

Avis Rent a Car Limited

Financial Statements for the year ended 31 December 2019

Avis Rent a Car Limited
Financial statements
for the financial year ended 31 December 2019

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Avis Rent a Car Limited
Corporate Information
for the financial year ended 31 December 2019

Directors

The Directors of the Company during the financial year were:

P. Ford
B. Galloon
T. Mooney (appointed 12 March 2019)

Ultimate holding company

Avis Budget Group Inc.

Registered office and principal place of business

Level 3, Building C
600 Great South Road
Ellerslie
Auckland

Auditors

Deloitte Limited

Registration number

AK166704

Avis Rent a Car Limited
Directors' approval
for the financial year ended 31 December 2019

The Directors present the annual report of Avis Rent a Car Limited, incorporating the financial statements and the Auditor's report, for the year ended 31 December 2019.

With the agreement of the sole shareholder, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised these financial statements present on pages 5 to 31 for issue on July 2020


Postal Form 700 (38/95 GMF 1)

P. Ford
Director
London

29 July 2020



B Galloon
Director
Sydney

29 July 2020



Independent Auditor's Report

To the Shareholders of Avis Rent A Car Limited

Opinion	<p>We have audited the financial statements of Avis Rent A Car Limited (the 'Company'), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 5 to 31, present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Our firm carries out other assignments for the Company in the area of taxation advice and certain agreed upon-procedures with the purpose of assisting Avis Rent A Car Limited to comply with the requirements of its license agreement. These services have not impaired our independence as auditor of the Company. In addition to this, partners and employees of our firm deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. The firm has no other relationship with, or interest in, the Company.</p>
Directors' responsibilities for the financial statements	<p>The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the directors are responsible on behalf of the Company 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.</p>
Auditor's responsibilities for the audit of the financial statements	<p>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 and ISAs (NZ) 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.</p> <p>A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:</p> <p>https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8</p> <p>This description forms part of our auditor's report.</p>
Restriction on use	<p>This report is made solely to the Company's shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.</p>

Deloitte Limited

Auckland, New Zealand
29 July 2020

Avis Rent a Car Limited
Statement of profit or loss and other comprehensive income
for the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	2	175,169	145,297
Direct vehicle expenses		(109,872)	(77,946)
Rental expenses		(37,559)	(36,289)
Marketing expenses		(8,934)	(7,902)
General and administrative expenses		(7,233)	(1,502)
Finance expenses		(5,410)	(2,379)
Total expenses	2	(169,008)	(126,018)
Profit before income tax expense		6,161	19,279
Income tax expense	3	(1,731)	(5,405)
Profit for the year from continuing operations		4,430	13,874
Other comprehensive income		-	-
Total comprehensive income of the year		4,430	13,874
Attributable to the owners of the Company		4,430	13,874

Notes to the financial statements are included on pages 9 to 31

Avis Rent a Car Limited
Statement of financial position
as at 31 December 2019

		<u>2019</u>	<u>2018</u>
		<u>\$'000</u>	<u>\$'000</u>
	Note		
Current assets			
Cash and cash equivalents	4	90,036	7,646
Trade and other receivables	5	13,093	10,837
Inventories	6	907	812
Property, plant and equipment	8	171,607	150,168
Other current assets	7	1,000	1,000
Total current assets		<u>276,643</u>	<u>170,463</u>
Non-current assets			
Right of use assets	9	24,015	-
Property, plant and equipment	10	2,167	2,224
Intangible assets	11	884	515
Other non-current assets	12	18,379	41,123
Total non-current assets		<u>45,445</u>	<u>43,862</u>
Total assets		<u>322,088</u>	<u>214,325</u>
Current liabilities			
Trade and other payables	13	101,313	83,952
Lease liabilities	9	9,090	-
Deferred revenue	14	784	1,455
Provisions	15	5,231	4,617
Other current liabilities	16	964	-
Total current liabilities		<u>117,382</u>	<u>90,024</u>
Non-current liabilities			
Provisions	17	401	720
Lease liabilities	9	15,889	-
Interest bearing liabilities	18	122,866	62,136
Deferred tax liability	3	11,379	11,704
Total non-current liabilities		<u>150,535</u>	<u>74,560</u>
Total liabilities		<u>267,917</u>	<u>164,584</u>
Net assets		<u>54,171</u>	<u>49,741</u>
Equity			
Issued capital	19	7,288	7,288
Retained profits		46,883	42,453
Total equity attributable to the owners of the Company		<u>54,171</u>	<u>49,741</u>


