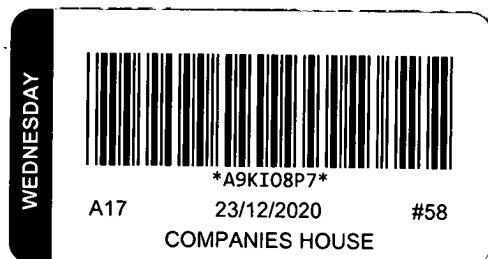


Company Registration No. 04664457 (England and Wales)

**ZODIAC EUROPE FINANCE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# ZODIAC EUROPE FINANCE COMPANY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	P L Ford P E Rollason
<b>Secretary</b>	I Lall
<b>Company number</b>	04664457
<b>Registered office</b>	Avis Budget House Park Road Bracknell United Kingdom RG12 2EW
<b>Auditor</b>	Deloitte LLP Reading United Kingdom RG1 3BD

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# ZODIAC EUROPE FINANCE COMPANY LIMITED

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# ZODIAC EUROPE FINANCE COMPANY LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their Strategic Report for the Company for the year ended 31 December 2019.

### **Strategic Review and Future Developments**

#### *Strategic Review*

The principal activity of the Company is to administer the issuance of prepaid vouchers for vehicle rental on behalf of companies operating under the Budget Rent A Car brand throughout the Europe, Middle East and Africa region. The Company is in the Avis Budget Group, Inc. group of companies.

The Company has continued to perform as expected throughout the year and has made a profit after taxation in the year of €1,605,000 (2018: €1,846,000). The Directors expect that the Company will continue to operate as the issuer of prepaid vouchers for vehicle rental under the Budget Rent A Car brand in the coming year. The position of the Company at the year end is set out in the Statement of Financial Position and related notes on pages 12 to 19.

Given the nature of the business the Directors of the Company are of the opinion that analysis using other key performance indicators is not necessary for an understanding of the development, performance or position of the business.

#### *Future developments*

The Company is well-positioned as part of Avis Budget, Inc. a global leading group in the evolving mobility marketplace. Mobility is more than providing a clean reliable car of choice for a customer to use to get from point A to point B. Mobility means customers, using their smartphones or tablets, can customise their experiences with the fellow subsidiaries products, services, and employees, bypass the counter or change their minds about the make or model of a vehicle and review their options on their mobile device right up to the moment they exit the parking lot.

Consistent with other integral components of the global travel industry, the Group is seeing significant impacts in its business around the world as a result of the Coronavirus ("COVID-19") outbreak. Significant events affecting travel, have historically had an impact on vehicle rental volumes, with the full extent of the impact generally determined by the length of time the event influences travel decisions. The COVID-19 outbreak has had, and the Company believes will continue to have, a significant adverse impact on Company's operations, and on financial results and liquidity, and such negative impact may continue well beyond the containment of the outbreak.

The Company cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a decrease in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the Company has taken, and plans to take further actions to manage its liquidity, including reducing operating expenses. Based on these actions and assumptions regarding the impact of COVID-19, the Directors concluded that the Company will be able to generate sufficient liquidity to satisfy its obligations and remain in compliance with existing debt covenants for the next twelve months.

The Company operates in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond Company's control, or changes in the impact of identified risk factors may cause actual results to differ materially from past results and/or those anticipated, estimated or projected. Although the Directors believe that the assumptions are reasonable, any or all of Company's forward looking statements may prove to be inaccurate and the Company can make no guarantees about its future performance.

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

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's financial exposure is to other companies in the Avis Budget 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, which are as disclosed in the Consolidated Financial Statements of Avis Budget Group, Inc.

# **ZODIAC EUROPE FINANCE COMPANY LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Section 172(1) Statements**

Section 172 of the Companies Act 2006 requires each Director of the Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters to: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with customers, suppliers, licensees and others; the impact of the Company's operations on the community and environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under Section 172. The stakeholders considered in this regard are the people who work for the Company, and rent vehicles from the Company. The Directors recognise that building strong relationships with our stakeholders will help the Company deliver its strategy in line with its long-term values and operate the business in a sustainable way.

