

Company Registration No. 4634240 (England and Wales)

ZODIAC EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



ZODIAC EUROPE LIMITED

COMPANY INFORMATION

Directors	P L Ford P Mitchell P E Rollason
Secretary	G Jones
Company number	4634240
Registered office	Avis Budget House Park Road Bracknell RG12 2EW United Kingdom
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 2017

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

Strategic Review and Future Developments

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 5.3% at £15,033,000 (2016: £14,275,000) on prior year with the increase due to stronger trading. Several new franchisees also came on board throughout the year. 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 position of the company at the year end is set out in the balance sheet and related notes on pages 10 to 23.

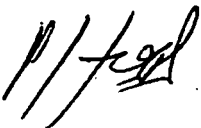
As part of wider changes to streamline monthly rental statement production and settlement processes the central billing system which allows the renting countries to transfer certain customer receivables from renting country to the country of customer residence was restructured and with effect from 1 Jan 2017 the activity of processor was moved from Zodiac Europe Limited to AB Group Financial Services Limited, a fellow group undertaking.

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.

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 EMEA Limited group. As such the Directors have not implemented a policy for the Company. Instead, the Company's financial risk management objectives and policies are aligned to those of the Avis Budget Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc.

On behalf of the Board



P L Ford
Director
27 September 2018

ZODIAC EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Results and dividends

The Company made a profit after tax for the year of £12,394,000 (2016: £6,277,000).

No interim dividend has been paid on the ordinary shares during the year (2016: £nil). The Directors do not recommend the payment of a final dividend on the ordinary shares (2016: £nil).

Future Developments

Details of future developments can be found in the Strategic Report on page 1.

Charitable and political donations

The Company made no charitable or political donations during the financial year (2016: £nil).

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

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 2017

Disclosure of information to auditors

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 permitted by Section 487 of the Companies Act 2006.

On behalf of the board



P L Ford
Director
27 September 2018

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Zodiac Europe Limited (the Company) which comprise:

- the Statement of Comprehensive Income
- the Balance Sheet
- the Statement of Changes in Equity
- the related Notes on pages 10 to 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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 controls as the Directors determine is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Use of our report

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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.



Andrew Hornby, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
27 September 2018

ZODIAC EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Revenue	6	15,033	14,275
Cost of sales		62	105
Gross profit		15,095	14,380
Administrative expenses		(3,896)	(9,357)
Operating profit	7	11,199	5,023
Finance income	8	1,897	1,950
Finance costs	8	(184)	(12)
Profit before taxation		12,912	6,961
Taxation	9	(518)	(684)
Profit for the financial year		12,394	6,277

All results derive from continuing operations.

The accompanying Notes on pages 10 to 23 form an integral part of these Financial Statements.

ZODIAC EUROPE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Investments	11	777	777
Goodwill	12	8,079	7,714
		<u>8,856</u>	<u>8,491</u>
Current assets			
Trade and other receivables	13	3,427	4,363
Other financial assets:			
- amounts owed by group undertakings	15	45,200	50,512
Deferred tax		164	79
Cash at bank and in hand		-	-
		<u>48,791</u>	<u>54,954</u>
Current liabilities			
Trade and other payables	14	(282)	(5,022)
Other financial liabilities:			
- amounts due to group undertakings	15	(1,001)	(14,286)
Bank overdraft		-	(332)
Taxation and social security		(1,302)	(1,137)
		<u>(2,585)</u>	<u>(20,777)</u>
Net current assets		<u>46,206</u>	<u>34,177</u>
Total assets less current liabilities		<u>55,062</u>	<u>42,668</u>
Equity			
Called up share capital	17	60,624	60,624
Retained deficit		(5,562)	(17,956)
Total equity		<u>55,062</u>	<u>42,668</u>

The Financial Statements on pages 7 to 23 were approved by the Board on 27 September 2018 and were signed on its behalf by:


 P L Ford
 Director
 Zodiac Europe Limited
 Company Registration No. 4634240

ZODIAC EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000	Retained deficit £000	Total £000
At 1 January 2016	60,624	(24,233)	36,391
Profit and total comprehensive income for the year	-	6,277	6,277
At 31 December 2016	<u>60,624</u>	<u>(17,956)</u>	<u>42,668</u>
At 1 January 2017	60,624	(17,956)	42,668
Profit and total comprehensive income for the year	-	12,394	12,394
At 31 December 2017	<u>60,624</u>	<u>(5,562)</u>	<u>55,062</u>

The accompanying Notes on pages 10 to 23 form an integral part of these Financial Statements.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 General information

The Company is an intermediate holding company in the Avis Budget Group, Inc. group of companies. The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Avis Budget House, Park Road, Bracknell, Berkshire, 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 principal accounting policies, all of which have been applied consistently throughout the year and in the preceding year, is set out below:

3.1 Basis of accounting

The Financial Statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and 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.

3.2 Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

3.3 Cash Flow Statement

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

3.4 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.

3.5 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.

3.6 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.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Accounting policies

(Continued)

3.7 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.

