Enterprise Rent-A-Car UK Limited

Consolidated Report and Financial Statements

For the year ended 31 July 2016

Registered No. 2946689

DIRECTORS
Ricky A. Short – U.S. National (appointed 31 July 2016)
A C Taylor, Chairman – U.S. National (resigned 13 January 2016)
P M Nicholson – U.S. National (resigned 27 October 2015)
W W Snyder – U.S. National (resigned 31 July 2016)

SECRETARY
Teresa A. Holderer – U.S. National (appointed 31 July 2016)
T P Laffey – U.S. National (resigned 31 July 2016)

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

BANKERS
HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

SOLICITORS
Taylor Wessing LLP
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EC4A 3TW

REGISTERED OFFICE
Enterprise House Vicarage Road
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Surrey
TW20 9FB

The director presents the strategic report for the year ended 31 July 2016.

REVIEW OF THE BUSINESS

The primary business of Enterprise Rent-A-Car UK Limited (the "Company") and Enterprise Rent-A-Car UK Limited Group (the "Group") is the renting of vehicles in the United Kingdom. During fiscal 2015, the Group acquired Burnt Tree Holdings Limited, a provider of commercial rental vehicles, and City Car Club Limited, a car sharing business. During fiscal 2016, the Group acquired Bodyshop Management Solutions Limited and Common Automotive Platform Standard Consortium Limited, providers of network management software to insurance companies and body shops. The Group also acquired Repair Funding Limited, a provider of funding, management and processing for vehicle repair shops and related supplier payments within the credit repair sector. Refer to note 13, Investments in Subsidiary Undertakings. To support the operations, the Group engages in fleet acquisition and vehicle maintenance as well as vehicle disposition through wholesale vehicle channels.

These are the Group's and Company's first financial statements prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the financial statements as at 31 July 2016. The Company has taken advantage of disclosure exemptions on transition to FRS 102. Refer to note 2, Summary of Significant Accounting Policies, and note 22, First Time Adoption of FRS 102, for additional information.

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

	2016	*2015*	*Change*
Turnover	727,235	662,924	9.7%
Profit after tax	1,588	18,504	(91.4)%
Gross margin percent	32.2%	36.8%	(4.6) ppts
Finance coverage ratio	1.14	1.76	(0.62)
Debt-to-equity ratio	4.85	4.25	0.60
Average employees (including part-time)	4,845	4,426	9.2%

For the year ended 31 July 2016, the Group reported a 9.7% increase in turnover to £727,235,000 (2015: £662,924,000). The Group generated profit after tax of £1,588,000, a 91.4% decrease from £18,504,000 in 2015.

Gross margin percentage decreased over prior year by 4.6 ppts primarily due to an increase in vehicle expense as a percentage of revenue.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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

Residual value risk
Residual value risk is the risk that a vehicle's market value at the time it is sold will be less than its depreciated value. It is difficult to predict the impact or timing of factors that influence used vehicle resale values. In determining estimated residual values and depreciation rates on vehicles, management considers many factors, including used car market conditions, anticipated holding periods, fleet mix, buyback guarantees and historical experience. Effective 1 August 2014, the Group lowered the average monthly vehicle depreciation rate from 1.8% to 1.7% due to historical trends as well as anticipated future vehicle holdings costs. Management regularly monitors residual values and the need, if any, to adjust depreciation rates.

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

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

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

By order of the Board

Ricky A. Short
Director

Date: 7 April 2017

The director presents his report for the year ended 31 July 2016.

DIRECTORS OF THE COMPANY

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

DIVIDENDS

The director does not recommend the payment of a dividend (2015: £nil).

FUTURE DEVELOPMENTS

During 2017, management is forecasting an increase in rental revenue and a further decrease in gross margins.

EVENTS SINCE THE BALANCE SHEET DATE

In preparing the accompanying consolidated financial statements, the Company has reviewed subsequent events that have occurred after July 31, 2016. The Company noted no reportable subsequent events.

