Enterprise Rent-A-Car UK Limited

Consolidated Report and Financial Statements

For the year ended 31 July 2017

DIRECTOR
Ricky A. Short – U.S. National

SECRETARY
Teresa A. Holderer – U.S. National

AUDITORS
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

BANKERS
HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

SOLICITORS
Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

REGISTERED OFFICE
Enterprise House
Melburne Park
Vicarage Road
Egham
Surrey
TW20 9FB

The director presents the strategic report for the year ended 31 July 2017.

REVIEW OF THE BUSINESS

The primary business of Enterprise Rent-A-Car UK Limited (the "Company") and Enterprise Rent-A-Car UK Limited Group (the "Group") is the renting of vehicles in the United Kingdom. During fiscal 2016, the Group acquired Bodyshop Management Solutions Limited and Common Automotive Platform Standard Consortium Limited, providers of network management software to insurance companies and body shops. The Group also acquired Repair Funding Limited, a provider of funding, management and processing for vehicle repair shops and related supplier payments within the credit repair sector. Refer to note 13, Investments in Subsidiary Undertakings. To support the operations, the Group engages in fleet acquisition and vehicle maintenance as well as vehicle disposition through wholesale vehicle channels.

The Group's key performance indicators during the year were as follows:

	2017	*2016*	*Change*
Turnover	820,690	727,235	12.9%
Profit after tax	2,570	1,588	61.8%
Gross margin percent	31.8%	32.2%	(0.4) ppts
Finance coverage ratio	1.26	1.14	0.12
Debt-to-equity ratio	5.17	4.85	0.32
Average employees (including part-time)	4,951	4,845	2.2%

For the year ended 31 July 2017, the Group reported a 12.9% increase in turnover to £820,690,000 (2016: £727,235,000). The Group generated profit after tax of £2,570,000, a 61.8% increase from £1,588,000 in 2016.

Gross margin percentage decreased over prior year by 0.4 ppts primarily due to an increase in direct operating expense as a percentage of revenue.

PRINCIPAL RISKS AND UNCERTAINTIES

The rental car market in the United Kingdom ("UK") is highly competitive and the Group strives to distinguish itself from its competitors by providing exceptional customer service. The Group believes that a strong commitment to providing exceptional customer service will lead to repeat future rental business and continued growth over time. One of the key components to providing exceptional customer service in the UK is the ability to offer prospective referral sources and customers adequate geographical coverage of branches and vehicles throughout the country.

The Group's operations expose it to a variety of financial risks that include liquidity risk, residual value risk, interest rate risk, currency risk and credit risk. Given the organization of the Group, senior management of the Group and the intermediate parent company, Enterprise Holdings, Inc. ("Enterprise"), are responsible for setting policies to monitor financial risks. These policies are implemented by the Group's business management department.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk
The Group finances the purchase of rental vehicles through funds provided from operations and its ongoing borrowing programmes. If the Group were unable to borrow on advantageous terms, because of credit rating downgrades, higher market interest rates or other reasons, it may be unable to maintain or increase the size of its fleet, replace its existing vehicles with new vehicles in accordance with its fleet cycling plans and/or offer competitive rental rates. These factors could reduce the satisfaction rates of the Group's customers and have a material adverse effect on the Group's results of operations and financial condition. The Group mitigates this risk by managing the cash generation of its operations and through intercompany financing, as required.

Residual value risk
Residual value risk is the risk that a vehicle's market value at the time it is sold will be less than its depreciated value. It is difficult to predict the impact or timing of factors that influence used vehicle resale values. In determining estimated residual values and depreciation rates on vehicles, management considers many factors, including used car market conditions, anticipated holding periods, fleet mix, buyback guarantees and historical experience. Management regularly monitors residual values and the need, if any, to adjust depreciation rates.

Interest rate risk
The Group attempts to balance its current interest costs and exposure to interest rate volatility by managing the fixed and floating interest rate components and duration of its debt portfolio. Overall, the director considers interest rate risk to be at an acceptable level and that no hedging of interest rates is necessary at this time.