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P: Ford
 Director
 29 July 2020



B Galloon
 Director
 29 July 2020

Notes to the financial statements are included on pages 9 to 31

Avis Rent a Car Limited
Statement of changes in equity
for the financial year ended 31 December 2019

	<i>Fully paid ordinary shares \$'000</i>	<i>Fully paid preference shares \$'000</i>	<i>Retained earnings \$'000</i>	<i>Total \$'000</i>
Balance as at 1 January 2018	4,000	3,288	68,579	75,867
Profit for the year	-	-	13,874	13,874
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive income for the year	-	-	13,874	13,874
Dividends			(40,000)	(40,000)
Balance as at 31 December 2018	<u>4,000</u>	<u>3,288</u>	<u>42,453</u>	<u>49,741</u>
Balance as at 1 January 2019	4,000	3,288	42,453	49,741
Profit for the year	-	-	4,430	4,430
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive income for the year	-	-	4,430	4,430
Balance as at 31 December 2019	<u>4,000</u>	<u>3,288</u>	<u>46,883</u>	<u>54,171</u>

Notes to the financial statements are included on pages 9 to 31

Avis Rent a Car Limited
Statement of cash flows
for the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		198,465	166,964
Payments to suppliers and employees		(200,600)	(179,577)
Interest paid		(3,688)	(2,446)
Income tax (paid)/received		(4,561)	2,159
Net advances from related parties		18,197	8,397
		7,813	(4,503)
<i>Cash flows from investing activities</i>			
Interest received		353	1,015
Payment for purchase of property, plant and equipment		(685)	(653)
Payment for intangibles		(604)	(234)
Advances repaid by related parties		45,010	16,000
Advances to related parties		(20,000)	(34,024)
		24,074	(17,896)
<i>Cash flows from financing activities</i>			
Proceeds from external borrowings		190,500	-
Repayment of external borrowings		(115,500)	-
Proceeds from related party borrowings		76,221	118,529
Repayment of related party borrowings		(90,492)	(61,542)
Payment of lease liabilities		(9,185)	-
Payment of lease liability interest		(1,041)	-
Dividend paid		-	(40,000)
Increase in restricted cash deposit		-	(1,000)
		50,503	15,987
		82,390	(6,412)
<i>Net increase/(decrease) in cash held</i>		82,390	(6,412)
<i>Cash at the beginning of the financial year</i>		7,646	14,058
<i>Cash at the end of the financial year</i>	4	90,036	7,646

Notes to the financial statements are included on pages 9 to 31

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), New Zealand equivalents to International Financial Reporting Standards, NZ IFRS Reduced Disclosure Requirements (NZ IFRS RDR) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities that qualify for and Tier 2 RDR Standards.

The Company is a qualifying entity reporting under the accounting framework for Tier 2 for-profit entities issued by the External Reporting Board. The Company qualifies on the basis that it is not publicly accountable and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Company has applied a number of disclosure concessions.

Avis Rent A Car Limited is a profit-orientated company limited by shares, incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for inventory which is at the lower of cost or net realisable value.

The financial statements have been prepared on a going concern basis. The Directors, regardless of the impact of the COVID-19, continue to believe the going concern basis remains appropriate as the Company will be able to realise its assets and discharge its liabilities in the normal course of business. The Company's updated forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company will be able to operate within the level of its facilities for the foreseeable future. The Company considers that going concern assumption is appropriate. Refer also subsequent events Note 24.

The functional and presentation currency is New Zealand dollars. The financial statements are presented in New Zealand dollars. The numbers have been rounded-off to the nearest thousand dollars unless otherwise indicated.

Adoption of New Accounting Pronouncements

Leases

On 1 January 2019, the Company adopted NZ IFRS 16, as issued by IASB in February 2016, effective for annual periods that begin on or after 1 January 2019.

