the Middle East and Africa.

The profit after taxation was £10,509,000 (2018: £6,652,000) an increase on the prior year mainly as a result of lower taxation charges for the year (as set out in Note 8).

The position of the Company at the year end is set out in the Statement of Financial Position and related notes on pages 15 to 32.

Given the nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Future developments

The Company is well-positioned as part of Avis Budget Group, inc (the "Group"), a global leading group in the evolving mobility marketplace. Mobility is more than providing a clean reliable car of choice for a customer to use to get from point A to point B. Mobility means customers, using their smartphones or tablets, can customise their experiences with the subsidiaries 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's franchisees are seeing significant impacts in business around the world as a result of the Coronavirus ("COVID-19") outbreak. Significant events affecting travel have historically had an impact on vehicle rental volumes with the full extent of the impact generally determined by the length of time the event influences travel decisions. The COVID-19 outbreak has had, and the Company believes will continue to have, a significant adverse impact on the Company's operations and franchisee vehicle rental volumes, and on financial results and liquidity, and such negative impact may continue well beyond the containment of the outbreak.

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

ZODIAC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principle Risks and Uncertainties

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

Demand

The Company's franchisees face various risks associated with demand for their services, which in itself is subject to seasonal variations. An economic downturn, particularly sudden, poses challenges for the franchisees given their 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 our results of operations. For instance, the ongoing coronavirus outbreak emanating from China at the beginning of 2020 has resulted in increased travel restrictions. In addition, any significant increases in fuel prices, a severe protracted disruption in fuel supplies or rationing of fuel could discourage our customers from renting vehicles or reduce or disrupt air travel, which could also adversely impact our results of operations.

The Company has detailed management reporting systems that help to monitor daily rental patterns and future reservation trends. The franchisees maintain flexible business models allowing them to readily flex fleet and staff when required in response to changes in demand. Many franchisees are dependent on the granting and renewal of concessionary arrangements at airports and railway stations. Franchisees seek to maintain strong relationships with all relevant authorities and have a strong track record of renewing such contracts on a regular basis.

Price

The Company's franchisees are 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. Many franchisees have teams 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 franchisees operate, 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; 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.

ZODIAC EUROPE 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 Avis Budget Group, Inc. group operations and that of many franchisees. The current, and uncertain future, impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel, is expected to continue to impact results, operations, outlooks, plans, goals, growth, cash flows, liquidity, and stock price.

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

To date the Group have incurred, and expect to continue to incur, increased costs related to COVID-19 such as procurement of overflow parking for idle vehicles and costs associated with sanitizing vehicles and facilities. In addition, the industry may be subject to enhanced health and hygiene requirements in attempts to counteract future outbreaks, which requirements may be costly and take a significant amount of time to implement across global operations.

In addition, the COVID-19 outbreak has significantly increased economic and demand uncertainty. The current outbreak and its continued spread could cause a global recession, which would have a further adverse impact on the Company's operations. In past recessions, the travel industry has been significantly negatively impacted. Significant unemployment in the U.S. and other regions due to the adoption of social distancing and other policies to slow the spread of the virus is likely to have a negative impact on vehicle rental volume once travel restrictions and stay-at-home orders are lifted, and these impacts could exist for an extensive period of time.

The COVID-19 outbreak has also caused the Company to reduce headcount and furlough employees in order to right size its business for vehicle rental demand and reduce operating costs. These actions could create risks, including but not limited to, a shortage of personnel. The Company believes to have no such negative impact from the actions at this time. However, if the COVID-19 outbreak continues to have an adverse impact on our operations in the future, the Group may be forced to make more layoffs and furloughs which could put the Group at risk.

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

Fleet

Loss or material change in the terms on which the Group's trading subsidiaries or franchisees can obtain fleet vehicles from major vehicle suppliers could harm the performance of the Group. In the event that the Group could not procure all of the required vehicles from current sources, vehicles could be obtained from other sources, such as dealers. Where difficulties are experienced in sourcing vehicles, or where prevailing economic conditions result in depressed used vehicle prices and reduced demand, these risks may be mitigated by extending the holding period of vehicles.