Currency risk
The Group has minimal transactional currency exposure which arises from sales and purchases in currencies other than its functional currency. The director considers currency risk to be at an acceptable level and therefore no hedging of currency exposures is considered necessary at this time.

Credit risk
There is a risk of financial loss to the Group arising from the failure of the Group's customers to meet their financial obligations for vehicle rentals or wholesale vehicle purchases from the Group. In addition, there is a risk that automobile manufacturers may not be able to meet their contractual commitments to the Group. The Group manages this situation through credit control procedures and the director is of the view that the risk is at an acceptable level.

By order of the Board

Ricky A. Short
Director

Date: 20 April 2018

The director presents the report for the year ended 31 July 2017.

DIRECTOR OF THE COMPANY
The director is listed on page 1; he served throughout the year and up to the date of this report.

DIVIDENDS
The director does not recommend the payment of a dividend (2016: £nil).

FUTURE DEVELOPMENTS
During 2018, management is forecasting an increase in rental revenue and a further decrease in gross margins.

EVENTS SINCE THE BALANCE SHEET DATE
In preparing the accompanying consolidated financial statements, the Company has reviewed subsequent events that have occurred after 31 July 2017. The Company noted no reportable subsequent events.

GOING CONCERN
The Company and Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to liquidity, residual value, interest rates, currency and credit risks are described on page 2 and 3.

The Company and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company and Group should be able to operate within its current financial resources for the foreseeable future. As a consequence, the director believes that the Company and Group are well-placed to manage its business risks successfully despite the current uncertain economic outlook.

In undertaking a going concern review, the Group's director has made enquiries of the directors of the intermediate parent company, Enterprise Holdings Inc. ("Enterprise") and reviewed financial and other relevant information of the Company and Group including budgets and cash flow forecasts for a period of at least 12 months from the date of signing these financial statements. Enterprise has indicated its intention to provide financial support as necessary for the Company and the Group to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. The director has concluded that he has no reason to believe that uncertainties exist that may cast significant doubt about the ability of the Company and the Group to continue as a going concern. Accordingly, the director has a reasonable expectation that the Company and the Group will continue its operational existence for the foreseeable future, and thus he continues to adopt the going concern basis of accounting in preparing these financial statements.

DIRECTOR'S LIABILITIES
The Group has granted indemnity to its director against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Director's Report.

EMPLOYEE INVOLVEMENT

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Group has been continued through the online newsletter "The Exchange" in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Group's profit sharing schemes.

DISABLED EMPLOYEES

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DISCLOSURE OF INFORMATION TO AUDITORS

The director who was a member of the board at the time of approving the director's report is listed on page 1. Having made enquiries of Group's auditors, the director confirms that:

- to the best of the director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and

- the director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

RE-APPOINTMENT OF AUDITORS

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as the Group's auditors will be put to the members at the Annual General Meeting.

By order of the Board

Ricky A. Short
Director

Date: 20 April 2018

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). Under company law, the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and to enable the financial statements to be audited. He is also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE RENT-A-CAR UK LIMITED

Opinion

We have audited the financial statements of Enterprise Rent-A-Car UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Group Statement of Income and Retained Earnings, Group Statement of Comprehensive Income, Group Statement of Financial Position, Company Statement of Financial Position, and the related notes 1 to 22, 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).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 July 2017 and of the group's 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.

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 below. We are independent of the group and parent 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.

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.

Conclusions relating to going concern

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 group's or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 group's and the parent 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 group or the parent 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

San Gunapala (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

~~[Date]~~ 24/4/18

GROUP STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 July 2017

	Notes	2017 £000	2016 £000
TURNOVER	4	820,690	727,235
Cost of sales		(559,663)	(493,217)
GROSS PROFIT		261,027	234,018
Administrative expenses		(216,857)	(194,881)
OPERATING PROFIT	5	44,170	39,137
Interest payable	8	(35,133)	(34,494)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,037	4,643
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	(6,467)	(3,055)
PROFIT FOR THE FINANCIAL YEAR		2,570	1,588
Retained earnings at the beginning of the year		147,577	145,989
Profit for the year		2,570	1,588
RETAINED EARNINGS AT THE END OF THE YEAR		150,147	147,577

All operations of the Group relate to continuing activities.

