

Registered number: 01089053

# Europcar Group UK Limited

Annual report and financial statements  
for the year ended 31 December 2019

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# Europcar Group UK Limited

## Annual report and financial statements for the year ended 31 December 2019

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## **Europcar Group UK Limited**

### **Directors and advisors**

#### **Directors**

G Smith  
S Owens  
L Peligry

#### **Independent auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

#### **Bankers**

National Westminster Bank plc  
1 Granby Street  
Leicester  
LE1 9GT

Lloyds Bank plc  
25 Gresham Street  
London  
EC2V 7HN

#### **Registered office**

James House  
55 Welford Road  
Leicester  
Leicestershire  
LE2 7AR

## Europcar Group UK Limited

### Strategic report

The directors present their strategic report on the company for the year ended 31 December 2019.

#### Principal activities

The principal activity of the company, registered number 01089053, is self-drive vehicle hire in the UK.

#### Review of the business

The loss for the financial year amounted to £3,878,000 (2018: profit of £2,821,000).

The company continued to incur exceptional costs this year associated with the Trading Standards investigation that commenced in 2017 and other restructuring related activities with total exceptional administrative expenses incurred of £7,281,000 (2018: £6,721,000); see note 5 for further details.

Excluding these exceptional administrative expenses, the company generated a profit before tax of £3,185,000 (2018: £6,735,000) in a challenging environment, with the European economic slowdown and Brexit both heavily impacting our corporate and leisure businesses. This led us to accelerate the roll-out of our efficiency and standardisation programs, so as to adapt our cost-base. Despite the significant short-term impacts of Covid-19 on the business, the directors have a positive view of the company's future trading prospects in the longer term.

The audited financial statements for the year ended 31 December 2019 are set out on pages 14 to 51.

#### Future Developments

In 2020, the environment will remain very complex due to the current health impact and the slow lifting of government restrictions as a result of Covid-19 with resulting macro uncertainties in Europe and the implications of the UK's transition to a new trading arrangement with the EU.

In this regard, we are closely monitoring the evolution of the outbreak situation in our industry and in our company, both from an employees and business perspective. Our Group, as a mobility service provider, has a 70-year tradition of service to the public and to local and international companies. Throughout this current unprecedented period, we will do everything in our power to continue this mission, with safety and flexibility.

The company will continue to focus on the quality of revenue, margin improvement and cash flow generation. All this with continued financial discipline, in line with the targets of our efficiency programs.

#### Financial risk management and principal risks

Risk mitigation is a key part of the management of the company and a risk committee consisting of senior UK management meet at least quarterly to ensure that there is a consistent process to identify, manage and help mitigate exposure to issues that may have a negative impact on the business. A framework exists for enhanced group reporting on risks and litigations which aims at identifying situations that may cause significant damage to the performance or to the reputation of the reporting company.

The management of the business and the execution of the company's strategy are subject to a number of risks which are summarized below.

## Europcar Group UK Limited

### Strategic report (continued)

#### Financial risk management and principal risks (continued)

##### *Demand*

The company faces various risks associated with demand for its services, such as reduced tourist or business travel for a number of reasons including natural disasters, the constraints of economic recessionary factors or in the current case, a major health epidemic. However with advanced revenue management processes and systems the company maintains a dynamic business model allowing resources to flex in line with changes in demand.

##### *Fleet*

Availability and supply of fleet could harm the performance of the company however the group's strong working relationships with motor manufacturers and forward planning help to mitigate any risks involved.

##### *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to car manufacturers and dealers and to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties are accepted. The company uses a respected credit agency as part of an internal process for setting and reviewing credit lines.

##### *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flows. Please see the additional disclosures in the Directors Report related to the impact of the current Covid-19 pandemic.