GOING CONCERN

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

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

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

DIRECTOR'S LIABILITIES

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

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

RE-APPOINTMENT OF AUDITORS

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

By order of the Board

Ricky A. Short
Director

Date: 7 April 2017

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

We have audited the financial statements of Enterprise Rent-A-Car UK Limited for the year ended 31 July 2016, which comprise the Group Statement of Income and Retained Earnings, Group Statement of Comprehensive Income, Group Statement of Financial Position, Company Statement of Financial Position, and the related notes 1 to 22. 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 Financial Reporting Standard 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 auditors

As explained more fully in the Director's Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (ABP'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 Group's and parent 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 Report and Financial Statements 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 Group's and parent company's affairs as at 31 July 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.

ERNST & YOUNG LLP

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

Date 7 / 4 / 17

GROUP STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 July 2016

	Note	*2016* *£000*	*2015* *£000*
TURNOVER	4	727,235	662,924
Cost of sales		(493,217)	(418,737)
GROSS PROFIT		234,018	244,187
Administrative expenses		(194,881)	(177,945)
OPERATING PROFIT	5	39,137	66,242
Interest payable	8	(34,494)	(37,629)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,643	28,613
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	(3,055)	(10,109)
PROFIT FOR THE FINANCIAL YEAR		1,588	18,504
Retained earnings at the beginning of the year		145,989	127,485
Profit for the year		1,588	18,504
RETAINED EARNINGS AT THE END OF THE YEAR		147,577	145,989

All operations of the Group relate to continuing activities.

GROUP STATEMENT OF COMPREHENSIVE INCOME

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

GROUP STATEMENT OF FINANCIAL POSITION
at 31 July 2016

	Note	2016 £000	2015 £000
FIXED ASSETS			
Goodwill and intangible assets	11	56,274	58,958
Tangible fixed assets	12	1,093,956	996,958
		1,150,230	1,055,916
CURRENT ASSETS			
Debtors	14	222,603	192,444
Cash at bank and in hand		17,483	6,704
		240,086	199,148
CREDITORS: amounts falling due within one year	15	(1,173,189)	(1,026,756)
NET CURRENT LIABILITIES		(933,103)	(827,608)
TOTAL ASSETS LESS CURRENT LIABILITIES		217,127	228,308
PROVISIONS FOR LIABILITIES AND CHARGES	16	(17,578)	(30,347)
NET ASSETS		199,549	197,961
CAPITAL AND RESERVES			
Called-up share capital		51,972	51,972
Retained earnings		147,577	145,989
SHAREHOLDER'S FUNDS		199,549	197,961

Approved by the Board and signed on its behalf by:

Ricky A. Short

Ricky A. Short
Director

Date: 7 April 2017

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 July 2016

	Note	2016 £000	2015 £000
FIXED ASSETS			
Tangible fixed assets	12	805,762	720,908
Investments	13	97,438	89,732
		903,200	810,640
CURRENT ASSETS			
Debtors	14	177,682	163,619
Cash at bank and in hand		14,043	5,197
		191,725	168,816
CREDITORS: amounts falling due within one year	15	(878,798)	(762,496)
NET CURRENT LIABILITIES		(687,073)	(593,680)
TOTAL ASSETS LESS CURRENT LIABILITIES		216,127	216,960
PROVISIONS FOR LIABILITIES AND CHARGES	16	(11,691)	(23,780)
NET ASSETS		204,436	193,180
CAPITAL AND RESERVES			
Called-up share capital		51,972	51,972
Retained earnings		152,464	141,208
SHAREHOLDER'S FUNDS		204,436	193,180

Approved by the Board and signed on its behalf by:

Ricky A. Short
Director

Date: 7 April 2017

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

These are the Group's and Company's first financial statements prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the financial statements as at 31 July 2016.

The financial statements of the Company for the year ended 31 July 2016 were authorised for issue by the board of directors on 7 April 2017 and the statement of financial position was signed on the board's behalf by 7 April 2017.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention and basis of preparation

The Company transitioned from previously extant UK GAAP to FRS102 for all periods presented. No adjustments were required upon transition.