GROUP STATEMENT OF COMPREHENSIVE INCOME

The Group has no other comprehensive income for the year other than those included in the Statement of Income and Retained Earnings. Therefore, no separate Statement of Comprehensive Income has been prepared.

GROUP STATEMENT OF FINANCIAL POSITION
at 31 July 2017

	Notes	2017 £000	2016 £000
FIXED ASSETS			
Goodwill and intangible assets	11	46,910	56,274
Tangible fixed assets	12	1,136,188	1,093,956
		1,183,098	1,150,230
CURRENT ASSETS			
Debtors	14	276,966	222,603
Cash at bank and in hand		12,135	17,483
		289,101	240,086
CREDITORS: amounts falling due within one year	15	(1,259,117)	(1,173,189)
NET CURRENT LIABILITIES		(970,016)	(933,103)
TOTAL ASSETS LESS CURRENT LIABILITIES		213,082	217,127
PROVISIONS FOR LIABILITIES AND CHARGES	16	(10,963)	(17,578)
NET ASSETS		202,119	199,549
CAPITAL AND RESERVES			
Called-up share capital	17	51,972	51,972
Retained earnings		150,147	147,577
SHAREHOLDER'S FUNDS		202,119	199,549

Approved by the Board and signed on its behalf by:

Ricky A. Short
Director

Date: 20 April 2018

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 July 2017

	Notes	*2017 £000*	*2016 £000*
FIXED ASSETS			
Tangible fixed assets	12	830,542	805,762
Investments	13	97,438	97,438
		927,980	903,200
CURRENT ASSETS			
Debtors	14	210,391	177,682
Cash at bank and in hand		6,743	14,043
		217,134	191,725
CREDITORS: amounts falling due within one year	15	(926,825)	(878,798)
NET CURRENT LIABILITIES		(709,691)	(687,073)
TOTAL ASSETS LESS CURRENT LIABILITIES		218,289	216,127
PROVISIONS FOR LIABILITIES AND CHARGES	16	(6,508)	(11,691)
NET ASSETS		211,781	204,436
CAPITAL AND RESERVES			
Called-up share capital	17	51,972	51,972
Retained earnings		159,809	152,464
SHAREHOLDER'S FUNDS		211,781	204,436

Approved by the Board and signed on its behalf by:

Ricky A. Short

Ricky A. Short
Director

Date: 20 April 2018

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 102 ACCOUNTING POLICIES

The financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the financial statements as at 31 July 2017.

The financial statements for the year ended 31 July 2017 were authorised for issue by the board of directors on 20 April 2018 and the statement of financial position was signed on the board's behalf by Ricky A. Short on 20 April 2018.

The Company is incorporated and domiciled in England and Wales. The registered office is Enterprise House, Melburne Park, Vicarage Road, Egham, Surrey, TW20 9FB.

The Company's financial statements are presented in Sterling (£) which is the functional currency of the company. Monetary amounts are rounded to the nearest thousand (£'000) except when otherwise indicated.

The principal accounting policies adopted are set out below in note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention and basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Reporting exemptions

The company is a wholly owned subsidiary of Enterprise Rent-A-Car European Holdings Limited, a company incorporated in England and Wales, which publishes consolidated accounts that are publically available from Companies House, and has taken advantage of the following disclosure exemptions under FRS 102:

- Exemption to not prepare a cash flow statement as it is included in the consolidated financial statements of Enterprise Rent-A-Car European Holdings Limited.
- Exemption not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.
- Exemption not to disclose key management personnel compensation.
- Exemption not to disclose a reconciliation of shares outstanding.

