

Company Registration No. 04525217 (England and Wales)

**ZIPCAR (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# ZIPCAR (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	P L Ford N A Bell J C G Turner	Appointed 14/08/2019
<b>Secretary</b>	T Mannion	
<b>Company number</b>	04525217	
<b>Registered office</b>	Avis Budget House Park Road Bracknell RG12 2EW United Kingdom	
<b>Auditor</b>	Deloitte LLP Abbots House Abbey Street Reading United Kingdom	

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# **ZIPCAR (UK) LIMITED**

## **CONTENTS**

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	<b>Page</b>
<b>Strategic Report</b>	<b>1 - 3</b>
<b>Directors' Report</b>	<b>4 - 6</b>
<b>Independent Auditor's Report</b>	<b>7 - 9</b>
<b>Statement of Comprehensive Income</b>	<b>10</b>
<b>Balance Sheet</b>	<b>11</b>
<b>Statement of Changes in Equity</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>13 - 25</b>

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# ZIPCAR (UK) LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their Strategic Report for the Company for the year ended 31 December 2018.

### Principal Activity

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

### Strategic Review and Future Developments

#### *Strategic review*

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

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

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

#### In 2018 the Company:

- continued to increase the membership base for roundtrip rentals;
- expanded its Zipcar "Flex" product in London providing for one-way rentals;
- launched a one-way airport product;
- continued to innovate its technology platform to provide scale to support growth, drive operational efficiency and improve the member experience.

The Company performed in line with market conditions and saw an increase in revenue to £31.29 million (2017: £26.83 million). The Company made a loss after taxation for the year of £3.82 million (2017: loss of £3.01 million) as the Company continued to invest in growth and network expansion.

Net liabilities of the Company were £30.49 million (2017: £26.67 million) due to the cumulative reserves and the total comprehensive loss for the year.

# **ZIPCAR (UK) LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### *Future developments*

The Directors expect the Company to continue to transact business as a car-sharing business in the coming year including:

- further expansion of its customer base;
- roll-out of the Zipcar "Flex" product to additional London boroughs;
- expansion of the level of EV (electric vehicles) in its fleet;
- maintaining a program of tight cost control.

Following the Balance Sheet date of 31 December 2018, the Directors have not identified any events that would have a material impact on the Financial Statements.

### **Principal Risks and Uncertainties**

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

#### *Demand*

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

#### *Parking*

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

#### *Fleet*

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

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

# **ZIPCAR (UK) LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### *Political and Economic Risk*

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

To mitigate these risks, the Company:

- benefits from being part of a global group;
- constantly monitors new and used vehicle market trends across its related fellow subsidiary operations and adjusts fleet rotations, pricing and procurement accordingly. Vehicles are sourced from a wide range of manufacturers; and
- maintains both internal and external legal and tax expertise to interpret, assess, and respond to potential changes in regulation, enabling it to adapt its model and processes to comply with changes in a seamless manner.

### **Key Performance Indicators (KPIs)**

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

### **Financial Risk Management Objectives and Policies**

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

Approved by the Board and signed on its behalf



P L Ford  
Director  
23 January 2020

# **ZIPCAR (UK) LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their annual report and the audited Financial Statements of the Company for the year ended 31 December 2018.

#### **Directors**

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

P L Ford

N Bell

M Kightley

J C G Turner

(Resigned 14 August 2019)

(Appointed 14 August 2019)

#### **Results and dividends**

The Company made a loss after taxation for the year of £3.82 million (2017: loss of £3.01 million). The performance was in line with expectations in the annual plan. The Directors do not recommend the payment of a dividend (2017: £nil).

#### **Future developments**

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

#### **Financial risk management objectives and policies**

Financial risk management objectives and policies are included in the Strategic Report on page 3.

#### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. After making enquiries, the Directors have received a letter of support from the ultimate parent company, Avis Budget Group, Inc., confirming that they are willing to provide the necessary financial support and that they have the necessary funds available to pay the Company's debts as they fall due.