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

ZODIAC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Environmental laws and regulations

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

The Group is driving the efficiencies needed to reduce environmental impacts and enhance the sustainability of operations. These include improvements in vehicle preventive maintenance, the incorporation of green building practices and by complying with all environmental regulations. Customers also have the opportunity to choose from a wide variety of vehicles, including hybrids, electric or fuel efficient vehicles at almost all of its locations. Given that the fleet consists primarily of vehicles from the current and immediately preceding model year, this ensures the highest possible standards of air emissions control.

Credit risk

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

Liquidity risk

The Company cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a decrease in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the Company has taken, and plans to take further actions to manage its liquidity, including reducing operating expenses.

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

Foreign exchange risk

The Company is exposed to a variety of market risks, including changes in currency exchange rates. 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 our business.

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

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 in 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 the Avis Budget Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc.

ZODIAC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Licensees

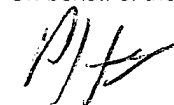
The Company grants third party licensees the exclusive right to operate under the Company's Budget brand in certain territories. Licensed locations are independently operated by the licensees and generally maintain separate independently owned and operated fleets. One-way vehicle rentals are facilitated between Group-operated and licensed locations, which enables the Group to offer an integrated network of locations to customers. Royalty fees are generally structured to be a percentage of the licensee's gross rental income. Audits are performed as part of the licensee program to assure licensee compliance with brand quality standards and contract provisions. The Company's management generally enjoys good relationships with its licensees and meet regularly with them at regional, national and international meetings.

Shareholders

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

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

On behalf of the Board



P L Ford

Director

21 December 2020

ZODIAC EUROPE 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

P Mitchell

P E Rollason

(Resigned 30 June 2020)

Results and dividends

The Company made a profit after taxation in the year of £10,509,000 (2018: £6,652,000).

No interim dividend has been paid on the ordinary shares during the year (2018: £nil). The Directors do not recommend the payment of a final dividend on the ordinary shares (2018: £nil).

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 and 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 11 March 2020. Efforts to prevent the virus spreading include travel restrictions, quarantines, curfews, event postponements and cancellations, and facility closures across most of the world. These measures although temporary have had an immediate impact on the global economy, in particular the travel industry including vehicle rental.

Since March 2020 car reservations and revenue began to be negatively affected as travel restrictions were broadly implemented and the outlook for the second half of 2020 continues to be challenged. Further details on subsequent events can be found in the Note 18 of the Financial Statements.

Future developments

Details of future developments can be found in the Strategic Report on pages 1 - 5.

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report on pages 1 - 5.

ZODIAC EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

At 31 December 2019 the Company had cash of £0.1m (2018: £0.1m), net current assets of £64.2m (2018: £53.5m), net assets of £64.8m (2018: £54.3m) and continued to trade profitably. When preparing the Financial Statements, the Directors assessed the Company's ability to continue as a going concern.

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

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

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

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 1 of the Financial Statements.

Auditor

Deloitte LLP will continue in office as permitted by Section 487 of the Companies Act 2006.

Directors' responsibilities statement

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 Accounting Standards, including Financial reporting Standard 102, the Financial reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS102) and the Companies Act 2006. 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.

ZODIAC EUROPE 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.

Approved by the Board and signed on its behalf by:



P L Ford
Director

21 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZODIAC EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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 Zodiac Europe Limited (the 'Company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 ZODIAC EUROPE LIMITED

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.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZODIAC EUROPE LIMITED

Use of our report

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

Alexander Butterworth, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
21 December 2020

ZODIAC EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Revenue	4	16,610	16,383
Cost of sales		(4)	80
Gross profit		16,606	16,463
Administrative expenses		(9,797)	(7,792)
Operating profit	5	6,809	8,671
Net finance cost	7	2,066	1,655
Profit before taxation		8,875	10,326
Tax on profit	8	1,634	(3,674)
Profit for the financial year		10,509	6,652

All results derive from continuing operations.