Basis of consolidation

The Group financial statements include the accounts of Enterprise Rent-A-Car UK Limited and its subsidiary undertakings, drawn up to 31 July each year. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. No statement of income and retained earnings is presented for Enterprise Rent-A-Car UK Limited ("the Company") as permitted by Section 408 of the Companies Act 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundamental accounting concept
The Group has continued to meet its debts as they have fallen due. The director believes it is appropriate to prepare the financial statements on a going concern basis as he considers that the Group will continue to meet its obligations as they fall due for the foreseeable future. The intermediate parent company, Enterprise Holdings, Inc. ("Enterprise"), has expressed continuing financial support for a period of at least one year from the date of approval of these financial statements.

Rental operations
Rental turnover consists primarily of fees from vehicle rentals and the sale of related rental products.

Rental turnover is recognised as the vehicles are utilised by renters. Maintenance and repairs of rental vehicles are charged to the profit and loss account as incurred. Vehicle tax and license costs are amortised over the respective tax period or estimated remaining period the vehicle is expected to be in service, whichever is appropriate.

Goodwill and intangible assets
Goodwill and intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Positive goodwill and intangible assets acquired on each business combination are capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful life.

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising from business combinations (see note 11, Goodwill and Intangible Assets). This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect to similar businesses.

At each reporting date, the carrying value of goodwill and intangible assets are reviewed for any indications of impairment. If there is an indication of possible impairment, the recoverable amount of the cash generating units to which the goodwill and intangible assets are attributed is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. During fiscal 2017 and 2016, the Group did not identify any potential impairment of its goodwill and intangible assets.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment loss.

Rental vehicles are depreciated using the straight-line method at predominately 1.7% of cost per month, except for commercial rental vehicles operated by Burnt Tree Holdings Limited, which are depreciated at 1.4% of cost per month for heavy goods vehicles and 1.7% of cost per month for light goods vehicles. The Group disposes of used vehicles through wholesale markets. At the time of disposal, any differences between proceeds received and net book values are recorded as adjustments to cost of sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets (continued)

Depreciation on freehold buildings, furniture and equipment, computer equipment and software is provided on a straight-line basis over the estimated useful lives of the assets, generally twenty years for buildings and two to five years for furniture and equipment, computer equipment and software. Leasehold improvements are amortised over the shorter of the remaining anticipated lease term or the estimated useful life of the improvements, not to exceed twenty years.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments (Company Only)

Fixed assets investments are stated at cost less provision for impairment. The carrying value of investments is reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisitions and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from related parties.

Short term debtors are measured at transaction price, less any impairment (see note 14). Debtors are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognized in the statement of income and retained earnings.

Short term creditors are measured at transaction price (see note 15).

Leases

Rentals under operating leases are charged on a straight-line basis over the period of the lease.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions have not been discounted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over in to replacement assets and charged to tax only where the replacement assets are sold; and
- Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Acquisitions

In November 2015 the Group set up a newly formed fully owned subsidiary, ARMS Business Solutions Limited ("ARMS"). In December 2015, ARMS acquired 100% of the equity of Bodyshop Management Solutions Limited ("BMS") and Common Automotive Platform Standard Consortium Limited ("CAPS"), technology companies that provide network management software to insurance companies and collision repair centres. The acquisitions enhanced the Group's management information tools it provides to insurance customers and body shops, providing its business partners with increased visibility of the repair process, as well as help the Group to better manage the way it repairs its own vehicles. The acquisition price totalled £2,800,000, consisting of equity value.

In April 2016 the Company acquired 100% of the share capital of Repair Funding Limited, a company that provides funding, management and processing for vehicle repair shops and related supplier payments within the credit repair sector. The acquisition price totalled £7,600,000, consisting of £2,000,000 equity value and £5,600,000 repayment of debt.