##### *Climate change*

Within the context of the Group's "Commit Together!" strategy, Europcar has defined four Corporate Social Responsibility priorities: Promoting mobility for all, being a responsible employer, fighting against climate change and creating shared value. The company is committed to achieving effective environmental practice in compliance with environmental legislation and operating in a sustainable manner. We have therefore resolved to reduce our environmental impact and to continually improve our environmental performance as an integral and fundamental part of both our business strategy and operating methods. Our environmental objectives include minimising waste and re-use or recycle wherever possible, strive to maintain a vehicle fleet which has the least harmful effect upon the environment, provide the safe delivery, storage, handling and disposal of fuel, manage our business operations to prevent pollution and contamination and to offer a safe working environment for our employees. Europcar intends to improve its environmental footprint and participate in the fight against climate change through a dynamic environmental management system. The role of electric vehicles and the associated electric charging infrastructure in the UK is an area where we will continue to develop and evolve our strategy. Europcar operates a number of Electric powered vehicles within its fleet and they are used as a first choice when selecting a 'Runner' vehicle in order to reduce Europcar's carbon footprint and fuel costs associated with vehicle movements and the use of these vehicles has increased by 100% over the year. We have also recently introduced e-bikes to remove the need for a runner vehicle in certain locations.

## Europcar Group UK Limited

### Strategic report (continued)

#### Financial risk management and principal risks (continued)

##### *Cyber Security and data protection*

The company's responsibility is to protect the confidentiality, integrity and availability of customer, supplier and employee data processed as part of its operations. The business is highly dependent on online transactions, increasing exposure and susceptibility to cyber-attacks.

The company ensures that the personal data we obtain from our customers is used lawfully and appropriately and that an individual's rights are adequately protected. Our processing and use of personal data is governed by the Data Protection Act 2018 ("DPA") and any associated legislation.

There are serious consequences for our business where we fail to comply with this legislation – including significant fines and loss of customer confidence.

All staff receive mandatory data protection training and the company has implemented a series of measures to raise awareness of data protection compliance across the business. Staff are advised that if contacted by someone who wants to exercise their rights under the data protection legislation, to act promptly, follow the business process for managing such requests and speak to their line manager if in doubt. As soon as made aware of or suspect a possible breach of data protection legislation, this is escalated within the business using agreed forms and any required action managed by the legal department.

The company's objective is to ensure appropriate levels of security controls are in place, avoiding negative impacts on key stakeholders, associated reputational damage and potential for financial implications. Group IT have procedures in place to identify data beaches and manage any incidents. The Group has insurance coverage against these risks.

##### *Brexit*

The demand for our products and services could be affected by a downturn in economic activity as a result of the UK decision to leave the EU.

As a pan-European business with a major UK operation, lack of clarity on Brexit had been a major source of uncertainty for the European travel industry, and the business during 2019. However, we remain confident that there will be no disruption to travel as a result of Brexit, regardless of the outcome of the negotiations, as both the European Commission and the UK government have formally outlined their respective commitments to continued transport connectivity even in a no deal outcome. Challenges remain, and the business continues to prepare for all potential outcomes.

The trading terms from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy. The full impact of the withdrawal may only be realised in years to come, as the economy adjusts to the new regime, but the company continues to monitor the most relevant risks, including those that may have a more immediate impact, for its business.

## Europcar Group UK Limited

### Strategic report (continued)

#### Financial risk management and principal risks (continued)

##### *Coronavirus -Covid-19 pandemic*

The World Health Organization declared COVID-19 a pandemic on 11 March 2020. In the face of uncertainty and despite the legitimate emotion that the evolution of the situation can generate, the company remains focused on what we can manage: our number one priority being the protection of our employees, our customers and our business. And as Covid-19 expanded and our activities were restricted, we have been adapting our decisions and actions to meet the situation; we continue to monitor the situation in real time and do our utmost to adapt to this unprecedented crisis.

At a moment when the world is in uncertain times, with national authorities taking extraordinary measures to contain the Covid-19 pandemic, disrupting the daily lives of our societies, we see ourselves as a provider of an essential service: contributing to the safe mobility of people and goods such as food or medicine.

The directors are in close contact with the Group Management Board, who provide them with guidance at a global level to be adapted locally in order to meet local requirements. They are monitoring the situation, with the full trust and support of the Management Board to combine both global consistency and the evolving individual country regulations.

In our stations which have remained open during the lockdown, we have reinforced vehicle cleaning measures with the systematic use of disinfectants, installed protective screens at the counters and deployed additional precautions, such as systematic disinfection of counters between each customer and a "zero contact" policy (vehicle key in a sealed envelope, once disinfected).

Finally, we inform our customers by prior email and at our locations to let them know about the reinforced hygiene and cleaning measures for our vehicles that we have put in place and also to let them know that we are here to help them in this unprecedented period, with all the flexibility required.