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

Reporting exemptions

The company is a wholly owned subsidiary of Enterprise Rent-A-Car European Holdings Limited, a company incorporated in United Kingdom, which publishes consolidated accounts that are publically available from Companies House. On transition to FRS 102 from previous UK GAAP, the Company has taken advantage of the following disclosure exemptions under FRS 102:

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

Basis of consolidation

The Group financial statements include the accounts of Enterprise Rent-A-Car UK Limited and its subsidiary undertakings, Burnt Tree Holdings Limited ("Burnt Tree"), City Car Club Limited ("City Car Club"), Repair Funding Limited and ARMS Business Solutions Limited, drawn up to 31 July each year. No statement of income and retained earnings is presented for Enterprise Rent-A-Car UK Limited ("the Company") as permitted by Section 408 of the Companies Act 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

At each reporting date, the carrying value of goodwill and intangible assets are reviewed for any indications of impairment. If there is an indication of possible impairment, the recoverable amount of the cash generating units to which the goodwill and intangible assets are attributed is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. During fiscal 2016 and 2015, the Group did not identify any potential impairment of its goodwill and intangible assets.

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

Rental vehicles are depreciated using the straight-line method at predominately 1.7% of cost per month, except for commercial rental vehicles operated by Burnt Tree Holdings Limited, which are depreciated at 1.4% of cost per month for heavy goods vehicles and 1.7% of cost per month for light goods vehicles. The Group lowered the average monthly vehicle depreciation rate from 1.8% to 1.7% effective 1 August 2014, due to historical trends as well as anticipated future vehicle holding costs. The Group disposes of used vehicles through wholesale markets. At the time of disposal, any differences between proceeds received and net book values are recorded as adjustments to cost of sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

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

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over in to replacement assets and charged to tax only where the replacement assets are sold; and

- Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Acquisitions

In August 2014, the Group acquired Burnt Tree Holdings Limited ("Burnt Tree"), one of the United Kingdom's largest providers of commercial rental vehicles to companies and public sector organizations. Burnt Tree owns and operates an average fleet of approximately 18,000 vehicles, including commercial vans, heavy goods vehicles (HGVs), refrigerated trucks and accessible minibuses. The acquisition significantly increased the Group's presence in the United Kingdom flexible/long-term commercial vehicle sector.

In April 2015, the Group acquired 100% of the equity of City Car Club Limited ("City Car Club"), a UK car sharing business with a fleet of approximately 800 vehicles, 45 employees and 30,000 members. The acquisition reinforces the Group's capabilities as one of the UK's leading providers of mobility solutions to individuals and businesses.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisitions (continued)

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

Foreign Currencies

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

Pensions

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

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

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

Residual values and useful lives

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

Debtors

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

Goodwill and intangible assets

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

Vehicle self insurance liability

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

4. TURNOVER

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

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

5. OPERATING PROFIT

Operating profit is stated after charging:

	2016 *£000*	*2015* *£000*
Depreciation on tangible fixed assets (note 12)	222,730	203,667
Operating lease rentals – motor vehicles	13,497	11,171
Operating lease rentals – land and buildings	21,720	19,223
Amortization of goodwill and intangibles (note 11)	6,987	5,737

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

6. DIRECTORS' REMUNERATION

Directors' emoluments have been borne by Enterprise Holdings, Inc. The directors who served throughout the year were also directors or officers of a number of the companies within The Crawford Group, Inc., the ultimate parent company (see note 18). The directors' services to the Company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the Company for the years ended 31 July 2016 and 31 July 2015.

7. STAFF COSTS

Staff costs consist of the following:

	2016 *£000*	*2015* *£000*
Wages and salaries	165,323	154,276
Social security costs	18,406	16,912
Pension costs	5,276	6,593
	189,005	177,781

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

	2016 *Number*	*2015* *Number*
Administration	1,495	1,331
Sales	3,350	3,095
	4,845	4,426

8. INTEREST PAYABLE

	2016 £000	2015 £000
Amounts paid to a fellow subsidiary undertaking	34,494	37,629
	34,494	37,629

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax charge on profit on ordinary activities

	2016 £000	2015 £000
UK corporation tax		
UK corporation tax on profit of the period	14,299	11,052
Group relief receivable	(606)	(251)
Adjustments in respect of previous periods	3,189	2,915
	16,882	13,716
Deferred taxation		
Originating and reversal of timing differences	(8,728)	(1,231)
Prior year adjustment	(5,099)	(2,376)
	(13,827)	(3,607)
	3,055	10,109

(b) Factors affecting the tax charge for the period

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

	2016 £000	2015 £000
Profit on ordinary activities	4,643	28,613
Profit on ordinary activities multiplied by standard rate of UK corporation tax 20.00% (2015: 20.67%)	929	5,913
Effects of:		
Disallowed expenses and non-taxable income	5,358	3,867
Group relief receivable	(607)	(251)
Movement on unrecognised deferred tax	23	-
Rate change adjustment	(738)	41
Adjustments in respect of previous periods	(1,910)	539
	3,055	10,109

Refer to note 16, Deferred Tax.