The Group has accounted for acquisitions in accordance with the purchase method and, accordingly, the results of the acquired entities' operations are included in the Group's consolidated financial statements from the date of acquisition. The Group allocated the purchase price of acquisitions to the identifiable assets and liabilities, and recorded the excess cost over the fair value of the net identifiable assets acquired as goodwill or a computer software intangible asset. In April 2017 the Group sold its computer software intangible asset via intergroup transfer to a subsidiary of Enterprise Holdings, Inc., an intermediate parent undertaking. The Group is amortizing the goodwill over a ten year period, starting from the date of acquisition. Transaction-related costs incurred to effect a business combination are expensed as incurred, except for the cost to issue debt related to the acquisition.

Foreign currencies

Transactions during the period denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Residual values and useful lives
In determining estimated residual values and depreciation rates on vehicles, management considers many factors, including used car market conditions, anticipated holding periods, fleet mix, buyback guarantees and historical experience. Management regularly monitors residual values and the need, if any, to adjust depreciation rates.

Debtors
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the aging profile of the debtor and historical experience.

Goodwill and intangible assets
The annual depreciation and amortization charge on tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values of the assets are amended when necessary to reflect current estimates. Refer to note 11, Goodwill and Intangible Assets, for additional consideration.

Vehicle self insurance liability
The Company generally retains the risk of loss for bodily injury and property damage claims and provides for estimated losses in vehicle liability self-insurance reserves. The reserves represent an estimate for both reported accident claims not yet paid and claims incurred, but not yet reported, up to the Company's risk retention levels. The Company estimates the required reserves for such claims on an undiscounted basis utilizing an actuarial method that is based upon various assumptions which include, but are not limited to, the Company's historical loss experience and projected loss development factors. If actual results of these claims differ from the estimates made, the Company's recorded reserves are adjusted accordingly.

4. TURNOVER

Turnover, which is stated exclusive of value added tax, represents income earned from renting vehicles in the United Kingdom.

The director considers the renting of vehicles to be the only material line of business and the United Kingdom to be the only geographic location in which the Group operates.

5. OPERATING PROFIT

Operating profit is stated after charging:

	2017 *£000*	*2016* *£000*
Depreciation on tangible fixed assets (note 12)	238,562	222,730
Operating lease rentals – motor vehicles	13,497	13,497
Operating lease rentals – land and buildings	23,541	21,720
Amortization of goodwill and intangibles (note 11)	7,137	6,987
Profit on disposal of tangible assets	(63,841)	(51,502)

Auditor's remuneration is borne by Enterprise Holdings, Inc.

6. DIRECTOR'S REMUNERATION

Director's emoluments have been borne by Enterprise Holdings, Inc. The director who served throughout the year was also a director or officer of a number of the companies within The Crawford Group, Inc., the ultimate parent company (see note 18). The director's services to the Company does not occupy a significant amount of his time. As such, the director does not consider that he has received any remuneration for his incidental services to the Company for the years ended 31 July 2017 and 31 July 2016.

7. STAFF COSTS

Staff costs consist of the following:

	2017 *£000*	*2016* *£000*
Wages and salaries	176,698	165,323
Social security costs	19,490	18,406
Pension costs	8,092	5,276
	204,280	189,005

The average weekly number of persons employed by the Group during the year was as follows:

	2017 *Number*	*2016* *Number*
Administration	1,858	1,495
Sales	3,093	3,350
	4,951	4,845

8. INTEREST PAYABLE

	2017 *£000*	*2016* *£000*
Amounts paid to a fellow subsidiary undertaking	35,133	34,494
	35,133	34,494

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax charge on profit on ordinary activities

	2017	*2016*
	£000	*£000*
UK corporation tax		
UK corporation tax on profit of the period	12,649	14,299
Group relief receivable	(1,025)	(606)
Adjustments in respect of previous periods	486	3,189
	12,110	16,882
Deferred taxation		
Originating and reversal of timing differences	(5,500)	(8,728)
Prior year adjustment	(143)	(5,099)
	(5,643)	(13,827)
	6,467	3,055

(b) Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2017	*2016*
	£000	*£000*
Profit on ordinary activities	9,037	4,643
Profit on ordinary activities multiplied by standard rate of UK corporation tax 19.67% (2016: 20.00%)	1,777	929
Effects of:		
Disallowed expenses and non-taxable income	4,989	5,358
Group relief receivable	(1,025)	(607)
Movement on unrecognised deferred tax	436	23
Rate change adjustment	(53)	(738)
Adjustments in respect of previous periods	343	(1,910)
	6,467	3,055

Refer to note 16, Deferred Tax.