#### **Key performance indicators**

The company's performance is closely monitored by its parent company and Europcar Mobility Group S.A. through monthly management reporting. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary. Further information on the Europcar business, market/operational overview and key performance indicators will be available in the annual report of Europcar Mobility Group S.A. which does not form part of this report.

## Europcar Group UK Limited

### Strategic report (continued)

#### Statement by the directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct,
- and
- (f) the need to act fairly as between members of the company.

The following paragraphs summarise how the directors' fulfil their duties:

#### **Our culture**

The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. The Company has a process to document all key decisions made at board level which includes consideration of the impact on the various stakeholders and also the impacts on all parts of the business and also the impact of those decisions in both the short and longer term.

#### **Business relationships**

As the board of directors, our intention is to behave dutifully and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.

#### **Engaging with our employees**

Our directors place the utmost importance on feedback received from employees and on engaging staff to gain their ideas and opinions in relation to moving the business forward and making company decisions. Feedback from employees is fully considered by directors and is gained through various methods - including the Employee Engagement Program and Company Update Meetings. Further details are provided in the Directors Report.

#### **Engaging with our members**

The company's ultimate parent, Europcar Mobility Group SA, is a major player in mobility markets and listed on Euronext Paris. The group aims to promote its success and to act with respect for its shareholders to earn their trust and attaches major importance to information quality, and ensures transparent reliable communication with regard to all its stakeholders. Further details can be found in the Universal Registration Document 2019 of Europcar Mobility Group SA.

## Europcar Group UK Limited

### Strategic report (continued)

Statement by the directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006 (continued)

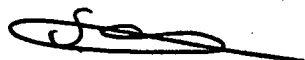
#### Community and environment

The company's objective is to minimize its business' environmental footprint, while ensuring compliance with environmental regulations, reducing the nuisances caused by its services and infrastructures, and by cutting its consumption of power and raw materials. It also likes to give back to the community and the annual staff engagement program includes the requirement of employees to volunteer some time to local community projects and charities. Further details are provided in the Directors Report.

#### Risk Management

As highlighted above, consideration of risks is an integral part how the company operates and is part of any transactional appraisal. The company has a Risk Committee led by the Head of Risk Management & Insurance that meets at least quarter and more frequently when required. The agenda of the Risk Management Committee includes a number of standing items including regulatory compliance and review of business risks.

On behalf of the Board



S Owens  
Director  
30 July 2020

## Europcar Group UK Limited

### Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

The review of the business, future developments, financial risk management and principle risks are included within the strategic report.

#### Directors

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

G Smith

S Owens

L Peligry

#### Dividends

Dividends of £nil (2018: £nil) were declared and settled during the year. The directors do not recommend a final dividend (2018: £nil).

#### Qualifying third-party indemnity provisions

The company had qualifying third-party indemnity provisions in place during the year and up to the date of signing these financial statements for the directors of the company.

#### Going concern

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate. They have also been in constructive discussions with the company's lenders who have remained supportive and reset a number of fleet tests under the facility. The ultimate United Kingdom parent company of Europcar Group UK Limited, Europcar UK Limited received an equity injection of £10 million in June 2020 from its parent to bolster its liquidity. In addition, the Company received an equity injection of £30 million in June 2020 from its parent company which will provide sufficient operational and financial support to Europcar Group UK Limited to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on their business without curtailment for the foreseeable future. Accordingly, the directors continue to believe that adopting the going concern basis of preparation for the financial statements remains appropriate.

The outlook, however, remains uncertain and, should the business not recover in line with expectations or there is a second national lockdown, management believes they may need to secure further funding to meet certain required payments in the first quarter of 2021. The company has received a letter from its ultimate parent company, Europcar Mobility Group SA, confirming that the parent will use its best efforts to provide the necessary support. This letter, however, does not place a legal obligation on the parent to provide this support and, in the current uncertain environment, the availability of that support cannot be assured. These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

#### Political and charitable contributions

Charitable donations totalling £nil (2018: £3,450) were made during the year. No political donations were made during this or the previous year.