The accompanying Notes on pages 15 to 32 form an integral part of these Financial Statements.

ZODIAC EUROPE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Goodwill and other intangibles	13	-	175
Investments	10	777	777
		<u>777</u>	<u>952</u>
Current assets			
Trade and other receivables	11	1,674	2,629
Other financial assets:			
- amounts owed by group undertakings	15	69,044	57,860
Deferred Tax		100	136
Cash and cash equivalents		60	140
		<u>70,878</u>	<u>60,765</u>
Current liabilities			
Trade payables		(346)	(792)
Other financial liabilities:			
- amounts due to group undertakings		(6,371)	(2,753)
Taxation and social security		-	(3,704)
		<u>(6,717)</u>	<u>(7,249)</u>
Net current assets		<u>64,161</u>	<u>53,516</u>
Total assets less current liabilities		<u>64,938</u>	<u>54,468</u>
Non-current liabilities	14	(108)	(147)
Net assets		<u><u>64,830</u></u>	<u><u>54,321</u></u>
Equity			
Called up share capital	17	60,624	60,624
Retained earnings		4,206	(6,303)
Total equity		<u><u>64,830</u></u>	<u><u>54,321</u></u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 December 2020 and are signed on its behalf by:



P. L. Ford

Director

Zodiac Europe Limited

Company Registration No. 04634240

ZODIAC EUROPE LIMITED

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

	Share capital	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2018	60,624	(12,955)	47,669
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	6,652	6,652
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	60,624	(6,303)	54,321
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	10,509	10,509
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	<u>60,624</u>	<u>4,206</u>	<u>64,830</u>

The accompanying Notes on pages 15 to 32 form an integral part of these Financial Statements.

ZODIAC EUROPE LIMITED

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

1 Accounting policies

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

Company information

Zodiac Europe Limited is an intermediate holding company in the Avis Budget Group, Inc group of companies. The Company is a private company limited by shares incorporated in England and Wales. The registered office is Avis Budget House, Park Road, Bracknell, United Kingdom, RG12 2EW.

1.1 Basis of accounting

The Financial Statements have been prepared on the going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through the statement of comprehensive income. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to present group financial statements as it is a wholly owned subsidiary undertaking of Avis Budget Group, Inc., a company incorporated in the United States of America, which itself prepares consolidated financial statements.

1.2 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 twelve months from date of approval of the Financial Statements. Due to Group wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements.

1.3 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.

1.4 Foreign currency

The Company's functional and presentation currency is Sterling. Foreign currency assets and liabilities are translated at the rates of exchange ruling at the year end. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. Profits and losses on exchange are dealt with in the statement of comprehensive income.

1.5 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.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 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.

1.7 Investments

Investments are shown at cost less provision for any impairment where the recoverable amount is less than cost. Investments are initially stated at cost, being their purchase cost together with any incidental expenses of acquisitions. The carrying values of investments are reviewed at each year end if events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment of investments is charged to the statement of comprehensive income in the year in which it arises. The reversal of any impairment loss is recognised where the recoverable amount increases because of a change in economic circumstances or in the expected use of the investment. The amount of any reversal recognised is restricted to increasing the value of the investment to the carrying value that would be recognised had the original impairment not occurred.

1.8 Financial instruments

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.

Impairment of financial assets

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for 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 of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount is reduced through the use of an allowance account, and the amount is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables, with any subsequent recoveries credited to administrative expenses.

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.

ZODIAC EUROPE LIMITED

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

1 Accounting policies

(Continued)

Other payables

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

1.9 Intangible Goodwill

Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 4 years.

1.10 Acquired Licensee Rights

The Licensee Rights are held at cost less accumulated depreciation. Amortisation is calculated using the straight line method over the remaining period of the original Franchisee Agreement.

1.11 Revenue

Revenue comprises fees receivable from licensees and service agreement income from countries in Europe, the Middle East and Africa where Budget Rent A Car has a brand presence.