The Directors recognise that as at 31 December 2018 the Company remains in a net liability position, but due to the aforementioned support from the Group, they are satisfied that preparing the Financial Statements using the going concern basis is appropriate.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Directors indemnities**

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

# **ZIPCAR (UK) LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **Employment policies and practices**

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

During the year the Company continued to focus on developing a lean, efficient and flexible organisation. In this context the Company continued to focus on the positive elements of the business, celebrating success, communicating regularly and openly at team level, giving employees direct contact with senior management, and continuing to provide training and development opportunities. The Company has maintained the practice of keeping employees informed about current activities and progress by various methods, including newsletters, management presentations and in-house publications.

The Company follows the principles of equal opportunity in recruitment, development, remuneration and advancement. Every effort is made to offer part time and flexible working arrangements to those employees who have personal and family commitments.

### **Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



# **ZIPCAR (UK) LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **Statement of disclosure to auditor**

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

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

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

### **Auditors**

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

Approved by the Board and signed on its behalf



P L Ford  
Director  
23 January 2020

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

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## **Report on the audit of the Financial Statements**

### **Opinion**

In our opinion the Financial Statements of Zipcar (UK) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of changes in Equity;
- the related Notes on pages 13 to 25

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

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

### **Other information**

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

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

We have nothing to report in respect of these matters.

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

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## **Respective responsibilities of Directors and auditor**

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements**

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

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

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## 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.



Andrew Hornby, FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
United Kingdom  
23 January 2020

## **ZIPCAR (UK) LIMITED**

### **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

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		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>5</b>	<b>31,294</b>	<b>26,833</b>
<b>Cost of sales</b>		<b>(21,323)</b>	<b>(15,450)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>9,971</b>	<b>11,383</b>
<b>Administrative expenses</b>		<b>(13,037)</b>	<b>(13,764)</b>
		<hr/>	<hr/>
<b>Operating loss</b>	<b>7</b>	<b>(3,066)</b>	<b>(2,381)</b>
<b>Interest payable and similar expenses</b>	<b>6</b>	<b>(754)</b>	<b>(632)</b>
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(3,820)</b>	<b>(3,013)</b>
<b>Taxation</b>	<b>10</b>	<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(3,820)</b>	<b>(3,013)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Total comprehensive expense for the year</b>		<b>(3,820)</b>	<b>(3,013)</b>
		<hr/> <hr/>	<hr/> <hr/>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The accompanying Notes on pages 13 to 25 form an integral part of these Financial Statements.

# ZIPCAR (UK) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	11		83		156
Tangible assets	12		473		833
Investments	13		-		-
			<u>556</u>		<u>989</u>
<b>Current assets</b>					
Stocks	14	122		-	
Debtors	15	3,188		4,939	
Cash at bank and in hand		280		699	
		<u>3,590</u>		<u>5,638</u>	
<b>Creditors: amounts falling due within one year</b>					
Trade and other payables	16	(29,939)		(29,005)	
Short term provisions	17	(1,988)		(1,321)	
		<u>(31,927)</u>		<u>(30,326)</u>	
<b>Net current liabilities</b>			<u>(28,337)</u>		<u>(24,688)</u>
Provisions	17		<u>(2,704)</u>		<u>(2,966)</u>
<b>Net liabilities</b>			<u>(30,485)</u>		<u>(26,665)</u>
Called up share capital	20		62		62
Share premium account	21		3,703		3,703
Profit and loss reserves	21		(34,250)		(30,430)
<b>Total equity</b>			<u>(30,485)</u>		<u>(26,665)</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 23 January 2020 and are signed on its behalf by:

  
P L Ford  
Director

Company Registration No. 04525217

# ZIPCAR (UK) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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	Share capital	Share premium account	Profit and loss reserves	Total
Notes	£000	£000	£000	£000
<b>Balance at 1 January 2017</b>	62	3,703	(27,417)	(23,652)
<b>Year ended 31 December 2017:</b>				
Loss and total comprehensive expense for the year	-	-	(3,013)	(3,013)
<b>Balance at 31 December 2017</b>	<u>62</u>	<u>3,703</u>	<u>(30,430)</u>	<u>(26,665)</u>
<b>Year ended 31 December 2018:</b>				
Loss and total comprehensive expense for the year	-	-	(3,820)	(3,820)
<b>Balance at 31 December 2018</b>	<u><u>62</u></u>	<u><u>3,703</u></u>	<u><u>(34,250)</u></u>	<u><u>(30,485)</u></u>

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **1 General Information**

The Company is part of the Avis Budget Group, Inc. group of companies, a leading global provider of mobility solutions. The Company is a private company limited by shares and is incorporated in England and Wales. The address of the registered office is Avis Budget House, Park Road, Bracknell, RG12 2EW. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to present consolidated financial statements as it is a wholly owned subsidiary undertaking of Avis Budget Group, Inc., a company incorporated in the United States of America, which itself prepares consolidated financial statements. These Financial Statements are for the Company only.

### **2 Statement of compliance**

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

### **3 Accounting policies**

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

#### **3.1 Basis of accounting**

These Financial Statements have been prepared in accordance with with the applicable United Kingdom accounting standards, including Financial Reporting Standards 102 ("FRS 102") and the requirements of the Companies Act 2006.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The Financial Statements of the Company are consolidated in the financial statements of Avis Budget Group, Inc. These consolidated financial statements are publicly available at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).



# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 3 Accounting policies

(Continued)

#### 3.2 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. After making enquiries, the Directors have received a letter of support from the ultimate parent company, Avis Budget Group, Inc., confirming that they are willing to provide the necessary financial support and that they have the necessary funds available to pay the Company's debts as they fall due.

The Directors recognise that in 2018 the Company remains in a net liability position, but due to the aforementioned support from the Group, they are satisfied that preparing the Financial Statements using the going concern basis is appropriate.

#### 3.3 Cash flow statement

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

#### 3.4 Turnover

Revenue is shown net of value added tax, and 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.

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

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

#### 3.5 Cost of sales

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

#### 3.6 Administrative expenses

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

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 3 Accounting policies (Continued)

#### 3.7 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 3.8 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.

#### 3.9 Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets as follows:

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

#### 3.10 Investments

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

#### 3.11 Leases

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.

#### 3.12 Dividends

Final dividends to the Company's shareholders are recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

# **ZIPCAR (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **3 Accounting policies**

**(Continued)**

##### **3.13 Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the taxable profits and the results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured 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.

##### **3.14 Foreign currency**

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

##### **3.15 Stocks**

Stocks are stated at the lower of cost and estimated selling price. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location.

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

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

##### **3.16 Provisions**

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

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

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 3 Accounting policies

(Continued)

#### 3.17 Financial instruments

##### *Disclosure*

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

##### *Financial assets*

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

##### *Trade and other receivables*

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

##### *Cash and short term deposits*

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

##### *Financial liabilities*

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

##### *Inter-company loans*

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

##### *Other payables*

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

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 4 Critical accounting judgements and key sources of estimation uncertainty

The Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The Directors have not applied any critical accounting judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

##### *Insurance claims*

The balance sheet includes liabilities associated with retained risks of liability to third parties. Such liabilities relate to public liability and third-party damage claims. These obligations represent an estimate for both reported claims not yet paid and claims incurred but not yet reported. The estimated reserve requirements for such claims are recorded on an undiscounted basis utilising actuarial methodologies and various assumptions which include, but are not limited to, the Company's historical loss experience and projected loss development factors. The required liability is also subject to adjustment in the future based upon changes in claims experience, including changes in the number of incidents for which the Company is ultimately liable and changes in the cost per incident. The provisions for liabilities note (note 17) includes further details on the sensitivity of these estimates.