NZ IFRS 16 introduces new or amended requirements with respect to leases accounting for lessees, removing the distinction between operating and finance leases. It requires a lessee to recognise all long-term leases on its balance sheet as a liability for its lease obligation, measured at the present value of lease payments not yet paid, and a corresponding asset representing its right to use the underlying asset over the lease term and expands disclosure of key information about leasing arrangements. NZ IFRS 16 does not significantly change a lessee's recognition, measurement and presentation of expenses.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Adoption of New Accounting Pronouncements (cont'd)

Leases (cont'd)

The Company has taken the modified retrospective approach to transitioning from NZ IAS 17 to NZ IFRS 16. For leases previously classified as an operating lease we have recognised a lease liability, measured at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate at 1 January 2019. In assessing the right of use (ROU) asset we have taken the option, on a lease by lease basis, of measuring the assets at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognised immediately before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control, NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus of 'risks and rewards' in NZ IAS 17 and NZ IFRIC 4. Accordingly, the definition of a lease in accordance with NZ IAS 17 and NZ IFRIC 4 will continue to be applied to those leases entered or modified before 1 January 2019.

The Company elected as accounting policies to not recognise ROU assets or lease liabilities for short term property leases (i.e. those with a term of 12 months or less at lease commencement) and by class of underlying assets to combine leases and non lease components in the contracts. The Company has also elected as accounting policy to exclude initial direct costs in the measurement of the right of use assets and use hindsight in applying the new leases standard, for example, in determining the lease term if the contract contains options to extend or terminate the lease. The Company utilised the modified retrospective approach allowing entities to only apply the new lease standard in the year of adoption.

Impact on Lessee Accounting

The Company determines if an arrangement is a lease at inception. Lessee accounting impacts are included in ROU assets, current lease liability and non current lease liability in the Company's balance sheet.

ROU assets represent the Company's right to use an underlying assets for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities recognised at commencement date based on the present value of lease payments over the expected lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on information available at commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease, which are included in the calculation of ROU assets when it is reasonably certain that the Company will exercise those options.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Adoption of New Accounting Pronouncements (cont'd)

Leases (cont'd)

The Company recognises depreciation of ROU assets and interest on lease liabilities in its profit and loss. In the statement of cash flows the total amount of cash paid is separated into a principal portion (presented within financing activities) and interest (presented within financing activities).

Impact on Lessor Accounting

NZ IFRS 16 does not change substantially how a lessor accounts for leases. Under NZ IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, NZ IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The Company has determined that revenues derived by providing vehicle rentals and other related products and mobility services to customers are within the scope of the accounting guidance contained in NZ IFRS 16 with the exception of royalty fee revenue derived from the Company's licensees and revenue related to the Company's customer loyalty program. The Company's rental related revenues have been accounted for under the revenue accounting standard NZ IFRS 15, until the adoption of NZ IFRS 16.

Under NZ IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub lease as a finance or operating lease by reference to the ROU asset arising from the head lease.

Operating vehicle leases under NZ IFRS 16

The Company procures and rents its vehicles to Budget Rent a Car Limited (Budget New Zealand), a related party. The gains or losses on the sale will remain with the Company and not be charged directly to Budget Rent a Car Limited.

The Company controls and directs the mix, type, and manufacturer of the portfolio of vehicles it leases to Budget New Zealand and is therefore considered to be in control of the vehicles.

Additionally, this leasing arrangement constitutes an operating lease for the following reasons:

- Ownership of the underlying asset remains with the Company at the end of the lease term; and
- The lessee, Budget New Zealand does not have the option to purchase the asset from the Company; and
- The lease term, being variable, averages around 18 months for cars, the economic life far exceeds this; and
- The present value of the sum of all lease payments does not exceed or equal the fair value of the underlying asset; and
- The asset is not so specialised that there is no alternative use for the Company at the end of the lease term.