3.8 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.

Other Payables

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

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Accounting policies

(Continued)

3.9 Intangible Goodwill

Goodwill arising on acquisitions is capitalised and represents the excess of consideration paid over the fair values attributed to the net assets acquired. The Company does not amortise goodwill but assesses for impairment whenever events or changes in circumstances dictate that the carrying amount exceeds the recoverable value.

3.10 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 Franchise Agreement.

3.11 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.

3.12 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.

Approximately 1% of the scheme's active membership work for the Company.

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 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.

Impairment of investments and goodwill

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. In addition, a market approach is adopted whereby a comparison is made to similar business interests that have been sold. No impairment provision has been recognised as a consequence of this review as at 31 December 2017.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Directors' emoluments and employees

	2017 £000	2016 £000
Directors' emoluments		
Aggregate emoluments:		
Remuneration for management services	153	178
	<u>153</u>	<u>178</u>
Highest paid director:		
Remuneration for management services	153	178
	<u>153</u>	<u>178</u>

Employees (Including Directors)

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

2017 Number	2016 Number
4	5
<u>4</u>	<u>5</u>

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

Staff costs

	2017 £000	2016 £000
Wages and salaries	226	216
Social security costs	29	26
Pension costs	185	244
	<u>440</u>	<u>486</u>

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Revenue

	2017 £000	2016 £000
Licensee Royalty revenue		
Europe	10,509	9,618
Middle East	3,350	3,711
Africa	1,174	946
	<u>15,033</u>	<u>14,275</u>

7 Operating profit

	2017 £000	2016 £000
Operating profit for the year is stated after charging/(crediting):		
Foreign exchange (gains)/losses	<u>(634)</u>	<u>250</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 2017 was £10,000 (2016: £10,000).

8 Net finance income

	2017 £000	2016 £000
Interest receivable on loans to group undertakings	1,897	1,950
Interest payable on loans from group undertakings	<u>(184)</u>	<u>(12)</u>
	<u>1,713</u>	<u>1,938</u>

9 Taxation

Analysis of charge in year

	2017 £000	2016 £000
Current tax		
UK corporation tax	603	648
Double tax relief	<u>(603)</u>	<u>(648)</u>
	-	-
Foreign tax	<u>603</u>	<u>648</u>
Total current tax	<u>603</u>	<u>648</u>

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation

(Continued)

Deferred tax

Origination and reversal of timing differences
Adjustments in respect of prior year

469	31
(554)	5

Total deferred tax

(85)	36
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Tax on ordinary activities

518	684
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Factors affecting the charge for the year

The standard rate of tax applied to reported profit on ordinary activities is 19.25% (2016: 20.00%). 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:

	2017 £000	2016 £000
Profit before taxation	12,912	6,961
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	2,486	1,392
Group relief received for nil consideration	(1,351)	(710)
Double tax relief	(603)	(648)
Foreign withholding tax	603	648
Adjustments in respect of prior year	(554)	5
Difference in tax rate	(63)	(3)
Taxation for the year	518	684

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

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation

(Continued)

Deferred taxation:

Balances:	2017 £000	2016 £000
Accelerated capital allowances	78	86
Other timing differences	86	(7)
	<u>164</u>	<u>79</u>
 Movements in the year:	 2017 £000	 2016 £000
Asset at 1 January	79	115
Charge to profit or loss	85	(36)
	<u>164</u>	<u>79</u>

During the year beginning 1 January 2018, a net reversal of deferred tax assets and liabilities is expected of £14,000 due to the claim of capital allowances.

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

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 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 2017 was £18,000 (2016: £15,000).

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

Defined benefit scheme

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

As the Final Salary and the RCP Sections of the Plan are closed to future service, the Company does not make normal contributions in respect of those Sections. During 2017, a charge of £166,000 (2016: £229,000) 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.

Based on previous actuarial valuations prepared as at 31 March 2014 it was agreed that deficit payments of £2,453,000 become payable each 1 July and 1 January commencing 1 July 2015 and ending in July 2017.

A new 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 a new agreement comes into effect on 1 January 2018 with a contribution payment of £2,453,000 being due on 1 January 2018 and each 1 July and 1 January thereafter through to 1 January 2021 and £2,074,000 due on 1 July 2021.