##### *Car holding periods*

Car holding periods are a key estimate of the business. The Company leases the majority of its vehicles from its fellow subsidiary Avis Budget UK Limited under short term operating lease agreements. The holding period dictates the total commitments to Avis Budget UK Limited. The estimated holding period is 24 months which is agreed by both Avis Budget UK Limited and the Company, however by mutual agreement these periods can be shortened. There is a reasonable possibility that this will occur therefore the lease commitments note (note 22) includes information on how this disclosure would be impacted by a reasonable change in this estimate.

#### 5 Turnover and other revenue

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.

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

	2018 £000	2017 £000
<b>Turnover</b>		
Rendering of services	31,294	26,833

#### 6 Net finance costs

	2018 £000	2017 £000
Interest on loans due to group undertakings	645	675
Foreign exchange losses/(gains)	109	(43)
	<u>754</u>	<u>632</u>

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 Operating loss

	2018	2017
	£000	£000
Operating loss for the year is stated after charging/(crediting):		
Depreciation	668	665
Amortisation of intangible assets	89	91
Operating lease rentals - offices	107	292
Operating lease rentals - vehicles	4,563	4,790
Profit on disposal of tangible fixed assets	-	(255)
	<u>          </u>	<u>          </u>

### 8 Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's Financial Statements	47	29
	<u>          </u>	<u>          </u>

No non-audit fees were incurred in the year (2017: nil).

### 9 Directors and employees

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

	2018	2017
	Number	Number
Sales and advertising	40	45
Administration	83	98
	<u>          </u>	<u>          </u>
	123	143
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2018	2017
	£000	£000
Wages and salaries	3,772	4,566
Tax, benefits & social security costs	621	688
	<u>          </u>	<u>          </u>
	4,393	5,254
	<u>          </u>	<u>          </u>

#### Directors' remuneration

The Directors received no remuneration (2017: £618,000) in respect of their qualifying services as Directors of the Company. The Directors are remunerated by other Group Companies and it is not possible to accurately determine the allocation of the Directors' remuneration related to the Company for the current year.

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 9 Directors and employees

(Continued)

The number of Directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2017: 3). Two Directors are paid by the fellow subsidiary, Avis Budget UK Limited, and one Director is paid by the fellow subsidiary, Avis Budget Services Limited. Disclosure of their remuneration can be found in the respective accounts of those companies, which are available at Companies House.

### 10 Taxation on loss

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

	2018 £000	2017 £000
UK Corporation tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

#### ii) Factors affecting the current tax charge for the year

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £000	2017 £000
Loss before taxation	(3,820)	(3,013)
	<u>(3,820)</u>	<u>(3,013)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(726)	(580)
Fixed asset differences	-	3
Expenses not deductible for tax purposes	132	30
Income not taxable for tax purposes	-	(4)
Group relief	10	-
Change in deferred tax rate	-	64
Deferred tax not recognised	584	487
	<u>584</u>	<u>487</u>
Taxation for the year	-	-
	<u>-</u>	<u>-</u>

Finance (No. 2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 15 September 2016. As deferred tax assets and liabilities are measured at rates that are expected to apply in the periods of the reversal, deferred tax balances at the balance sheet date have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Intangible fixed assets

	Software purchased	Software developed internally	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2018	94	268	362
Additions - internally developed	-	16	16
At 31 December 2018	94	284	378
<b>Amortisation and impairment</b>			
At 1 January 2018	44	162	206
Charge for the year	25	64	89
At 31 December 2018	69	226	295
<b>Carrying amount</b>			
At 31 December 2018	25	58	83
At 31 December 2017	50	106	156