The Company receives shared fleet rental revenue under NZ IFRS 16 from Budget New Zealand which is calculated based on the economic usage of the vehicles, which is wholly variable. On this basis, the operating lease the Company has with Budget New Zealand is variable in nature and cannot readily be determined until after the fact, and in full compliance with NZ IFRS 16, the Company is required to keep these vehicle operating leases off its balance sheet.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Adoption of New Accounting Pronouncements (cont'd)

Leases (cont'd)

Financial impact of the initial application of NZ IFRS 16

Company as a lessee:

The application of NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17 resulted in the recognition of ROU assets and lease liabilities of \$31,835,365 as at 1 January 2019. It also resulted in a decrease in lease liabilities of \$9,185,200 and an increase in amortisation of \$9,847,925 and interest expense of \$1,041,404 during the year ending 31 December 2019 as well as a right-of-use asset impairment of \$301,165.

The application of NZ IFRS 16 has an impact on the statement of cash flows of the Company. Under NZ IFRS 16 lessees the Company presents:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by NZ IAS 7 (the Company has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$10,226,604, being the lease payments, and net cash used in financing activities has increased by the same amount. The adoption of NZ IFRS 16 did not have an impact on net cash flows.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Critical accounting judgements and key sources of estimation uncertainty

In the application of NZ IFRS RDR management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Leases

The adoption of NZ IFRS 16, refer to Note 9 Leases, has required the following judgements and estimates:

- Judgement as whether an agreement meets the definition of a lease.
- The discount rate used in the valuation of right of use asset and liabilities has been estimated as the Company's incremental borrowing rate.
- Some leases contain minimum airport guarantees (MAGs) which impact the valuation of the right of use assets and liabilities. The MAGs are estimated based on the prior year revenue and by application of a concession rate.
- Judgement in the identification of leases that may be onerous and require provision.
- Judgement as to the expected occupancy period of a lease which has options to extend or is rolling month to month.

Allowance for doubtful debts

The Company maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the receivables portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account. Significant changes in these factors would likely necessitate changes in the doubtful debts provision. Refer Note 5 Trade and other receivables.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Revenue recognition

The Company derives revenues primarily by providing vehicle rentals and other related products and mobility services to commercial and leisure customers, as well as through licensing of its rental systems. Other related products and mobility services include sales of collision and loss damage waivers under which a customer is relieved from financial responsibility arising from vehicle damage incurred during the rental; products and services for driving convenience such as fuel service options, roadside safety net, electronic toll collection, portable navigation units and child safety seat rentals; and rentals of other supplemental items including automobile towing equipment and other moving accessories and supplies. The Company also receives payment from customers for certain operating expenses that it incurs, including airport concession fees that are paid by the Company in exchange for the right to operate at airports and other locations, as well as vehicle licensing fees.

Revenue is recognised when obligations under the terms of a contract with the customer are satisfied; generally this occurs evenly over the contract (over time); when control of the promised products or services is transferred to the customer. Revenue is measured as the amount of consideration the Company expects to be entitled to receive in exchange for transferring products or services. Certain customers may receive cash-based rebates, which are accounted for as variable consideration. The Company estimates these rebates based on the expected amount to be provided to customers and reduces revenue recognised.

Vehicle rental and rental-related revenues are recognised evenly over the period of rental. Licensing revenues principally consist of royalties paid by the Company's licensees and are recorded as the licensees' revenues are earned (over the rental period). The Company renews license agreements in the normal course of business and occasionally terminates, purchases or sells license agreements. In connection with ongoing fees that the Company receives from its licensees pursuant to license agreements, the Company is required to provide certain services, such as training, marketing and the operation of reservation systems. Revenues and expenses associated with gasoline, airport concessions and vehicle licensing are recorded on a gross basis within revenues and operating expenses.

(b) Leases

As a Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases relating to lease of land and building (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as low value equipment). Vehicle leases are recognised regardless of the duration. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Company's incremental borrowing rate.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(b) Leases (cont'd)

Lease payments included in the measurement of the lease liability comprise.

- Fixed lease payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the statement of financial position.

The Company applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(b) Leases (cont'd)

As a Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

(c) Deferred revenue

The Company records deferred revenues when cash payments are received in advance of satisfying its performance obligations, including amounts that are refundable. Revenue relating to cancellation of prepaid reservations are recognised when it is highly unlikely to be subsequently reversed.