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The parent Company for the Group, Enterprise Rent-A-Car UK Limited has taken advantage of the advantage of the exemption not to disclose its profit and loss account.

11. GOODWILL AND INTANGIBLE ASSETS

Group:

	Goodwill *£000*	*Intangibles* *£000*	*Total* *£000*
Cost:			
At 1 August 2016	65,103	3,895	68,998
Disposals	-	(3,068)	(3,068)
At 31 July 2017	65,103	827	65,930
Amortisation:			
At 1 August 2016	12,288	436	12,724
Provided during the year	6,512	625	7,137
Disposals	-	(841)	(841)
At 31 July 2017	18,800	220	19,020
Carrying Amount:			
At 31 July 2017	46,303	607	46,910
At 31 July 2016	52,815	3,459	56,274

Goodwill arising on the acquisition of Burnt Tree is being amortised evenly over the director's estimate of its useful life of 10 years. The estimate of the useful life is based on a variety of factors, including an estimate of the revenue forecasted to be generated by customers existing at the acquisition date and a history of strong financial performance.

Goodwill arising on the acquisition of City Car Club is being amortised evenly over the director's estimate of its useful life of 10 years. The estimate of the useful life is based on a variety of factors and is primarily due to the fact that the business is an extension of the Company's core daily rental operations.

Computer software intangible assets arising on the acquisition of RFL are being amortised evenly over the director's estimate of the useful life of 5 years.

In April 2017 the Group sold the software intangible assets arising from the acquisition of BMS and CAPS via intergroup transfer to a subsidiary of Enterprise Holdings, Inc., an intermediate parent undertaking.

NOTES TO THE ACCOUNTS
at 31 July 2017

12. TANGIBLE ASSETS

Group:

	Vehicle Equipment *£000*	*Land and Freehold Buildings* *£000*	*Furniture & Equipment* *£000*	*Computer Equipment & Software* *£000*	*Leasehold Improvements* *£000*	*Total* *£000*
Cost:						
At 1 August 2016	1,242,901	25,256	21,182	10,728	40,767	1,340,834
Additions	928,735	4,744	2,463	2,335	4,498	942,775
Disposals	(856,743)	(122)	(1,193)	(978)	(1,461)	(860,497)
At 31 July 2017	1,314,893	29,878	22,452	12,085	43,804	1,423,112
Depreciation:						
At 1 August 2016	202,700	3,393	14,281	8,059	18,445	246,878
Charge for the year	230,288	1,200	2,375	1,818	2,881	238,562
Disposals	(195,552)	(122)	(1,173)	(978)	(691)	(198,516)
At 31 July 2017	237,436	4,471	15,483	8,899	20,635	286,924
Net Book Value:						
At 31 July 2017	1,077,457	25,407	6,969	3,186	23,169	1,136,188
At 31 July 2016	1,040,201	21,863	6,901	2,669	22,322	1,093,956

Recorded within the Vehicle Equipment are £49,234,000 (2016: £41,234,000) of used cars that will be sold within one year of the balance sheet date.