The Directors of the Company seek to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate. Some of the ways in which the Directors engaged directly with the stakeholders over the year are detailed below:

### **Shareholders**

The Company is a wholly owned subsidiary of Zodiac Europe Limited, and the ultimate parent company is Avis Budget Group, Inc. The Company's Directors have day-to-day interaction with both the senior management of the Avis Budget Group - International division and regular dialogue with the senior executive management of Avis Budget Group, Inc. Given this direct dialogue, the Directors have a comprehensive understanding of the needs and expectations of its immediate shareholders.

At the Avis Budget Group, Inc level, senior executive management regularly engage in dialogue with the Group's stockholders regarding strategy and performance and are committed to acting in the best interests of all of the Group's stockholders. The Group has been, and may be in the future, subject to formal or informal actions or requests, including a proxy contest, from stockholders or other interested parties. As at 31 December 2019, SRS Investment Management, LLC ("SRS") disclosed ownership of 16,189,300 shares of the Group's common stock and economic exposure to an additional 8,810,700 notional shares of the Group's common stock pursuant to cash settled equity swaps. Avis Budget Group, Inc entered into a new cooperation agreement with SRS on 24 February 2020. The terms of the new approximately two-year cooperation agreement include the agreement for the Board of Avis Budget Group, Inc to comprise nine directors, of which three would be appointed by SRS.

Approved by the Board and signed on its behalf by:



**P L Ford**  
**Director**

16 December 2020

# **ZODIAC EUROPE FINANCE COMPANY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their annual report and the audited Financial Statements of the Company for the year ended 31 December 2019.

#### **Results and Dividends**

The Company made a profit after taxation in the year of €1,605,000 (2018: €1,846,000).

No interim dividend has been paid on the ordinary shares during the year (2018: €nil). The Directors do not recommend the payment of a final dividend on the ordinary shares (2018: €nil).

#### **Future Developments**

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

#### **Going Concern**

At 31 December 2019 the Company had cash of €130,000 (2018: €287,000), net current assets of €18,504,000 (2018: €16,899,000) and continued as an intermediate finance company. When preparing Financial Statements, the Directors assessed the Company's ability to continue as a going concern.

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations.

The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

The Company's ultimate parent, Avis Budget Group, Inc confirmed its willingness and ability to provide continued financial support to Avis Budget EMEA Limited group of companies to operate as a going concern and to meet its obligations for at least 12 months from the date of approval of the Financial Statements of the Company. Due to the Company's and the Group's wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through the end of December 2021 and beyond.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 3 of the Financial Statements.

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

Details of financial risk management objectives and policies can be found in the Strategic Report on page 1.

#### **Directors**

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

P Mitchell

(Resigned 30 June 2020)

P L Ford

P E Rollason

# **ZODIAC EUROPE FINANCE COMPANY LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Post Reporting Date Events**

The on-going global pandemic Coronavirus (COVID-19) has caused severe disruptions in the global economic and financial markets. Consistent with other integral components of the global travel industry, the Company and the fellow subsidiaries in the Avis Budget Group, Inc. are seeing significant impacts in business around the world as a result of the coronavirus. The teams across the Group are united in facing the current unprecedented health crisis, and are committed to taking the necessary steps to protect the health and safety of customers, employees, and to navigate through this disruptive global event.

The first outbreak was discovered in Wuhan China in December 2019 and quickly spread to multiple countries before being recognized by the World Health Organization as a Pandemic on the 11th of March 2020. Efforts to prevent the virus spreading include travel restrictions, quarantines, curfews, event postponements and cancellations, and facility closures across most of the world. These measures although temporary have had an immediate impact on the global economy, in particular the travel industry including vehicle rental.

In March and April 2020 car reservations and revenue of fellow subsidiaries to which the Company provides finance services to, began to be negatively affected as travel restrictions were broadly implemented and the outlook for the start of 2021 and beyond is challenged. Further details on subsequent events can be found in Note 17 of the Financial Statements.

### **Directors' Responsibilities Statement**

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

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

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

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

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

# **ZODIAC EUROPE FINANCE COMPANY LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Statement of Disclosure of Information 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.