Licence fees are consideration for the continuing rights granted by the licence agreement and are recognised as revenue on a basis that reflects the substance for which the fees were charged.

1.12 Pension costs

The Company is one of the participating companies of a pension scheme to which other UK companies in the Avis Budget EMEA Limited group of companies are also associated. In accordance with FRS 102, the net defined benefit cost of the defined profit 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 costs equal to their contribution payable for the period. As such, the plan is recognised in the financial statements of Avis Budget UK Limited.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 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 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.

Critical judgements

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.

Impairment of investments

In determining value in use, the Directors calculate the present value of the estimated future cash flows expected to arise based on management's latest long term plans, with extrapolation thereafter. Estimates for value in use calculations include discount rates, long term growth rates and expected changes to future cash flows. Estimates are based on past experience and expectations for future changes in the market, including the prevailing economic climate and global economy, competitor activity, market dynamics, and ability to further leverage the Group's operational scale. Management estimates discount rates using a calculation of weighted average cost of capital. Risk free rates are based on government bond rates.

No impairment provision has been recognised as a consequence of this review as at 31 December 2019 based on available information at this date. The key assumptions did not include impacts of the COVID-19 pandemic as these events had not impacted the European travel industry as at 31 December 2019. The possible future impact of COVID-19 has been discussed in Note 18.

Recoverability of the amounts owed by group undertakings

Amounts owed by group undertakings are unsecured and payable on demand. Balance sheet amounts are stated net of provisions for doubtful debt, and accordingly the maximum credit risk exposure is the carrying amount of the amounts owed by group undertakings. The uncertainty exists over the recoverability of such balances. The Directors have concluded that all such amounts are expected to be fully recoverable hence no allowance for bad debts has been made during the reporting period.

Pensions

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations, and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends (see Note 9).

3 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.

ZODIAC EUROPE LIMITED

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

4 Revenue

	2019 £000	2018 £000
Licensee royalty revenue		
Europe	12,144	12,531
Middle East	3,047	2,470
Africa	1,419	1,382
	<u>16,610</u>	<u>16,383</u>

5 Operating profit

	2019 £000	2018 £000
Operating profit for the year is stated after charging/(crediting):		
Foreign exchange losses	<u>604</u>	<u>198</u>

The auditor's remuneration is borne by Avis Budget Services Limited, a fellow subsidiary undertaking. The fee payable to the Company's auditor for the audit of the Company's Financial Statements for the year ended 31 December 2019 was £10,000 (2018: £10,000).

ZODIAC EUROPE LIMITED

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

6 Directors' emoluments and employees

	2019 £000	2018 £000
Directors' emoluments		
Aggregate emoluments:		
Remuneration for management services	139	149
	<u>139</u>	<u>149</u>
	<u><u>139</u></u>	<u><u>149</u></u>
Highest paid Director:		
Remuneration for management services	139	149
	<u>139</u>	<u>149</u>
	<u><u>139</u></u>	<u><u>149</u></u>

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

Employees (including directors)

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

2019 Number	2018 Number
4	4
<u>4</u>	<u>4</u>

All employees are based in the United Kingdom and are engaged in network services.

Staff costs

	2019 £000	2018 £000
Wages and salaries	205	226
Social security costs	28	37
Pension costs	113	122
	<u>346</u>	<u>385</u>

ZODIAC EUROPE LIMITED

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

7 Net finance income

	2019 £000	2018 £000
Interest receivable on loans to group undertakings	2,108	1,655
Interest payable on loans from group undertakings	(42)	-
	<u>2,066</u>	<u>1,655</u>

8 Taxation

Analysis of charge in year

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the period	669	1,929
Adjustments in respect of prior periods	(2,301)	986
Foreign tax relief	(669)	(614)
	<u>(2,301)</u>	<u>2,301</u>
Foreign tax suffered	631	1,345
Total current tax	<u>(1,670)</u>	<u>3,646</u>