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

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

11. GOODWILL AND INTANGIBLE ASSETS

Group:

	Goodwill	*Intangibles*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 August 2015	64,695	-	64,695
Acquisition of subsidiary undertakings	408	3,895	4,303
At 31 July 2016	65,103	3,895	68,998
Amortisation:			
At 1 August 2015	5,737	-	5,737
Provided during the year	6,551	436	6,987
At 31 July 2016	12,288	436	12,724
Carrying Amount:			
At 31 July 2016	52,815	3,459	56,274
At 31 July 2015	58,958	-	58,958

Goodwill arising on the acquisition of Burnt Tree (note 2 Acquisitions) is being amortised evenly over the director's estimate of its useful life of 10 years. The estimate of the useful life is based on a variety of factors, including an estimate of the revenue forecasted to be generated by customers existing at the acquisition date and a history of strong financial performance.

Goodwill arising on the acquisition of City Car Club (note 2 Acquisitions) is being amortised evenly over the director's estimate of its useful life of 10 years. The estimate of the useful life is based on a variety of factors and is primarily due to the fact that the business is an extension of the Company's core daily rental operations.

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

12. TANGIBLE ASSETS

Group:

	Vehicle Equipment £000	Land and Freehold Buildings £000	Furniture & Equipment £000	Computer Equipment & Software £000	Leasehold Improvements £000	Total £000
Cost:						
At 1 August 2015	1,071,357	25,117	20,124	11,793	34,079	1,162,470
Additions	953,879	335	3,472	1,723	10,220	969,629
Acquisition of subsidiary undertakings	2	-	-	66	-	68
Disposals	(782,337)	(196)	(2,414)	(2,854)	(3,532)	(791,333)
At 31 July 2016	1,242,901	25,256	21,182	10,728	40,767	1,340,834
Depreciation:						
At 1 August 2015	122,274	2,373	14,303	9,321	17,241	165,512
Charge for the year	215,650	1,020	2,083	1,479	2,498	222,730
Disposals	(135,224)	-	(2,105)	(2,741)	(1,294)	(141,364)
At 31 July 2016	202,700	3,393	14,281	8,059	18,445	246,878
Net Book Value:						
At 31 July 2016	1,040,201	21,863	6,901	2,669	22,322	1,093,956
At 31 July 2015	949,083	22,744	5,821	2,472	16,838	996,958

Acquisitions of subsidiary undertakings, includes the assets acquired from Repair Funding Limited, Bodyshop Management Solutions Limited and Common Automotive Platform Standard Consortium Limited (see note 2), which represents the fair market value of the assets on the date of acquisition. Any additions or disposals between the acquisition date and 31 July 2016 are included in additions and disposals.

Recorded within the Vehicle Equipment are £41,234,000 (2015: £44,380,000) of used cars that will be sold within one year of the balance sheet date. Vehicle expense in the previous year included an estimated £3,800,000 favourable impact resulting from the depreciation rate change, effective 1 August 2014.