#### **Auditor**

Deloitte LLP will continue in office as permitted by Section 487 of the Companies Act 2006.

On behalf of the board



P L Ford  
Director

16 December 2020



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

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## Report on the audit of the Financial Statements

### Opinion

In our opinion the Financial Statements of Zodiac Europe Finance Company Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Statement of Comprehensive Income;
- the Statement Of Financial Position;
- the Statement of Changes in Equity;
- the related Notes on pages 12 to 19.

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 (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZODIAC EUROPE FINANCE COMPANY LIMITED**

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## **Responsibilities of Directors**

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

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

A further description of our responsibilities for the audit of the Financial Statements is located on the 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**

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 ZODIAC EUROPE FINANCE COMPANY 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.

Alexander Butterworth, ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
United Kingdom  
16 December 2020

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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	Notes	2019 €'000	2018 €'000
Revenue	5	498	599
Cost of sales		(269)	(302)
<b>Gross profit</b>		<u>229</u>	<u>297</u>
Administrative expenses		(225)	(242)
Other operating income	6	1,088	1,277
<b>Operating profit</b>	6	<u>1,092</u>	<u>1,332</u>
Finance income	9	513	514
<b>Profit before taxation</b>		<u>1,605</u>	<u>1,846</u>
Taxation	10	-	-
<b>Profit for the financial year</b>		<u><u>1,605</u></u>	<u><u>1,846</u></u>

All results derive from continuing operations.

The accompanying Notes on pages 12 to 19 form an integral part of these Financial Statements.

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 €'000	2018 €'000
<b>Current assets</b>			
Trade and other receivables	11	179	114
Other financial assets:			
- amounts owed by group undertakings	13	23,228	20,972
Cash at bank and in hand		130	287
<b>Current Assets</b>		<u>23,537</u>	<u>21,373</u>
<b>Current liabilities</b>			
Trade and other payables	12	(2,575)	(2,329)
Other financial liabilities:			
- amounts owed to group undertakings	13	(2,458)	(2,145)
<b>Net current assets</b>		<u>18,504</u>	<u>16,899</u>
<b>Total assets less current liabilities being</b>			
<b>Net assets</b>		<u>18,504</u>	<u>16,899</u>
<b>Equity</b>			
Called up share capital	15	-	-
Translation reserve		189	189
Retained earnings		18,315	16,710
<b>Total equity</b>		<u>18,504</u>	<u>16,899</u>

The Financial Statements on pages 9 to 19 were approved by the Board on 16 December 2020 and were signed on its behalf by:



P L Ford  
Director  
Zodiac Europe Finance Company Limited  
Company Registration No. 04664457

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share capital €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2018	-	189	14,864	15,053
Profit and total comprehensive income for the year	-	-	1,846	1,846
At 31 December 2018	-	189	16,710	16,899
At 1 January 2019	-	189	16,710	16,899
Profit and total comprehensive income for the year	-	-	1,605	1,605
At 31 December 2019	-	189	18,315	18,504

The accompanying Notes on pages 12 to 19 form an integral part of these Financial Statements.

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 General Information

The Company is an intermediate holding company in the Avis Budget Group, Inc. group of companies. The Company is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2016 and registered in England and Wales. The address of its registered office is Avis Budget House, Park Road, Bracknell, RG12 2EW.

### 2 Statement of Compliance

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

### 3 Accounting policies

#### Company information

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

#### 3.1 Accounting convention

The Financial Statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the statement of comprehensive income.

The Financial Statements are prepared in Euros which is the functional currency of the Company. Monetary amounts in these Financial Statements are rounded to the nearest €'000.

The Financial Statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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 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': 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 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 available from its registered office, 6 Sylvan Way, Parsippany, NJ 075054 and [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3 Accounting policies

(Continued)

#### 3.2 Going concern

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations.

The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

As at the date of signing the Financial Statements, the Company is an intermediate finance company. The Directors have received confirmation that Avis Budget Group Inc., the ultimate parent undertaking, will continue to provide adequate resources to enable the company to continue in operation for at least twelve months from date of approval of the Financial Statements. Due to Group wide cost reduction and business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through to December 2021 and beyond. The Directors have therefore adopted the going concern basis in preparing the Financial Statements.