	2019 £000	2018 £000
Deferred tax		
Origination and reversal of timing differences	52	31
Effect of changes in tax rate	(16)	(3)
Total deferred tax	<u>36</u>	<u>28</u>
Total tax per income statement	<u>(1,634)</u>	<u>3,674</u>

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

(Continued)

Factors affecting the charge for the year

The standard rate of tax applied to reported profit is 19.00% (2018:19.00%). The differences between the total tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019	2018
	£000	£000
Profit before taxation	8,875	10,326
Tax on profit at standard UK tax rate of 19% (2017: 19.25%)	1,686	1,962
Effects of:		
Group relief received for nil consideration	(963)	-
Double tax relief	(669)	(614)
Foreign withholding tax	631	1,345
Adjustment from previous periods	(2,301)	986
Tax rate changes	(16)	(3)
Transfer pricing adjustments	(2)	(2)
Tax charge for the period	(1,634)	3,674

In the year ended 31 December 2018, a tax charge was recognised in respect of an arrangement that the Company had entered into with other Group companies whereby tax losses claimed would be paid for at the applicable statutory tax rate. As a result of the expected elimination of a number of UK subsidiaries in 2020, this arrangement has been changed so that the Company will now only pay for losses claimed if they are surrendered by certain, specifically identified, Group companies. Under the new arrangement, based on the group relief loss allocations for 2017 and 2018 (submitted to the tax authorities in December 2019) as well as the provisional 2019 allocation, the Company will no longer be required to pay for the losses it has claimed. The prior year tax charge has therefore been reversed in the year ended 31 December 2019 and no payment is included for the 2019 losses claimed.

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.

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

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ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Pension costs

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

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

Defined contribution scheme

The defined contribution retirement benefit scheme is operated for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2019 was £15,000 (2018: £30,000).

The Company contributions to the DC plan depend on member choices. The contribution levels were Tier 1: employee 3%, Company 6%; Tier 2: employee 4%, Company 8%. Tier 1 and Tier 2 levels closed to new entrants on 1 May 2019. In the Automatic-Enrolment tier, the employee and employer contributions were 5% and 3% respectively. From April 2019 Company contributions increased to 4%.

Defined benefit scheme

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

As the Final Salary and the RCP Sections of the Plan are closed to future service, the Company does not make normal contributions in respect of those Sections. During 2019, a charge of £92,000 (2018: £92,000) has been recorded in the Company's profit and loss account reflecting additional deficit funding of the Final Salary and RCP Sections.

The following commentary and figures relate to the defined benefit scheme in total and are therefore reflected in the financial statements of Avis Budget UK Limited.

An actuarial valuation was prepared as at 31 March 2017 to update and review the financial position of the Plan relative to its statutory funding objective, and to determine the appropriate level of future contributions. Based on this actuarial valuation it was agreed with the Trustee that with effect from 1 January 2018 deficit contribution payments of £2,453,000 would become due on 1 January 2018 and each 1 July and 1 January thereafter through to 1 January 2021 and £2,074,000 due on 1 July 2021. In December 2019, the plan actuary agreed to reduce the contribution due on 1st January 2020 to £1.9m which was paid on 31st December 2019.

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

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

ZODIAC EUROPE LIMITED

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

9 Pension costs

(Continued)

a) Assumptions

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

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

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

b) Mortality assumptions

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

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

c) Amounts recognised in the income statement

	2019 £000	2018 £000
Current service cost	160	170
Net interest expense/(income)	(230)	(160)
Administration cost	740	390
Total cost	670	400

ZODIAC EUROPE LIMITED

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

9 Pension costs

(Continued)

d) Amounts taken to other comprehensive income

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

e) Amounts recognised in the balance sheet

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

f) Reconciliation of scheme assets and liabilities

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

ZODIAC EUROPE LIMITED

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

9 Pension costs

(Continued)

g) Analysis of the scheme assets as at the balance sheet date

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

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

10 Investments

	2019 £000	2018 £000
Investments in subsidiaries	<u>777</u>	<u>777</u>

	Shares in group undertakings £000
Cost	
At 1 January 2019 and 31 December 2019	<u>43,540</u>
Provision for impairment	
At 1 January 2019 and 31 December 2019	<u>(42,763)</u>
Net book amount	
At 31 December 2019	<u>777</u>
At 31 December 2018	<u>777</u>

