

Company Registration Number: 04525217

## **Zipcar (UK) Limited**

### **Financial Statements**

For the year ended 31 December 2015



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## Company information

### Company

Zipcar (UK) Limited  
Registration 04525217

### Directors

N Cole  
P Ford

### Secretary

G Jones

### Independent auditor

Deloitte LLP  
Abbots House  
Abbey Street  
Reading  
RG13BD

### Registered Office

Melbury House  
51 Wimbledon Hill Road  
London  
United Kingdom  
SW19 7QW

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Principal activity

Zipcar's principal activity during the year was car and van rental by the hour or day. Bookings can be made online 24 hours a day, seven days a week by registered customers ("members") who access the cars on a self-serve basis and are billed daily for the amount they have used the cars.

### Results and dividends

The result before taxation for the financial year was a loss of £4.270m (2014: £0.034 million loss).

No dividends will be paid for the year ended 31 December 2015 (2014: £nil).

### Review of business

In 2015, Zipcar (UK) Limited turnover was £29 million (2014: £29.4 million), which was down slightly on prior year due to increased competition in the London mobility space.

The business has continued to focus on ensuring the optimal distribution of the fleet to ensure they are located where the membership base requires them, thus continuing to support fleet utilisation and asset usage.

The Directors expect the Company to continue to transact business as a car sharing company in the coming year and forecast a stable market with plans to build on a strong cost control program. Looking to the future, the market potential for this service in the UK is significant, which presents a good opportunity for Zipcar to continue its strong growth in both scale and profitability.

The company's key performance indicators are:

- Revenue
- Profit before tax

Gross new members and vehicle utilisation data are not disclosed due to the commercially sensitive nature of the data.

Our vehicle financing strategy was changed in 2015 relative to 2014 where we have settled and closed all external vehicle hire purchase agreements with the funding providers and moved fleet sourcing to operating leases provided by Avis Budget UK Limited. This can be seen by movements in note 12 Tangible Assets and note 16 Trade and other payables.

### Future developments and key risks

The business is expected to grow moderately in 2016, with significant emphasis being placed on profitable growth and driving rental hours. The directors believe that the business has sufficient funding, from the Zipcar and Avis Budget group, to finance this planned growth throughout 2016 and beyond.

Risk mitigation is a key part of the management of the Company and we have a consistent process to identify, manage and help mitigate exposure to issues that may have a negative impact on the business. Summarised below are some of the key risk that may affect the Company's business.

#### *Demand*

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

#### *Parking*

The company is dependent on the continuing agreements with London Boroughs and other parking providers to supply parking for the fleet in close proximity to our membership base. We maintain strong relationships with all relevant providers and have a strong record of renewing such contracts.

## Strategic report

### Financial Risk Management

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's financial exposure is to other companies with the Avis Budget Group. The Company's financial risk management objectives and policies are aligned to those of Avis Budget Group of Companies. The management of the business and the execution of the Company's strategy are subject to financial risks, the most significant of which are liquidity risk and credit risk.

#### *Liquidity risk*

Daily cash monitoring is performed and monitored by the company to ensure it has sufficient cash to meet its operational needs. The principal source of funding for the business is operational revenue and intercompany transactions.

#### *Credit risk*

The company has no significant concentrations of credit risk. The board has mitigated credit risk by ensuring appropriate checks are undertaken on customers prior to sales being made.



P Ford  
Director

30 September 2016

## Statement of Directors' responsibilities

The directors present their report with the audited financial statements of the company for the year ended 31 December 2015.

### Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

### Financial instruments

The company's policy is not to trade in complex financial instruments. Vehicles are funded under operating leases with Avis Budget UK Limited.

### Research and development

The company continues to invest in the development of its IT infrastructure to provide the best possible service for its members, and also to provide reliable management information. Development in 2015 focused on continuing to improve our website, remote applications and call answering facilities in order to improve the standard of service offered to our members.