12. TANGIBLE ASSETS (CONTINUED)

Company:

	Vehicle Equipment £000	Land and Freehold Buildings £000	Furniture & Equipment £000	Computer Equipment & Software £000	Leasehold Improvements £000	Total £000
Cost:						
At 1 August 2015	762,783	24,686	18,792	11,210	34,080	851,551
Additions	799,187	292	3,100	1,547	10,045	814,171
Disposals	(705,951)	(196)	(2,342)	(2,847)	(3,533)	(714,869)
At 31 July 2016	856,019	24,782	19,550	9,910	40,592	950,853
Depreciation:						
At 1 August 2015	87,845	2,331	14,088	9,138	17,241	130,643
Charge for the year						
Transfer in	142,151	981	1,814	1,237	2,498	148,681
Disposals	(128,052)	-	(2,092)	(2,754)	(1,335)	(134,233)
At 31 July 2016	101,944	3,312	13,810	7,621	18,404	145,091
Net Book Value:						
At 31 July 2016	754,075	21,470	5,740	2,289	22,188	805,762
At 31 July 2015	674,938	22,355	4,704	2,072	16,839	720,908

Recorded within the Vehicle Equipment are £39,021,000 (2015: £44,351,000) of used cars that will be sold within one year of the balance sheet date. Vehicle expense in the previous year included an estimated £3,800,000 favourable impact resulting from the depreciation rate change, effective 1 August 2015.

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company:

	2016 £000	2015 £000
Shares at cost:		
Burnt Tree Holdings Limited	77,567	77,567
Burnt Tree Group Limited	5,515	-
City Car Club Limited	12,165	12,165
Repair Funding Limited	2,191	-
	97,438	89,732

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

Repair Funding Limited (note 2 Acquisitions)

	Book Value £000	*Revaluation Adjustment* £000	*Fair Value to Group* £000
Tangible assets	56	-	56
Cash	56	-	56
Trade debtors, net	15,849	-	15,849
Prepayments and other assets	29	-	29
Debt	(5,570)	-	(5,570)
Creditors and other liabilities	(8,644)	-	(8,644)
Income taxes, current and deferred	(411)	-	(411)
Net assets	1,365	-	1,365
Computer software			826
Consideration			2,191

The acquisition price of Bodyshop Management Solutions Limited and Common Automotive Platform Standard Consortium Limited totalled £2,785,000. In connection with the acquisition, the Company acquired £329,000 of net assets. The total purchase price in excess of fair value of identifiable assets acquired and liabilities assumed, £2,456,000, was allocated to computer software. In connection with the purchase accounting performed, the Company recorded deferred tax liabilities on the computer software acquired totalling £613,000, resulting in a total computer software asset of £3,069,000.

Revenue and profit of acquired companies

Revenue and profit after tax of £14,350,000 and £393,000, respectively, arose in the period from acquisition to 31 July 2016 relating to of Bodyshop Management Solutions Limited, Common Automotive Platform Standard Consortium Limited and Repair Funding Limited.

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

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

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

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

Burnt Tree Holdings Limited (registered number 05586365)
Burnt Tree Group Limited (registered number 02384046)
Burnt Tree Vehicle Solutions Limited (registered number 05587476)
Xcess A Bus Limited (registered number 05494618)
City Car Club Limited (registered number 05443333)
Repair Funding Limited (registered number 07800035)
ARMS Business Solutions Limited (registered 09877769)
Bodyshop Management Solutions Limited (registered 06213700)
Common Automotive Platform Standard Consortium Limited (registered 06044682)
Gates Business Solutions Limited (registered 06452789)

14. DEBTORS

	Group		*Company*	
	2016	*2015*	*2016*	*2015*
	£000	*£000*	*£000*	*£000*
Trade debtors	192,788	166,007	151,731	141,145
Prepayments and accrued income	29,187	25,964	25,324	22,001
Amounts owed by fellow subsidiary undertakings	628	473	627	473
	222,603	192,444	177,682	163,619

15. CREDITORS: amounts falling due within one year

	Group		*Company*	
	2016	*2015*	*2016*	*2015*
	£000	*£000*	*£000*	*£000*
Customer deposits	6,353	6,711	6,353	6,711
Bank overdraft	3,054	6,538	3,030	6,521
Trade creditors	94,443	75,390	78,087	66,433
Current income taxes payable	6,222	8,309	5,179	7,422
Other creditors and accruals	75,952	83,908	74,982	75,207
Other taxes and social security costs	5,903	5,341	5,221	4,338
Amounts owed to a fellow subsidiary undertaking	981,262	840,559	705,946	595,864
	1,173,189	1,026,756	878,798	762,496

16. PROVISION FOR DEFERRED TAX AND OTHER LIABILITIES

Group:

	Provision for Dilapidations £000	*Provision for Deferred Tax £000*	*Total £000*
At 1 August 2015	2,352	27,995	30,347
Profit and loss account	298	(13,827)	(13,529)
Deferred tax liability recognised on acquisition	-	760	760
	2,650	14,928	17,578

Company:

	Provision for Dilapidations £000	*Provision for Deferred Tax £000*	*Total £000*
At 1 August 2015	2,352	21,428	23,780
Profit and loss account	123	(12,371)	(12,248)
Deferred tax liability recognised on acquisition	-	159	159
	2,475	9,216	11,691

Provision for Dilapidations

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

Provision for Deferred Tax

Deferred tax recognised and unrecognised is made up as follows:

Group:

	2016 £000 Recognised	*2016 £000 Unrecognised*	*2015 £000 Recognised*	*2015 £000 Unrecognised*
Accelerated capital allowances	33,773	-	44,970	-
Short term timing differences	(18,845)	-	(16,975)	-
Tax losses carried forward	-	(1,090)	-	(1,068)
	14,928	(1,090)	27,995	(1,068)

Company:

	2016 £000 Recognised	*2016 £000 Unrecognised*	*2015 £000 Recognised*	*2015 £000 Unrecognised*
Accelerated capital allowances	28,497	-	38,182	-
Short term timing differences	(19,281)	-	(16,754)	-
Tax losses carried forward	-	-	-	-
	9,216	-	21,428	-

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

Deferred tax assets and liabilities have been calculated at a rate of 19.22%.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been substantively enacted at the balance sheet date. Finance (No. 2) Act 2015, which includes reductions in the UK corporate tax rate to 19% on 1 April 2017 and to 18% on 1 April 2020, was substantively enacted on 18 November 2015. Accordingly, UK deferred tax assets and liabilities have been recognised at the rate of 19.22% for the year ended 31 July 2016.

Factors That May Affect Future Tax Charges

Finance Act 2016, which includes reductions in the UK corporate tax rate to 17% on 1 April 2020, received Royal Assent on 15 September 2016. Consequently, the Group will only recognise the impact of rate changes which are substantively enacted at the balance sheet date in its financial statements. The further reduction in tax rate will affect both the future current and deferred tax charge of the Group. However, for indicative purposes only, the effect of the future reduction in the corporate income tax rate to 17% on the Group's deferred taxes is expected to result in an income tax benefit of £1.6 million.

17. COMMITMENTS AND CONTINGENCIES

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

	2016	*2015*
	Land and buildings £000	*Land and buildings £000 Restated*
Operating leases which expire:		
within one year	12,280	10,213
within two to five years	13,289	12,912
after five years	13,098	13,820
	38,668	36,945

No commitments are disclosed for motor vehicle leases, given amounts are prepaid. In addition to the above, the Group enters into agreements on an annual basis with a number of different manufacturers to purchase vehicles to meet the requirements for its rental fleet. Certain of these agreements commit the Group to minimum purchase volumes. Based on the outstanding agreements, the Group had firm commitments for vehicle purchases totalling approximately £206,211,000 at 31 July 2016 (£319,501,000 at 31 July 2015).

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY (CONTINUED)

The parent undertaking of the largest group of which the Company is a member and for which group financial statements are prepared is The Crawford Group, Inc., a company incorporated in the state of Missouri in the United States of America. In the directors' opinion, The Crawford Group, Inc. is the Company's Ultimate Parent Company and Controlling Party.

19. PENSIONS

The Group operates a defined contribution pension scheme. Contributions are based on pension costs across the worldwide consolidated group as a whole. Outstanding contributions, included within other creditors and accruals as at 31 July 2016, were £2,332,000 (2015: £3,093,000).

20. RELATED PARTY TRANSACTIONS

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

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

21. EVENTS SINCE THE BALANCE SHEET DATE

In preparing the accompanying consolidated financial statements, the Company has reviewed subsequent events that have occurred after July 31, 2016 through April 7, 2017, the date the financial statements were issued. The Company noted no reportable subsequent events.

22. FIRST TIME ADOPTION OF FRS 102

The policies applied under the Company's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss. There were no conversion adjustments applicable to the Company at the date of transition, 1 August 2014.