ZODIAC EUROPE LIMITED

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

(Continued)

10 Investments

Name	Address of the registered office	Activity	% of the Ordinary Share capital owned
Business Rent a Car Gmbh	Business Rent a Car Gmbh	Dormant	100
Milton Location de Voitures SAS	Immeuble Linea, 1 Rue du General Leclerc, 92800 Puteaux France	Vehicle Rental	100
Zodiac Europe Finance Company Limited*	Avis Budget House, Park Lane, Bracknell RG12 2EW	Finance	100
Zodiac Europe Investments Limited*	Avis Budget House, Park Lane, Bracknell RG12 2EW	Holding Company	100
Zodiac Italia SpA	Via Roma n° 96 39100 Bolzano , Italy	Investment	100

* Shares held directly by the Company

In accordance with the requirements of FRS 102, the Directors have undertaken an impairment review of the carrying value of the Company's investments in subsidiary undertakings. No further provision has been recognised as a consequence of this review as at 31 December 2019 (2018: nil).

The impairment review was to ensure that the carrying value of the investment is stated at no more than its recoverable amount, being the higher of net realisable value and value in use. In determining value in use, the Directors calculated the present value of the estimated future cash flows expected to arise based on management's latest detailed three-year plans, with extrapolation thereafter. The calculated value in use is sensitive to a number of assumptions which are discussed in turn below.

EBIT margin – The long-term EBIT margin is fixed by reference to management's estimated EBIT margin as at 2023.

Discount rate – Future cash flows are discounted using a post-tax discount rate of 8%.

Long-term growth rate – Cash flows beyond an initial four-year period are extrapolated using long-term average nominal growth rates.

Exchange rate – The value in use calculation is performed in euros in line with the majority of the cash flows of the Company's subsidiaries. The resultant euro valuation is translated into sterling at the closing exchange rate. The main forecasted non-euro cash flows are denominated in sterling and are converted to euro based on a long-term euro/sterling exchange rate expected to be in place at the time of the forecast transaction. Most sterling cash flows are forecast to be converted into euros at a forecast exchange rate of 1.14.

In the opinion of the Directors, the value of the Company's investments are not less than the amount at which they are stated in the balance sheet.

ZODIAC EUROPE LIMITED

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

11 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	540	1,258
Other receivables	467	558
Prepayments and accrued income	667	813
	<u>1,674</u>	<u>2,629</u>

12 Trade and other payables

	2019 £000	2018 £000
Trade payables	326	709
Corporation tax	-	2,301
Accruals and deferred income	20	83
	<u>346</u>	<u>3,093</u>

13 Goodwill and other intangible assets

	Goodwill £000	Licensee Agreement £000	Total £000
Cost			
At 1 January 2019 and 31 December 2019	<u>7,714</u>	<u>508</u>	<u>8,222</u>
Accumulated amortisation			
At 1 January 2019 and 31 December 2019	<u>(7,714)</u>	<u>(333)</u>	<u>(8,047)</u>
Amortisation charged for the year	-	(175)	(175)
At 31 December 2019	<u>(7,714)</u>	<u>(508)</u>	<u>(8,222)</u>
Net Book Value			
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>-</u>	<u>175</u>	<u>175</u>

14 Non-current liabilities

	2019 £000	2018 £000
Deferred income	<u>108</u>	<u>147</u>

ZODIAC EUROPE LIMITED

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

15 Inter-company items

	2019 £000	2018 £000
Amounts owed by group undertakings	69,044	57,860
Amounts owed to group undertakings	(6,371)	(2,753)
Net amounts owed by group undertakings	<u>62,673</u>	<u>55,107</u>

Amounts owed by group undertakings and amounts owed to group undertakings are unsecured and repayable on demand.