### Going Concern

The financial statements have been prepared on the basis that the company will continue in business for the foreseeable future. The company has sufficient committed car funding facilities to allow for future growth plans, and over time, the company expects to be profitable and cash generative. The directors believe that preparing on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Avis Budget Group, Inc. and having considered the Company's forecast operating performance. The directors have received confirmation that Avis Budget Group, Inc. intend to support the company for at least one year after these financial statements are signed. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Political and charitable donations

No political or charitable donations were made during the year (or prior year).

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

M W J Walker – resigned 3 May 2016

D B Wyshner – resigned 15 Dec 2015

M K Tucker – resigned 21 Dec 2015

W S Deaver – resigned 21 Dec 2015

N Cole – appointed 3 May 2016

P Ford – appointed 3 May 2016

## Statement of Directors' responsibilities

### Policy and practice on payment to creditors

The company's strategy is to build mutually beneficial relationships with its suppliers and it agrees terms when entering into binding purchase contracts. When the company is satisfied that a supplier has provided the goods or services in accordance with those agreed terms, the company's policy is to pay in accordance with those terms.

### Statement of disclosure of information to auditors

Each director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the Company auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement of Directors' responsibilities

### Auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

Deloitte have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

By order of the board



P Ford  
Director

30 September 2016



## **Independent auditor's report**

**to the members of Zipcar (UK) Limited**

We have audited the financial statements of Zipcar (UK) Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

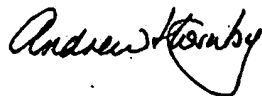
## **Independent auditor's report to the members of Zipcar (UK) Limited**

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

### **Matters on which we are required to report by exception**

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

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



Andrew Hornby, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Reading, United Kingdom

30 September 2016

## Statement of comprehensive income

for the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> £000	<i>2014</i> £000
<b>Turnover</b>			
Turnover	4	29,024	29,419
Exceptional items	6	-	320
<b>Total turnover</b>		<u>29,024</u>	<u>29,739</u>
Cost of sales		(17,513)	(17,268)
<b>Gross profit</b>		<u>11,511</u>	<u>12,471</u>
Administrative expenses		(15,089)	(12,547)
<b>Operating loss</b>	7	(3,578)	(76)
Finance Costs (Net)	5	(692)	42
<b>Loss on ordinary activities before taxation</b>		<u>(4,270)</u>	<u>(34)</u>
Tax on Loss on Ordinary Activities	10	-	-
<b>Loss for the financial year</b>	18	<u>(4,270)</u>	<u>(34)</u>
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive income for the period</b>		<u>(4,270)</u>	<u>(34)</u>

The results above all arise from continuing operations.

The company has no recognised gains or losses, other than these included in the results above, and therefore no separate statement of comprehensive income has been presented.

**Balance Sheet**

for the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> £000	<i>2014</i> £000
<b>Fixed assets</b>			
Investments	11	-	-
Tangible assets	12	994	6,600
Intangible assets	13	109	81
<b>Total Fixed Assets</b>		<b>1,103</b>	<b>6,681</b>
<b>Current assets</b>			
Debtors falling due within one year	14	2,478	1,915
Cash at bank and in hand	15	5,992	7,275
<b>Total Current Assets</b>		<b>8,470</b>	<b>9,190</b>
<b>Creditors falling due within one year</b>			
Trade and other payables	16	(20,834)	(24,261)
Short term provisions	17	(1,927)	(2,045)
<b>Total Creditors falling due within one year</b>		<b>(22,761)</b>	<b>(26,306)</b>
<b>Net current liabilities</b>		<b>(14,291)</b>	<b>(17,116)</b>
<b>Creditors falling due after one year</b>			
Long term provisions	17	(4,211)	(2,438)
Deferred income		(86)	(342)
<b>Total Creditors falling due after one year</b>		<b>(4,297)</b>	<b>(2,780)</b>
<b>Net liabilities</b>		<b>(17,485)</b>	<b>(13,215)</b>
<b>Capital and reserves</b>			
Called up share capital	18	62	62
Share premium account	18	3,703	3,703
Retained deficit	18	(21,250)	(16,980)
<b>Total Shareholder's Deficit</b>		<b>(17,485)</b>	<b>(13,215)</b>