(d) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at end of each reporting period are translated at the exchange rate existing at that date. All exchange differences are brought to account in the statement of comprehensive income in the period in which they arise.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(f) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets being the higher of the asset's carrying value over its recoverable amount, have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any excess of the assets carrying value over its recoverable amount is recognised immediately in profit and loss. Impairment testing is performed annually and whenever there is an indication that the asset may be impaired for goodwill and intangible assets with indefinite lives.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period. Current tax for current and prior periods is recognised as a liability to the head entity in the tax-consolidated group to the extent that it is unpaid.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment. Where a debt is considered to be irrecoverable, it is written off in the financial statements. Where payment of a debt is in doubt, an appropriate amount is charged against profits for the period and included in the financial statements as a provision for doubtful debts.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(i) Property, plant and equipment

Motor vehicles and other property, plant and equipment are recorded at original cost less accumulated depreciation and impairment losses.

The Company's motor vehicle fleet is subject to continuous review and upgrading. Sales proceeds and related cost of sale of vehicles are treated as part of ordinary trading activities for the purpose of reporting profits. Motor vehicles are considered current assets due to the Company's fleet upgrade program.

Depreciation is provided on property, plant and equipment and leasehold improvements. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

Motor vehicle fleet	2 – 5 years
Plant and equipment	3 – 10 years
Leasehold improvements	Term of lease

(j) Intangible assets

Intangible assets includes goodwill arising on the acquisition of businesses, carried at cost as established at the date of acquisition less any impairment losses, if any. Goodwill is assessed for impairment on an annual basis. Other intangible assets, computer software, are measured at cost less accumulated amortisation.

The estimated useful life of computer software is 3 to 5 years. (2018: 3 to 5 years).

(k) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services and measured at amortised cost.

(l) Borrowings

Loans and bank overdrafts are initially measured at fair value, net of transaction costs and subsequently recorded at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(m) Financial instruments issued by the company

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are measured at fair value on initial recognition and are subsequently measured at amortised cost. Financial assets applicable to the Company are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. All loans and receivables are held for the sole purpose of receiving principle and interest which is aligned with the principal business activity. See Note 5 -Trade and other receivables for more details.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(n) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

1 Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Provisions made in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the end of each reporting period.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
2 Profit from ordinary activities		
The profit from ordinary activities before income tax includes the following items of revenue and expense:		
Revenue:		
Revenue from the rendering of services	68,332	67,739
Revenue from leasing activities	19,206	19,861
Revenue from non-leasing activities	12,677	11,924
Revenue from related party shared fleet (Note 20)	279	314
Revenue from franchising	74,322	43,271
Revenue from motor vehicle sales	-	1,172
Other revenue		
Interest revenue calculated under the effective interest rate method	135	431
Interest from related entities (Note 20)	218	585
Interest from other entities	175,169	145,297
Total revenue	175,169	145,297
Expenses:		
Profit includes the following specific expenses:		
Depreciation of current and non-current assets (Note 8 & 10)	25,750	23,557
Amortisation of intangible assets (Note 11)	235	120
Amortisation of right of use lease assets (Note 9)	9,848	-
Bad debts and other impairment losses (Note 5a)	54	46
Global profit share (Note 20)	9,386	-
Net book value of motor vehicles sold	73,267	48,505
Finance costs:	3,818	2,234
Interest to related parties (Note 20)	1,041	-
Interest on lease liabilities	84	(33)
Derivative loss/(gain)	467	178
Other	5,410	2,379
Total finance costs	5,410	2,379
3 Income tax		
(a) Current Tax	2,649	3,676
In respect of the current year	(593)	(14)
In respect of prior years	2,056	3,662
Deferred Tax	(920)	1,727
In respect of the current year	595	16
In respect of prior years	(325)	1,743
Total income tax expense recognised in the current year	1,731	5,405

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
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3 Income tax (cont'd)

(b) The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax	6,161	19,279
Income tax expense calculated at 28% (2018: 28%)	1,725	5,398
Effect of expenses that are exempt from taxation	5	5
Adjustments recognised in the current year in relation to the current tax of prior years	1	2
Income tax expense recognised in profit or loss	1,731	5,405