### 12 Tangible assets

	Office and computer equipment	Motor vehicles	Vehicle modifications	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 January 2018	958	64	2,755	3,777
Additions	40	-	284	324
Disposals	(8)	-	(8)	(16)
At 31 December 2018	990	64	3,031	4,085
<b>Accumulated depreciation</b>				
At 1 January 2018	831	64	2,049	2,944
Charge for the year	68	-	601	669
Disposals	-	-	(1)	(1)
At 31 December 2018	899	64	2,649	3,612
<b>Carrying amount</b>				
At 31 December 2018	91	-	382	473
At 31 December 2017	127	-	706	833



# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Investments

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name	Address of the registered office	Activity	% of the ordinary share capital owned
Prolita Limited	Avis Budget House, Park Road, Bracknell, RG12 2EW	Dormant	100

The Company has a 100% interest in Prolita Limited, a company registered in England and Wales, with a registered address of Avis Budget House, Park Road, Bracknell, England, 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 section 401 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements.

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

### 14 Stocks

	2018 £000	2017 £000
Stock	122	-

### 15 Debtors

	2018 £000	2017 £000
Trade debtors	1,221	1,424
Other receivables	460	15
Amounts due from group undertakings	455	1,950
Prepayments	1,052	1,550
	<u>3,188</u>	<u>4,939</u>

### 16 Trade and other payables

	2018 £000	2017 £000
Trade creditors	275	-
Amounts due to group undertakings	23,152	22,024
Other creditors	568	1,144
Accruals and deferred income	5,471	5,167
Taxation and social security	473	670
	<u>29,939</u>	<u>29,005</u>

All intercompany loans are unsecured and payable on demand.

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17 Provisions for liabilities

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

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

Other trading provisions comprises a dilapidation provision to cover the cost of remediation of certain properties previously held under operating leases, the ultimate expenditure of which was resolved during the year.

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

	Insurance Reserves £000	Dilapidation Provision £000	Total £000
At 1 January 2018	4,177	110	4,287
Charged in the year	3,379	-	3,379
Reversal of provision	-	(100)	(100)
Utilised in the year	(2,864)	(10)	(2,874)
At 31 December 2018	<u>4,692</u>	<u>-</u>	<u>4,692</u>

#### 18 Deferred income

	2018 £000	2017 £000
Other deferred income	<u>2,257</u>	<u>2,328</u>

#### 19 Retirement benefit schemes

	2018 £000	2017 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>78</u>	<u>100</u>

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

# ZIPCAR (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 20 Share capital

	2018	2017
	£000	£000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
6,221,767 of 1p each	62	62

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

### 21 Reserves

#### Share premium account

The share premium reserve contains the premium arising on the issue of equity shares, £3.7 million (2017: £3.7 million)

#### Retained earnings

The retained deficit reserve represents cumulative profits or losses and other adjustments, £34.3 million (2017: £30.4 million)

### 22 Lease Commitments

#### Obligations under operating leases

The Company has operating lease commitments in respect of vehicles with Avis Budget UK Limited. Under this arrangement Avis Budget UK Limited will invoice the Company in respect of all vehicles held as at 31 December 2018 as indicated below.

Obligations under all leases held as at 31 December comprise:

	2018	2017
	Vehicles	Vehicles
	£000	£000
Due date:		
Within one year	5,137	2,968
Between two and five years	3,253	1,696
At 31 December	8,390	4,664

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

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

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

# **ZIPCAR (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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### **23 Events after the reporting date**

After the balance sheet date, Prolita Limited was dissolved on 26 February 2019 via compulsory strike-off.

### **24 Ultimate parent undertaking and controlling party**

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

The Company's ultimate holding company 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., 6 Sylvan Way, Parsippany, NJ 075054 are publicly available at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

### **25 Related party transactions**

The Company has taken advantage of the exemption within Paragraph 1.12 of FRS 102, for wholly owned subsidiary undertakings not to disclose transactions with other entities within the same group. The consolidated financial statements for Avis Budget Group, Inc., in which the Company is included, are publicly available at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).