The financial statements were approved by the Board of Directors and were signed on its behalf by:



P Ford  
Director

30 September 2016

## Statement of changes in equity

for 31 December 2015

	<i>Share Capital</i>	<i>Share Premium account</i>	<i>Profit and loss account deficit</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2014	62	3,703	(16,946)
Loss for the financial year	-	-	(34)
At 31 December 2014	<u>62</u>	<u>3,703</u>	<u>(16,980)</u>
At 1 January 2015	62	3,703	(16,980)
Loss for the financial year	-	-	(4,270)
At 31 December 2015	<u>62</u>	<u>3,703</u>	<u>(21,250)</u>

## Notes to the financial statements

at 31 December 2015

### 1. General Information

The financial statements of Zipcar (UK) Limited for the year ended 31 December 2015 were authorised for issue by the board of Directors and the balance sheet was signed on the board's behalf by one director. Zipcar (UK) Limited is a private limited company incorporated and domiciled in England and Wales.

### 2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

#### *General information and basis of preparation*

Zipcar (UK) Limited is a private limited company incorporated and domiciled in England and Wales under the Companies Act. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the directors' report on pages 5-6.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, the Companies Act 2006 and under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

There have been no material adjustments as a result of the adoption of FRS 102.

The functional currency of Zipcar (UK) Limited is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

The company has taken the exemption available in FRS 102 and has not prepared a cash flow statement as it is a subsidiary, the voting rights of which are 100% controlled within the group, and the group financial statements are publically available.

In accordance with s400 of the Companies Act 2006 the company is exempt from producing group financial statements since it is a wholly owned subsidiary of Zipcar Inc. which is a wholly owned subsidiary of Avis Budget Group, Inc, a company registered in the United States of America, which itself prepares consolidated financial statements that are publicly available.

Zipcar (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

#### *Going Concern*

The financial statements have been prepared on the basis that the company will continue in business for the foreseeable future. The company has sufficient committed car funding facilities to allow for future growth plans, and over time, the company expects to be profitable and cash generative. The directors believe that preparing on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Avis Budget Group, Inc. and having considered the Company's forecast operating performance. The directors have received confirmation that Avis Budget Group, Inc. intend to support the company for at least one year after these financial statements are signed. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (Continued)

#### *Turnover*

Turnover, which is shown net of value added tax, includes the following elements:

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

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

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets as follows:

- |                               |   |                                    |
|-------------------------------|---|------------------------------------|
| Motor vehicles                | - | 15% to 33% (see below)             |
| Vehicle modifications         | - | 25% to 50% per annum straight line |
| Office and computer equipment | - | 33% per annum straight line        |

Individual vehicle types are depreciated at different rates depending on the expected holding period and residual value for that vehicle type. The carrying values of these assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

An item of tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account.

#### *Intangible fixed assets*

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

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (Continued)

#### *Leases and hire purchase commitments*

Assets held under finance leases, which transfer to the company substantially all the risks and benefits of ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of comprehensive income so as to achieve a consistent rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated to their estimated residual value over their estimated useful lives.

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

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### *Interest*

Interest payable on bank loans and overdrafts as well as other loans are included in interest payable. Hire purchase interest expense is included in cost of sales.

#### *Cost of sales*

Cost of sales includes the following items: Fuel costs, parking expenses, insurance, vehicle damage and maintenance costs, fines, congestion charging, vehicle registration and tax costs, depreciation and hire purchase interest costs.

#### *Financial Instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through statement of comprehensive income, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through statement of comprehensive income. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.



## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (Continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### *Trade debtors*

Trade debtors are measured on initial recognition at fair value and subsequently measured at amortised cost. Appropriate provisions for impairment are recognised when there is objective evidence that the full amount is not collectible. When a trade debtor is uncollectible, it is written off against an allowance account.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within creditors in current liabilities on the balance sheet.

#### *Trade creditors*

Trade creditors are recognised initially at fair value and subsequently at amortised cost.

#### *Provisions*

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

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

#### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in statement of comprehensive income in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

### 3. Critical Judgments

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## Notes to the financial statements

at 31 December 2015

### 3. Critical Judgments (Continued)

#### *Revenue recognition*

Insurance and result claims are a material cost of the business. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

#### *Impairment of trade and other receivables*

The Company generates a provision for impairment of trade and other receivables based on the ageing of receivables and historical write off data. The assumptions used in the calculation are reviewed and updated on a monthly basis.

### 4. Turnover on ordinary activities

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

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

An analysis of the Group's turnover by class of business is set out below.

	2015	2014
	£000	£000
Rendering of services	28,980	29,419
Other income	44	-
Other significant types of revenue	-	320
Total	<u>29,024</u>	<u>29,739</u>

### 5. Finance costs (net)

	2015	2014
	£000	£000
Interest receivable and similar income	1	2
Finance leases and hire purchase contracts	-	(85)
Interest payable and similar expense	(343)	-
Loan revaluations	(791)	125
Foreign exchange gains	441	-
Finance (costs)/income net	<u>(692)</u>	<u>42</u>

### 6. Exceptional items

The exceptional item recognised in the statement of comprehensive income for 2014 of £320,000 related to the release of an accrued amount that is no longer required due to it being time barred. There is no exceptional item in 2015.

## Notes to the financial statements

at 31 December 2015

### 7. Operating loss

The operating loss is stated after charging

	2015	2014
	£000	£000
Depreciation of owned assets	637	647
Depreciation of assets held under hire purchase agreements	461	2,956
Amortisation of Intangible assets	(12)	55
Operating lease rentals – offices	316	300
Operating lease rentals – vehicles	3,465	1,738
Loss/(Gain) on disposal of fixed assets	79	(80)

### 8. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the company:

	2015	2014
	£000	£000
Fees payable for the audit	35	29
Taxation compliance services	-	6
Other services	142	12

## Notes to the financial statements

at 31 December 2015

### 9. Staff costs and directors' emoluments

#### (a) Staff costs

	2015	2014
	£000	£000
Wages and salaries	6,469	5,974
Tax, benefits & social security costs	1,281	958
	<u>7,750</u>	<u>6,932</u>

The company operates a non-contributory stakeholder pension scheme, open to all employees.

#### (b) The average monthly number of employees during the year was made up as follows:

	2015	2014
	No.	No.
Executive directors	1	1
Sales and advertising	51	39
Administration	145	144
	<u>197</u>	<u>184</u>

#### (c) Directors' emoluments

	2015	2014
	£000	£000
Executive directors' emoluments (included in (a) above)	164	209
	<u>164</u>	<u>209</u>

The aggregate emoluments of the highest paid director during the year were £163,860 (31 December 2014 - £209,349).

### 10. Tax on Loss on ordinary activities

#### (a) Current tax charged in the profit and loss account:

No adjustments were made in respect of prior periods (2014: Nil). There is no tax charge in the current year (2014: £nil).

The Finance Act 2013 included legislation to reduce the main rate of corporation tax in the UK from 23% to 21%, with effect from 1 April 2014 and from 21% to 20%, with effect from 1 April 2015. 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. The 2016 Budget subsequently announced that the main rate of corporation tax would reduce to 17% with effect from 1 April 2020.

## Notes to the financial statements

at 31 December 2015

### 10. Tax on Loss on ordinary activities (Continued)

No change has been recognised in these financial statements in respect of the upcoming changes.