(c) **Deferred Taxation**

	Property, plant, equipment and intangibles	Right of use assets	Lease liability	Trade and other receivables	Trade and other payables	Employee entitlements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets/(liabilities) as at 1 January 2018	(11,825)	-	-	190	964	710	(9,961)
Credit/(charge) to profit and loss in 2018	(1,810)	-	-	(174)	441	(184)	(1,727)
Prior period adjustments	(46)	-	-	396	(365)	(1)	(16)
Assets/(liabilities) as at 31 December 2018	(13,681)	-	-	412	1,040	525	(11,704)
Credit/(charge) to profit and loss in 2019	371	2,842	(2,572)	(14)	82	211	920
Prior period adjustment	14	-	-	(16)	(594)	1	(595)
Assets/(liabilities) as at 31 December 2019	(13,296)	2,842	(2,572)	382	528	737	(11,379)

4 Cash and cash equivalents

Cash and bank and in hand	90,036	7,646
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Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
5 Trade and other receivables		
Trade receivables	5,528	4,526
Allowance for doubtful debts	(284)	(412)
	5,244	4,114
Accrued rental revenue	2,324	2,562
Other receivables	1,528	386
Prepayments	2,493	1,761
Non trade receivables from related parties	1,504	2,014
	13,093	10,837
<p>No interest is charged on trade receivables. Trade receivables are held for the sole purpose of collecting payment and interest and is measured at amortised cost in accordance with NZ IFRS 9.</p> <p>The Company considers factors such as the aging of receivables, historical information, and external factors in determining the expected credit loss (ECL) of trade receivables.</p> <p>The Company has recognised an allowance for doubtful debts for corporate customers over 150 days and 100% against corporate customer debts greater than 365 days.</p> <p>Historical experience has been that for corporate customers, that are past due beyond 365 days are unlikely recoverable. Allowances for a doubtful debts are recognised against corporate customers between 0 days and 364 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. An allowance for doubtful debts of 100% has been recognised for all consumer and leisure customer debt.</p> <p>Common controlled entities include Avis Budget Car Rental LLC, and other Avis Budget Rent a Car subsidiaries in New Zealand and Australia. Advances are repayable on demand. Interest is charged at market rates and is payable on a monthly basis.</p>		
5 (a) Provision for doubtful debts		
Balance at the beginning of the year	(412)	(310)
Impairment losses recognised during the year	(54)	(180)
Bad debt write off	182	78
Balance at the end of the year	(284)	(412)
6 Current inventories		
Fuel at cost	907	812
7 Other current assets		
Restricted cash deposit	1,000	1,000

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
8 Current plant and equipment - hire fleet		
Cost		
Opening cost		
Additions	172,154	118,891
Disposals	119,714	119,208
Closing cost	(97,340)	(65,945)
	194,528	172,154
Accumulated depreciation		
Opening accumulated depreciation		
Depreciation charge	21,986	16,550
Depreciation on disposal	25,008	22,876
Closing accumulated depreciation	(24,073)	(17,440)
	22,921	21,986
Opening net book value	150,168	102,341
Closing net book value	171,607	150,168
9 Leases	2019	
	\$'000	
Right of use assets		
Cost		
Opening balance at 1 January 2019		
Additions	31,835	
Disposals	2,329	
Impairment	-	
Closing balance at 31 December 2019	(301)	
	33,863	
Accumulated amortisation		
Opening balance at 1 January 2019		
Amortisation	-	
Disposals	(9,848)	
Closing balance at 31 December 2019	-	
	(9,848)	
Net book value right of use assets	24,015	
Lease liabilities		
Short term lease liabilities	9,090	
Long term lease liabilities	15,889	
	24,979	

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

10 Property plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Capital work in progress \$'000	Total \$'000
Opening cost 1 January 2018	4,318	2,155	296	3	6,772
Additions	257	221	-	1,001	1,479
Disposals	(442)	(46)	(128)	(701)	(1,317)
Closing cost 31 December 2018	4,133	2,330	168	303	6,934
Opening cost 1 January 2019	4,133	2,330	168	303	6,934
Additions	447	67	94	1,197	1,805
Disposals	-	-	-	(1,120)	(1,120)
Closing cost 31 December 2019	4,580	2,397	262	380	7,619
Opening accumulated depreciation 1 January 2018	3,049	1,365	106	-	4,520
Depreciation charge	302	336	43	-	681
Depreciation on disposals	(222)	(156)	(113)	-	(491)
Closing accumulated depreciation 31 December 2018	3,129	1,545	36	-	4,710
Opening accumulated depreciation 1 January 2019	3,129	1,545	36	-	4,710
Depreciation charge	455	251	36	-	742
Depreciation on disposals	-	-	-	-	-
Closing accumulated depreciation 31 December 2019	3,584	1,796	72	-	5,452
Opening net book value at 1 January 2019	1,004	785	132	303	2,224
Closing net book value at 31 December 2019	996	601	190	380	2,167