#### 3.3 Revenue

Revenue comprises fees charged to Budget Rent A Car locations for administering the Budget prepaid voucher scheme. Revenue is recognised when the voucher is presented for payment by the renting location.

#### 3.4 Financial instruments

##### **Basic 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.

##### **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.



# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3 Accounting policies

(Continued)

#### *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.

### 3.5 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is only recognised when there are expected to be suitable future taxable profits within the tax group against which to reverse the underlying timing differences.

### 3.6 Foreign currency

The Company's functional and presentation currency is Euro. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. Profits and losses on exchange are dealt with in the statement of comprehensive income.

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

The Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. During the year there were no critical accounting judgments made by the Directors.

#### **Key sources of estimation uncertainty**

##### *Recoverability of the amounts owned by group undertakings*

Amounts owned by group undertakings are unsecured and payable on demand. Balance sheet amounts are stated net of provisions for doubtful debt, and accordingly the maximum credit risk exposure is the carrying amount of the amounts owed by group undertakings. The uncertainty exists over the recoverability of such balances. The Directors have concluded that all such amounts are expected to be fully recoverable hence no allowance for bad debts has been made during the reporting period.

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Revenue

The principal activity of the Company is the issuance of prepaid vouchers for vehicle rental on behalf of fellow subsidiary companies and franchisees operating under the Budget Rent A Car brand. All revenue relates to processing fees charged on this activity and arose in the United Kingdom.

### 6 Operating profit

	2019	2018
	€'000	€'000
Operating profit for the year is stated after crediting:		
Exchange Gains/(Loss)	(158)	(139)
Release of unredeemed vouchers	1,088	1,277

### 7 Auditor's remuneration

The auditor's remuneration is borne by Avis Budget Services Limited, a fellow subsidiary undertaking. The fee payable to the Company's auditors for the audit of the Company's Financial Statements for the year ended 31 December 2019 was £1,000 (2018: £1,000).

### 8 Directors' emoluments and employees

The Directors received no remuneration in respect of their services to the Company during the year (2018: €nil). These Directors are remunerated by other Group companies and it is not possible to accurately determine the allocation of the Director's remuneration related to the Company for the current or prior year.

The average monthly number of Directors during the year was 3 (2018: 3). There were no other employees during the year (2018: nil).

### 9 Finance income

	2019	2018
	€'000	€'000
Interest receivable on loans to group undertakings	513	514

### 10 Taxation

#### Analysis of charge in year

	2019	2018
	€'000	€'000
Total current tax	-	-
Total deferred tax	-	-
Total tax charge	-	-

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Taxation

(Continued)

#### Factors affecting the tax charge for the year

The standard rate of tax applied to the reported profit is 19.00% (2018: 19.00%). The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 €'000	2018 €'000
Profit before taxation	1,605	1,846
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	305	351
Group relief received for nil consideration	(301)	(351)
Transfer pricing adjustments	(4)	-
Taxation for the year	-	-

Legislation to maintain the main rate of corporation tax at 19% from 1 April 2020 is included in Finance Act 2020 and was substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968.

### 11 Trade and other receivables

	2019 €'000	2018 €'000
Trade receivables	179	-
Other receivables	-	114
	179	114

### 12 Trade and other payables

	2019 €'000	2018 €'000
Other payables	2,575	2,329

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Inter-company items

	2019 €'000	2018 €'000
Amounts owed by group undertakings	23,228	20,972
Amounts owed to group undertakings	(2,458)	(2,145)
Net amounts owed by group undertakings	<u>20,770</u>	<u>18,827</u>

Amounts owed by group undertakings, and amounts owed to group undertakings, are unsecured and payable on demand.

Balance sheet amounts are stated net of provisions for doubtful debts, and accordingly the maximum credit risk exposure is the carrying amount of the amounts owed by group undertakings. No allowance for bad debts has been made as all amounts owed by group undertakings are expected to be fully recoverable.

Inter-company loans are fixed rate with a weighted average cost for amounts owed by group undertakings at 31 December 2019 of 2.18% (2018: 2.29%) and for amounts owed to group undertakings of nil. There were no floating rate inter-company loans.