Intercompany loans are fixed rate with a weighted average cost for amounts owed by group undertakings at 31 December 2019 of 3.03% (2018: 3.28%), and for amounts owed to group undertakings at 31 December 2019 of 2.68% (2018: 3.37%).

16 Financial Instruments

	Book amount £000	2019 Fair value £000	Book amount £000	2018 Fair value £000
Trade receivables	540	540	1,258	1,258
Other receivables	467	467	558	558
Prepayments and accrued income	667	667	813	813
Other financial assets:				
- amounts owed by group undertakings	69,044	69,044	57,860	57,860
Cash at bank and in hand	60	60	140	140
Trade payables	(326)	(326)	(709)	(709)
Other financial liabilities:				
- amounts due to group undertakings	(6,371)	(6,371)	(2,753)	(2,753)
Accruals and deferred income	(20)	(20)	(83)	(83)

17 Called-up share capital

	2018 £000	2017 £000
Allotted, issued and fully paid up share capital:		
60,623,720 Ordinary Shares of £1 each	<u>60,624</u>	<u>60,624</u>

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

ZODIAC EUROPE LIMITED

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

18 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 are 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 and its subsidiaries with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations. The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

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

In April 2020, the Avis Budget Group, Inc. entered into the Second Amendment (the "Amendment") to its Floating Rate Term Loan due 2027. The Amendment waives the quarterly-tested leverage covenant in the Floating Rate Term Loan due 2027 through and including the second quarter of 2021, adjusts the required leverage levels for the covenant when it is re-imposed at the end of the waiver period, and imposes a new monthly-tested liquidity covenant for the duration of the 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 10.5% 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 the end of December 2021 and beyond.

19 Related party transactions

The Company has taken advantage of the exemption within Section 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.

ZODIAC EUROPE LIMITED

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

20 Ultimate parent undertaking

The Company is a subsidiary undertaking of Avis Europe Holdings 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 the registered office 6 Sylvan Way, Parsippany, NJ 075054 and www.avisbudgetgroup.com.

Jean Sugg

From: Claire Hook
Sent: 20 January 2021 11:08
To: Jean Sugg
Subject: RE: Accounts
Attachments: CH Letter (Resend of ABS & ZEL) 20.01.21.docx; ABSL FY19 accounts.pdf; Signed ZEL stats FY19.pdf

Fab thank you.

Please find them all attached 😊 If you can just PP my letter that would be great, thank you. Address to be sent is as follows;

The Registrar
Companies House
Crown Way
Cardiff
CF14 3UZ

Kind Regards,

Claire.

From: Jean Sugg <Jean.Sugg@abg.com>
Sent: 20 January 2021 10:55
To: Claire Hook <Claire.Hook@abg.com>
Subject: RE: Accounts

Hi – I am in! Send them over!

EA to:
Keith Rankin – President, International
Andre Meesschaert – Managing Director, Europe
Paul Ford - Chief Financial Officer, International
Charlie Saunders – VP, Revenue Management
Martin Gruber – VP, Commercial, International

Avis Budget EMEA Limited
Registered Office: Avis Budget House, Park Road, Bracknell RG12 2EW
Registered in England (3311438)

From: Claire Hook <Claire.Hook@abg.com>
Sent: 20 January 2021 10:40
To: Jean Sugg <Jean.Sugg@abg.com>
Subject: Accounts

Hi.

Are you in the office day? I sent some accounts on 5th January that have not arrived at Companies House. Matt is trying to track them with royal mail as were sent on next day, but not having much luck. I'm thinking just to send them again in case they have gone astray, so we don't waste days. If I sent them to you with a covering letter would

you be able to print them and take them to Matt in the post room please? Not a problem if you can't as I'm in tomorrow.

Thanks 😊

Claire Hook

Assistant Legal & Company Secretary

Avis Budget EMEA Ltd

Registered Office; Avis Budget House, Park Road, Bracknell, Berkshire, RG12 2EW

Registered in England 3311438

Telephone: 01344 66 88 06

e-mail: claire.hook@abg.com

Website: www.avisworld.com