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

11 Intangible assets

	Goodwill	Software	Total
	\$'000	\$'000	\$'000
Opening cost 1 January 2018	219	1,084	1,303
Additions	-	239	239
Disposals	-	(26)	(26)
Closing cost 31 December 2018	219	1,297	1,516
Opening cost 1 January 2019	219	1,297	1,516
Additions	-	604	604
Disposals	-	-	-
Closing cost 31 December 2019	219	1,901	2,120
Opening amortisation 1 January 2018	-	902	902
Amortisation charge	-	120	120
Amortisation on disposals	-	(21)	(21)
Closing amortisation 31 December 2018	-	1,001	1,001
Opening amortisation 1 January 2019	-	1,001	1,001
Amortisation charge	-	235	235
Amortisation on disposals	-	-	-
Closing amortisation 31 December 2019	-	1,236	1,236
Opening net book value	219	296	515
Closing net book value	219	665	884

12 Other non - current assets

	2019	2018
	\$'000	\$'000
Common control entity	18,379	41,123

Common controlled entities include Apex Car Rentals. Advances are repayable on demand. Interest is charged at market rates and is payable on a monthly basis.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
13 Trade and other payables		
Trade payables	35,540	36,497
Other payables	5,313	3,300
Income tax payable	115	2,008
Other related party payables (refer note 20)	60,345	42,147
	101,313	83,952

All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. Interest is charged monthly on the outstanding intercompany loan balances and other related party loans at market interest rates. No related party debts were written off or forgiven in the year.

14 Deferred revenue

Opening balance	1,455	-
Revenue deferred	(7,216)	(3,555)
Revenue recognised	6,545	5,010
Closing balance	784	1,455

The Company records deferred revenues when cash payments are received in advance of satisfying its performance obligations, including amounts that are refundable. Revenue relating to cancellation of prepaid reservations are recognised when it is highly unlikely to be subsequently reversed. All deferred revenue is classified as current. Non-current deferred revenue in 2019 was equal to nil (2018: nil).

15 Current provisions

	Refurbishment	Damage	Employee entitlements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	1,306	1,495	2,628	23	5,452
Provision made during the year	793	472	119	3	1,387
Provision utilised during the year	(865)	(880)	(477)	-	(2,222)
Balance at 31 December 2018	1,234	1,087	2,270	26	4,617
Balance at 1 January 2019	1,234	1,087	2,270	26	4,617
Provision made during the year	778	7,766	693	27	9,264
Provision utilised during the year	(718)	(7,716)	(216)	-	(8,650)
Balance at 31 December 2019	1,294	1,137	2,747	53	5,231

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
16 Other current liabilities		
Derivative financial instruments	964	-
17 Non current provisions - employee entitlements		
Opening balance		1
Provision made during the year	720	1,165
Provision utilised during the year	-	-
Closing balance	<u>(319)</u>	<u>(445)</u>
	<u>401</u>	<u>720</u>
18 Non-current interest bearing liabilities		
Borrowings from external party	75,000	-
Interest bearing liability from related party (refer note 20)	47,866	62,136
	<u>122,866</u>	<u>62,136</u>
19 Issued capital and reserves		
Contributed equity		
4,000,000 fully paid ordinary shares (2018: 4,000,000)	4,000	4,000
3,288,279 non-participating redeemable preference shares (2018: 3,288,279)	3,288	3,288
	<u>7,288</u>	<u>7,288</u>

The ordinary shares carry one vote per share; carry the right to dividends and upon winding up, a pro rata share of the Company's assets.

The preference shares confer on the holder preferential rights to repayment of capital on winding up of the Company. They do not confer on the holder the right to vote at a meeting of the Company and, except as specified above, shall rank pari-passu and have the same rights as the ordinary shares issued by the Company.