(b) Reconciliation of the current tax charge:

	2015	2015
	£000	£000
Loss on ordinary activities before taxation	(4,270)	(34)
Loss on ordinary activities multiplied by the UK standard rate of corporation tax of 20.25% (2014 – 21.25%)	(865)	(7)
Expenses not deductible for tax purposes	25	62
Capital allowances in excess of depreciation	121	(48)
Other timing differences	(1)	(7)
Non-trade loan relationship credits	-	(1)
Trading losses carried forward	720	1
Total tax charge reported in the profit and loss account	-	-

(c) Unrecognised deferred tax asset

The Company has tax losses and depreciation in excess of capital allowances which arose in the UK of £ 30,054,676 (2014 – £25,869,000). The tax effect of these amounts would be a deferred tax asset of £ 5,409,842 (2014 – £5,174,000). These losses are available indefinitely for offset against future taxable profits of the company. Deferred tax assets have not been recognised in respect of these losses as the company has not yet demonstrated levels of profitability to support the recognition of a deferred tax asset.

### 11. Investments

The company has a 100% interest in Prolita Limited, a company registered in England and Wales that was incorporated on 1 June 2007. This investment is of 1 ordinary share of £1. Prolita Limited does not trade.

The company has taken advantage of the exemption in sections 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements,

## Notes to the financial statements

at 31 December 2015

### 12. Tangible assets

	<i>Motor vehicles</i> £000	<i>Vehicle modifications</i> £000	<i>Office and computer equipment</i> £000	<i>Total</i> £000
<u>Cost:</u>				
At 1 January 2015	8,372	1,321	905	10,598
Additions	-	415	263	678
Disposals	(8,251)	(55)	-	(8,306)
At 31 December 2015	121	1,681	1,168	2,970
<u>Accumulated depreciation:</u>				
At 1 January 2015	2,659	846	493	3,998
Charge for year	461	412	225	1,098
Disposals	(3,120)	-	-	(3,120)
At 31 December 2015	-	1,258	718	1,976
<u>Net Book Value:</u>				
At 1 January 2015	5,713	475	412	6,600
<u>At 31 December 2015</u>	<u>121</u>	<u>423</u>	<u>450</u>	<u>994</u>

#### *Assets held under finance leases and hire purchase contracts*

The company had hire purchase arrangements for motor vehicles in 2013. Motor vehicles are used in the company's car rental business and as such are held for use under short term leases. In February 2014 these financing arrangements were paid off in full and replaced by an intercompany payable to Avis Budget UK Limited, who refinanced the vehicles on behalf of Zipcar (UK) Limited. Subsequently, new vehicles are purchased and financed by Avis Budget UK Limited, and leased to Zipcar (UK) Limited on an operating lease arrangement.

### 13. Intangible Assets

	<i>Software</i> £000
<u>Cost:</u>	
At 1 January 2015	136
Additions	90
Disposals	(74)
At 31 December 2015	152
<u>Accumulated depreciation:</u>	
At 1 January 2015	55
Charge for year	(12)
At 31 December 2015	43
<u>Net Book Value:</u>	
At 1 January 2015	81
<u>At 31 December 2015</u>	<u>109</u>

## Notes to the financial statements

at 31 December 2015

### 14. Debtors

	2015	2014
	£000	£000
Trade debtors	1,057	1,017
Other debtors	446	299
Hedge Asset	267	-
Deposits and prepayments	708	599
	<u>2,478</u>	<u>1,915</u>

The hedge asset is a result of forward cover taken out on the USD denominated intercompany loan to hedge for foreign exchange rate movements. The fair value of the intercompany loan is £13,742,000 and is included in note 16, Amounts due to Related Parties.

### 15. Cash at bank and in hand

	2015	2014
	£000	£000
Cash at bank and in hand	5,992	7,275

### 16. Trade and other payables

	2015	2014
	£000	£000
Trade creditors	260	251
Amounts due to Related Parties	14,422	17,664
Taxation and Social Security	580	1,288
Other Creditors	664	749
Accruals and deferred income	4,908	4,309
	<u>20,834</u>	<u>24,261</u>

The intercompany amounts are all due within one year or payable on demand.