12. TANGIBLE ASSETS (CONTINUED)

Company:	*Vehicle Equipment £000*	*Land and Freehold Buildings £000*	*Furniture & Equipment £000*	*Computer Equipment & Software £000*	*Leasehold Improvements £000*	*Total £000*
Cost:						
At 1 August 2016	856,019	24,782	19,550	9,910	40,592	950,853
Additions	775,963	4,597	2,272	2,226	4,498	789,556
Disposals	(739,181)	(123)	(1,150)	(920)	(1,460)	(742,834)
At 31 July 2017	892,801	29,256	20,672	11,216	43,630	997,575
Depreciation:						
At 1 August 2016	101,944	3,312	13,810	7,621	18,404	145,091
Charge for the year	156,167	1,151	2,073	1,612	2,881	163,884
Disposals	(139,031)	(122)	(1,150)	(920)	(719)	(141,942)
At 31 July 2017	119,080	4,341	14,733	8,313	20,566	167,033
Net Book Value:						
At 31 July 2017	773,721	24,915	5,939	2,903	23,064	830,542
At 31 July 2016	754,075	21,470	5,740	2,289	22,188	805,762

Recorded within the Vehicle Equipment are £49,234,000 (2016: £39,021,000) of used cars that will be sold within one year of the balance sheet date.

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company:	*2017 £000*	*2016 £000*
Shares at cost:		
Burnt Tree Holdings Limited	77,567	77,567
Burnt Tree Group Limited	5,515	5,515
City Car Club Limited	12,165	12,165
Repair Funding Limited	2,191	2,191
	97,438	97,438

NOTES TO THE ACCOUNTS
at 31 July 2017

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

All of the investments represent 100% of the issued share capital of the respective company, each of which is registered in England. Details are as follows:

Name of Company	*Holding*	*Proportion Held*	*Nature of Business*
Burnt Tree Holdings Limited	Ordinary shares	100%	Holding Company
Burnt Tree Group Limited	Ordinary shares	100%	Renting of commercial vehicles in the UK
City Car Club Limited	Ordinary shares	100%	Renting of vehicles in the UK
Repair Funding Limited	Ordinary shares	100%	Provides supplier payment support in the UK
ARMS Business Solutions Limited	Ordinary shares	100%	Holding Company

The subsidiary undertakings identified below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary companies under Section 479C of the Act.

Burnt Tree Holdings Limited (registered number 05586365)
Burnt Tree Group Limited (registered number 02384046)
Burnt Tree Vehicle Solutions Limited (registered number 05587476)
Vulcan Holdco Limited (registered number 09111094)
City Car Club Limited (registered number 05443333)
Repair Funding Limited (registered number 07800035)
ARMS Business Solutions Limited (registered 09877769)
Bodyshop Management Solutions Limited (registered 06213700)
Common Automotive Platform Standard Consortium Limited (registered 06044682)
Gates Business Solutions Limited (registered 06452789)

14. DEBTORS

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£000	*£000*	*£000*	*£000*
Trade debtors	239,989	192,788	180,330	151,731
Prepayments and accrued income	36,704	29,187	29,788	25,324
Amounts owed by fellow subsidiary undertakings	273	628	273	627
	276,966	222,603	210,391	177,682

15. CREDITORS: amounts falling due within one year

	Group		*Company*	
	2017	*2016*	*2017*	*2016*
	£000	*£000*	*£000*	*£000*
Customer deposits	6,061	6,353	6,061	6,353
Bank overdraft	9,738	3,054	9,738	3,030
Trade creditors	78,953	94,443	65,577	78,087
Current income taxes payable	5,994	6,222	4,048	5,179
Other creditors and accruals	106,854	75,952	103,293	74,982
Other taxes and social security costs	6,093	5,903	5,685	5,221
Amounts owed to a fellow subsidiary undertaking	1,045,424	981,262	732,423	705,946
	1,259,117	1,173,189	926,825	878,798

16. PROVISION FOR DEFERRED TAX AND OTHER LIABILITIES

Group:

	Provision for Dilapidations	*Provision for Deferred Tax*	*Total*
	£000	*£000*	*£000*
At 1 August 2016	2,650	14,928	17,578
Profit and loss account	(404)	(5,643)	(6,047)
Deferred tax liability recognised on acquisition	-	(568)	(568)
At 31 July 2017	2,246	8,717	10,963

Company:

	Provision for Dilapidations	*Provision for Deferred Tax*	*Total*
	£000	*£000*	*£000*
At 1 August 2016	2,475	9,216	11,691
Profit and loss account	(404)	(4,779)	(5,183)
Deferred tax liability recognised on acquisition	-	-	-
At 31 July 2017	2,071	4,437	6,508

Provision for Dilapidations

A provision is recognised for the obligation to restore certain leasehold premises to the condition specified in the lease on termination.