All non-participating redeemable preference shares may be redeemed at any time in whole or in part at the subscribed amount of \$1.00 each at the option of the Company.

Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

20 Related party transactions

The Company's immediate parent company is AB Canada Holdings II Partnership, Canada. The ultimate holding company is Avis Budget Group Inc., a company incorporated in the United States. The related party group comprises the ultimate parent company, the immediate parent and the fellow subsidiaries of the ultimate parent entity.

All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. Interest is charged monthly on the outstanding intercompany loan balances and other related party loans at market interest rates. No related party debts were written off or forgiven in the year.

In 2019 the Avis Budget Group, Inc. group of companies updated its intra-group arrangements in recognition of the operation of the group as an increasingly globally integrated business and to reflect the contribution that members of the wider Avis Budget Group located in different countries provide to the global network. The arrangements have resulted in the Company recognising an expense in the year in the amount of \$9,385,636.

The Company maintains a fleet sharing agreement with a fellow subsidiary. The agreement provides for use by the party of the fleet owned by Company. The Company charges the party for actual usage of such fleet. During the year Company charged \$12,677,377 (2018: \$12,810,000) to the party for usage of the fleet.

The Company pays and receives funds on behalf of other group companies, the expenditure or receipt is directly transferred to the related group company. These transactions are excluded from below.

2019	2018
\$'000	\$'000

During the year the following trading transaction was entered into with related parties.

Common Control Entities

Other transactions during the year

Interest received (Note 2)	135	431
Related party shared lease (Note 2)	12,677	11,924
Payment for services	7,498	7,609
Interest paid (Note 2)	3,818	2,234
Global profit share (Note 2)	9,386	-

Outstanding balances

Trade and other receivables (Note 5)	1,504	2,014
Other group entities		

Interest bearing assets – non current (Note 12)

Other group entities	18,379	41,123
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Trade and other payables (Note 13)

Other group entities	60,345	42,147
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Interest bearing liability – non current (Note 18)

Other group entities	47,866	62,136
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Avis Rent a Car Limited
Notes to financial statements
for the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
21 Financial assets and liabilities		
The below financial assets are measured at amortised cost:		
Cash and cash equivalents (Note 4)	90,036	7,646
Trade and other receivables (Note 5)	10,600	9,076
Other non-current assets (Note 12)	18,379	41,123
	119,015	57,845
The below financial liabilities are measured at amortised cost:		
Trade and other payables (Note 13)	101,313	83,952
Lease liabilities (Note 9)	24,979	-
Non-current interest bearing liabilities (Note 18)	122,866	62,136
	249,158	146,088
The below financial liabilities are measured at fair value through profit and loss (FVPL):		
Derivative financial instruments (Note 16)	964	-
	964	-

22 Capital commitments

The following capital commitments existed at the balance sheet date:

Motor vehicle commitments	36,767	-
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23 Contingent liabilities

There were no contingent liabilities at 31 December 2019 (2018: nil)

24 Subsequent events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the New Zealand and other governments as well as travel and trade restrictions imposed by New Zealand and other countries in early 2020 have caused disruption to businesses and economic activity. The Company has determined this to be a non adjusting post balance sheet event and accordingly the financial effects of COVID-19 have not been reflected in the Company's financial statements at 31 December 2019.

Given the nature of the Company, those quarantine measures and travel restrictions have notably affected the Company's service activities. As at the date of these financial statements being authorised for issue, the majority of the Company's current revenue has been limited to those relating to leisure vehicle rentals, light commercial vehicles and mini leases which all have a longer holding period. The Company has not yet been able to resume normal operating levels.

Although the ultimate impact of COVID-19 is difficult to predict, the entity has updated its forecasts taking account of reasonably possible changes in trading performance. In addition to the reduced level of activity during quarter 2, the updated forecasts and projections assumes a recovery of revenue over subsequent months to reflect the anticipated easing of travel restrictions. The forecasts also included assumptions around revised cost projections (such as reducing the level of planned capital expenditure and managing variable costs). The updated forecasts support the assessment that the Company will be able to operate within the level of its facilities for the foreseeable future. Accordingly, the entity continues to adopt the going concern basis in preparing the financial statements. Refer also to accounting policies in Note 1.