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Pension costs

(Continued)

a) Assumptions

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

Key assumptions used:	2017 %	2016 %
Discount rate	2.4%	2.6%
Rate of inflation*	2.1%	1.9%
Expected rate of increase of pensions in payment	1.9%	1.9%

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

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:

	2017 Years	2016 Years
Retiring today		
- Males	23	23
- Females	24	25
Retiring in 15 years		
- Males	23	24
- Females	26	26

c) Amounts recognised in the income statement

	2017 £000	2016 £000
Current service cost	140	120
Net interest expense/(income)	(70)	(900)
Administration cost	810	470
Past service credit	-	-
Total credit	880	(310)

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Pension costs

(Continued)

d) Amounts recognised in the balance sheet

	2017 £000	2016 £000
Present value of defined benefit obligations	(253,840)	(238,110)
Fair value of scheme assets	259,080	237,270
Net surplus/(deficit) in the scheme	5,240	(840)

e) Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2017	237,270	(238,110)	(840)
Benefits paid	(6,360)	6,360	-
Employer contributions	7,790	-	7,790
Current service cost	-	(140)	(140)
Administrative expenses	(810)	-	(810)
Interest income/(expense)	6,210	(6,140)	70
Remeasurement gains/(losses)			
- Actuarial losses	-	(15,810)	(15,810)
- Return on plan assets excluding interest income	14,980	-	14,980
At 31 December 2017	259,080	(253,840)	5,240

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

	2017 £000	2016 £000
Equities	104,409	75,689
Property	12,954	11,864
Bonds	59,848	113,177
Other	81,869	36,540
	259,080	237,270

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Fixed asset investments

	2017 £000	2016 £000
Investments in subsidiaries	<u>777</u>	<u>777</u>
Cost		
At 1 January 2017 and 31 December 2017		<u>43,540</u>
Provision for impairment		
At 1 January 2017 and 31 December 2017		<u>(42,763)</u>
Net Book amount		
At 31 December 2017		<u>777</u>
At 31 December 2016		<u>777</u>

Shares in
group
undertakings
£000

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name	Address of the registered office	Activity	% of the Ordinary Share capital owned
Zodiac Europe Investments Limited *	Avis Budget House, Park Road, Bracknell RG12 2EW	Holding Company	100
Zodiac Europe Finance Company Limited *	Avis Budget House, Park Road, Bracknell RG12 2EW	Finance	100
Milton Location de Voitures SAS	Immeuble Linea, 1 Rue du General Leclerc, 92800 Puteaux France	Vehicle Rental	100
Zodiac Autovermietung AG	Hofwisenstrasse 36, 8153 Rumlang, Switzerland	Dormant	100
Business Rent a Car GmbH	Laaer Berg Strasse 43, 1100 Vienna, Austria	Dormant	100
Zodiac Rent a Car Limited	Avis Budget House, Park Road, Bracknell RG12 2EW	Vehicle Rental	100
Zodiac Italia SpA	Via Roma n° 96 39100 Bolzano, Italy	Investment	100

* Shares held directly by the Company

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued)

11 Fixed asset investments

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 2017 (2016: £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 2021.

Discount rate – Future cash flows are discounted using a post-tax discount rate of 9.5%.

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 euro at a forecast exchange rate of 1.11.

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

12 Intangible assets

	Goodwill	Licensee Agreement	Total
	£000	£000	£000
Cost			
At 1 January 2017	7,714	-	7,714
Additions	-	508	508
At 31 December 2017	7,714	508	8,222
Accumulated Amortisation			
At 1 January 2017	-	-	-
Amortisation charged for the year	-	(143)	(143)
At 31 December 2017	-	(143)	(143)
Net Book Value			
At 31 December 2017	7,714	365	8,079
At 31 December 2016	7,714	-	7,714

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	2,230	3,310
Other receivables	471	368
Prepayments and accrued income	726	685
	<u>3,427</u>	<u>4,363</u>

14 Trade and other payables

	2017 £000	2016 £000
Trade payables	206	1,617
Other payables	15	547
Accrued and deferred income	61	2,858
	<u>282</u>	<u>5,022</u>

15 Inter-company items

	2017 £000	2016 £000
Amounts owed by group undertakings	45,200	50,512
Amounts owed to group undertakings	(1,001)	(14,286)
Net amounts owed by group undertakings	<u>44,199</u>	<u>36,226</u>

Amounts owed by group undertakings and amounts owed to group undertakings are unsecured.

Intercompany loans are fixed rate with a weighted average cost for amounts owed by group undertakings at 31 December 2017 of 4.31% (2016: 5.09%), and for amounts owed to group undertakings at 31 December 2017 of 3.99% (2016: 5.36%).

ZODIAC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Financial Instruments

	Book amount £000	2017 Fair value £000	Book amount £000	2016 Fair value £000
Trade receivables	2,230	2,230	3,310	3,310
Other receivables	471	471	368	368
Prepayments and accrued income	726	726	685	685
Other financial assets:				
- amounts owed by group undertakings	45,200	45,200	50,512	50,512
Trade payables	(206)	(206)	(1,617)	(1,617)
Other financial liabilities:				
- amounts due to group undertakings	(1,001)	(1,001)	(14,286)	(14,286)
Accrued and deferred income	(61)	(61)	(2,858)	(2,858)
Other payables	(15)	(15)	(547)	(547)
Bank and other loans	-	-	(332)	(332)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Called-up share capital

	2017 £000	2016 £000
Allotted, issued and fully paid up share capital:		
60,623,720 Ordinary Shares of £1 each	60,624	60,624
	<u> </u>	<u> </u>

18 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 for Avis Budget Group, Inc., are publicly available at www.avisbudgetgroup.com.

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.