As at 31 December 2015, the related party balance with Avis Budget UK Limited is comprised of an interest bearing loan balance of £nil (2014: £4,641,000) and interest portion of £nil (2014: £42,000). Interest on the loan balance is incurred monthly and paid quarterly.

In accordance with Zipcar group operating policy, the company no longer requires members to make deposits on joining the service. Historic deposits exist for members that have not converted their membership from Streetcar to Zipcar and are recorded under trade creditors, and are released monthly over a five year period.

## Notes to the financial statements

at 31 December 2015

### 17. Provisions

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

Other trading provisions comprises a dilapidation provision to cover the cost of remediation of certain properties held under operating leases, the ultimate expenditure of which is expected to be coterminous with the underlying remaining lease periods.

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

	2015	2014
	£000	£000
Dilapidations	106	106
Insurance	1,821	1,939
<b>Total short term provisions</b>	<b>1,927</b>	<b>2,045</b>
Insurance	4,211	2,438
<b>Total long term provisions</b>	<b>4,211</b>	<b>2,438</b>
<b>Total provisions</b>	<b>6,138</b>	<b>4,483</b>

Charges and releases to the provisions during the year are as follows:

	Insurance Reserves	Other Trading	Total
	£000	£000	£000
At 1 January 2015	4,377	106	4,483
Charged in the year	4,827	-	4,827
Utilised in the year	(3,172)	-	(3,172)
<b>At 31 December 2015</b>	<b>6,032</b>	<b>106</b>	<b>6,138</b>

### 18. Called up share capital and reserves

	2015	2014
Number of Ordinary Shares	6,221,767	6,221,767
Value of Ordinary Shares	£62,218	£62,218

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

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses and other adjustments.



## Notes to the financial statements

at 31 December 2015

### 18. Called up share capital and reserves (Continued)

	<i>Share Premium account</i>	<i>Retained deficit</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2015	3,703	(16,980)
Loss for the financial year	-	(4,270)
At 31 December 2015	<u>3,703</u>	<u>(21,250)</u>

### 19. Ultimate Parent and controlling Party

The Company is a subsidiary undertaking of Zipcar Incorporated, a company incorporated in the United States of America.

The Company's ultimate holding company and the smallest and largest parent undertaking to consolidate the Financial Statements of the company is Avis Budget Group, Inc. which is incorporated in the United States of America and registered on NASDAQ. The financial statements of Avis Budget Group, Inc. are publicly available at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

### 20. Lease Commitments

#### *Obligations under operating leases*

The company has operating lease agreements in place for its two offices. One of the leases was subject to rent review with effect 1 January 2015 and the other was reviewed and the rent increased with effect 1 January 2016. The lease commitments below as at 31 December 2015 and the comparatives reflect commitments under the revised rent amounts.

Additionally the company has operating lease commitments in respect of vehicles with ABG. Under this arrangement ABG will invoice Zipcar (UK) Limited in respect of all vehicles held as at 31 December 2015 as indicated below.

Obligations under all leases held as at 31 December 2015 comprise:

	<i>2015</i>		<i>2014</i>	
	<i>Vehicles £000</i>	<i>Land and buildings £000</i>	<i>Vehicles £000</i>	<i>Land and buildings £000</i>
Due date:				
- within one year	1,983	452	1,299	330
- between two and five years	210	1,356	156	1,321
At 31 December 2015	<u>2,193</u>	<u>1,808</u>	<u>1,455</u>	<u>1,651</u>

### 21. Defined Contribution Schemes

The Company operates defined contribution retirement benefit schemes for all participating qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2015 was £124,193 (2014: £97,350).

## Notes to the financial statements

at 31 December 2015

### 22. Transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102, there are no adjustments required to comply with the new standard.

### 23. Subsequent Events

There are no events occurring after the reporting period that require disclosure (2014: none).