### 14 Financial instruments

	2019		2018	
	Book amount €'000	Fair value €'000	Book amount €'000	Fair value €'000
Trade and other receivables	179	179	114	114
Other financial assets:				
- amounts owed by group undertakings	23,228	23,228	20,972	20,972
Cash at bank and in hand	130	130	287	287
Trade and other payables	(2,575)	(2,575)	(2,329)	(2,329)
Other financial liabilities:				
- amounts owed to group undertakings	<u>(2,458)</u>	<u>(2,458)</u>	<u>(2,145)</u>	<u>(2,145)</u>

# ZODIAC EUROPE FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 15 Called-up share capital

	2019	2018
	€	€
<b>Authorised</b>		
100 Ordinary shares of £1 each	153	153
	<u>          </u>	<u>          </u>
<b>Allotted, issued and fully paid</b>		
1 Ordinary share of £1 each	1	1
	<u>          </u>	<u>          </u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

#### Retained earnings

The Translation Reserve relates to a functional and presentation currency change from Sterling to Euro in 2016.

### 16 Related party transactions

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

# **ZODIAC EUROPE FINANCE COMPANY LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **17 Events after the reporting date**

Coronavirus 2019 (COVID-19), is an ongoing pandemic caused by severe acute respiratory syndrome. Although the virus had been detected as of the balance sheet date in a limited region in China the event of spread and subsequent travel restrictions did not exist as of the balance sheet but arose after the balance sheet date. Therefore, the Directors concluded that the impacts of COVID-19 as a non-adjusting event after the end of the reporting period.

The Company evaluated its 31 December 2019 Financial Statements for subsequent events through the date the Financial Statements were issued. COVID-19 has disrupted the global travel industry subsequent to 31 December, 2019. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

When preparing the Financial Statements, the Directors assessed the Company's ability to continue as a going concern.

In response to the current unprecedented circumstances, the Group accessed surplus equity in vehicle fleet, analysed the cash flows and estimated the available credit under an undrawn revolving credit facility to provide the Company and its fellow subsidiaries with adequate liquidity. Various actions were taken to reduce the fleet and right size operations for the expected downturn in reservations. The Group is also coordinating with car rental associations internationally and working to secure access to the various social plans being implemented in Europe. Although it cannot be predicted, disruption in the global economy beyond the required liquidity availability of twelve months is not expected at this time.

In April 2020, the Avis Budget Group, Inc. entered into the Second Amendment (the "Amendment") to its Floating Rate Term Loan due 2027. The Amendment waives the quarterly tested leverage covenant in the Floating Rate Term Loan due 2027 through and including the second quarter of 2021, adjusts the required leverage levels for the covenant when it is re-imposed at the end of the waiver period, and imposes a new monthly-tested liquidity covenant for the duration of the waiver period. The Amendment also makes certain other amendments to the terms of the Floating Rate Term Loan due 2027, including increasing the interest and fees payable on the Credit Facility for the duration of the period during which the waiver of the leverage covenant remains in effect, tightening the lien covenant and the covenant on share repurchases and distributions, and imposing new covenants limiting asset sales, investments and discretionary capital expenditures.

In May 2020, the Group issued £377 million (US\$500 million) of 10.500% Senior Secured Notes due April 2025. The notes were issued at 97% of their face value. In August 2020, the Group issued £267 million (US \$350 million) of 5.75% Senior Notes due July 2027. The notes were issued at 92% of their face value.

Due to the cost reduction and other business rationalisation measures taken, Directors have a reasonable expectation that the Company has sufficient liquidity to operate through the end of December 2021 and beyond.

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

The Company is a subsidiary undertaking of Zodiac Europe Limited, which is part of the group of companies owned by Avis Budget EMEA Limited. Both these parent undertakings are registered in England and Wales. The smallest and largest parent undertaking to consolidate the Financial Statements of the Company is Avis Budget Group, Inc., 6 Sylvan Way, Parsippany, NJ 075054, which is incorporated in the United States of America and registered on NASDAQ. The financial statements of Avis Budget Group, Inc. are publicly available at the registered office 6 Sylvan Way, Parsippany, NJ 075054 and [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).