16. PROVISION FOR DEFERRED TAX AND OTHER LIABILITIES (CONTINUED)

Provision for Deferred Tax

Deferred tax recognised and unrecognised is made up as follows:

Group:

	2017 *£000* *Recognised*	*2017* *£000* *Unrecognised*	*2016* *£000* *Recognised*	*2016* *£000* *Unrecognised*
Accelerated capital allowances	32,785	-	33,773	-
Short term timing differences	(24,068)	(2)	(18,845)	-
Tax losses carried forward	-	(1,525)	-	(1,090)
	8,717	(1,527)	14,928	(1,090)

Company:

	2017 *£000* *Recognised*	*2017* *£000* *Unrecognised*	*2016* *£000* *Recognised*	*2016* *£000* *Unrecognised*
Accelerated capital allowances	28,245	-	28,497	-
Short term timing differences	(23,808)	-	(19,281)	-
Tax losses carried forward	-	-	-	-
	4,437	-	9,216	-

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been substantively enacted at the balance sheet date. Finance (No. 2) Act 2016, which includes a reduction in the UK corporate tax rate to 17% on 1 April 2020, received Royal Assent on 15 September 2016. Accordingly, UK deferred tax assets and liabilities have been recognised at the rate of 18.78% for the year ended 31 July 2017.

17. SHARE CAPITAL

Group and Company:

	2017 *£000*	*2016* *£000*
Allotted, called up and fully paid:		
51,972,000 Ordinary shares of £1 each	51,972	51,972
	51,972	51,972

18. COMMITMENTS AND CONTINGENCIES

The Group had the following annual commitments under non-cancellable operating leases at 31 July:

	2017	*2016*
	Land and buildings *£000*	*Land and buildings* *£000*
Operating leases which expire:		
within one year	15,110	12,280
within two to five years	18,434	13,289
after five years	15,975	13,099
	49,519	38,668

No commitments are disclosed for motor vehicle leases, given amounts are prepaid. In addition to the above, the Group enters into agreements on an annual basis with a number of different manufacturers to purchase vehicles to meet the requirements for its rental fleet. Certain of these agreements commit the Group to minimum purchase volumes. Based on the outstanding agreements, the Group had firm commitments for vehicle purchases totalling approximately £183,382,000 at 31 July 2017 (£206,211,000 at 31 July 2016).

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company is a subsidiary of Enterprise Rent-A-Car UK Holdings Limited, a company registered in England and Wales. The parent undertaking of the smallest group of which the Company is a member and for which group financial statements are prepared is Enterprise Rent-A-Car European Holdings Limited, a company incorporated in England and Wales. Copies of the consolidated financial statements for Enterprise Rent-A-Car European Holdings Limited, which include the Company, are available from its principal place of business at Enterprise House, Melburne Park, Vicarage Road, Egham, Surrey TW20 9FB.

The parent undertaking of the largest group of which the Company is a member and for which group financial statements are prepared is The Crawford Group, Inc., a company incorporated in the state of Missouri in the United States of America. In the director's opinion, The Crawford Group, Inc. is the Company's ultimate parent company and controlling party.

20. PENSIONS

The Group operates a defined contribution pension scheme. Contributions are based on pension costs across the worldwide consolidated group as a whole. Outstanding contributions, included within other creditors and accruals as at 31 July 2017, were £3,463,000 (2016: £2,332,000).

21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 102 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

There are no other related party transactions requiring disclosure in these financial statements.

22. EVENTS SINCE THE BALANCE SHEET DATE

In preparing the accompanying consolidated financial statements, the Company has reviewed subsequent events that have occurred after July 31, 2017 through 20 April 2018, the date the financial statements were issued. The Company noted no reportable subsequent events.