As part of our Group's 'Commit Together' programme, all business areas were asked to complete a charity volunteering activity as part of our company's 2019 'one:challenge'. Colleagues could take paid leave to complete an activity locally to support local communities, the activity could be to support diversity or the environment or could be for a charity of choice. Approximately 125 people and 90 paid days leave were taken helping 23 different causes of significance. One of these causes was 'KidsOut Giving Tree', a campaign communicated centrally that resulted in many colleagues throughout the business getting involved and donating toys to be distributed to disadvantaged children in refuge homes across the UK in time for Christmas.

## Europcar Group UK Limited

### Directors' report (continued)

#### Employees

The company has introduced and maintains many different communication methods to ensure all employees are informed and kept up to date with Company information in their roles. These include:

- Email announcements
- Red Alert announcements for business critical information / important changes
- Weekly e-newsletter
- Team briefings
- Update meetings / conference calls
- Company intranet site

More recently new methods have been developed and implemented to enhance speed and effectiveness of communication with employees, including videos, the launch of Workplace by Facebook and increased use of our Learning Management System (LMS) for online learning and communication of key updates.

Various methods are used to consult with employees and gain feedback as follows:

- Company Ideas form available on the company's intranet site that colleagues can use to submit feedback, ideas and questions related to the company. This is coordinated by our internal communications team and any feedback raised is responded to accordingly.
- Annual Employee Engagement Survey - results are communicated to the company and business area results and feedback is collated and shared with management teams in order to develop action plans for improvement.
- Ad-Hoc requests for employee feedback on any important matters and changes as and when communicated. This could be submitted by Google Form, email, call, focus groups or face to face with line managers and is reviewed and responded to accordingly.
- Company's one.email account for general enquiries, questions and feedback related to company communications. These are responded to by our internal communications team as and when received.

The company encourages employee's involvement in the company's performance through an employees' share scheme. Our group has launched two Company Share Ownership schemes since 2017, giving employees the opportunity to subscribe and become a shareholder of our group.

Company results are communicated in full to all employees by our Group each quarter. Our group also issues regular communication with regard to our strategies, the ongoing performance of the company and future plans.

In terms of directors' engagement with employees and their interests:

- Company Update Meetings and Calls are held on a regular basis and are presented by our Senior Management team. Two-way communication and questions are encouraged as part of these meetings and feedback provided.
- Scheduled Senior Management Visits to all business units are carried out on a regular basis. During these visits the Management Team speak to as many team members as possible about their roles and give recognition and praise. Topics also covered are our Group's Values and Strategy, continuous improvement and gaining feedback / ideas for improvements and how colleagues think their roles impact the company.
- With regard to any significant proposed changes to the company to meet business needs, staff impacted are fully consulted and where appropriate Employee Representatives are elected to represent any teams affected by proposals.
- Other mechanisms to gain, listen to and respond to employee feedback include our Group's European Works Council, which is established to provide representation from an employee perspective on significant matters that impact more than one European corporate country. The European Works Council has two UK representatives who are nominated and elected by UK employees in the business.

## Europcar Group UK Limited

### Directors' report (continued)

#### Supplier and customer relationships

Our Group, as a mobility service provider, has a 70-year tradition of service to the public and to local and international companies. Customers rely on us for high levels of availability on a broad range of products, ready for collection or delivery when and where they need it. Our customers' value high quality and efficient service from local relationships, competitive pricing, and account based credit and billing. They also want flexibility in choosing the most convenient way to do business with us, whether in a branch, by phone or online. The company aims to build a relationship of trust with its customers by offering them a transparent range of products and continuously improving their satisfaction. Customer satisfaction is one of the central pillars of the Group's vision, which has also put the Customer Centric value at the heart of its actions. Europcar Mobility Group attaches special importance to measuring and monitoring customer satisfaction in order to continuously ensure high standards of service.

The company values the business relationships we have with our suppliers and seek to build lasting relationships, treating our suppliers and partners fairly and paying promptly. To ensure that suppliers and subcontractors are capable of meeting both our customer and company requirements, there is an initial evaluation and thereafter continual monitoring and review. The company maintains a Support Services (SS) Supplier database.

The Head of Quality & Support Services (HQSS) is responsible for categorising the suppliers listed on the Support Services database and for evaluating, verifying and monitoring the performance of suppliers listed on the Support Services database. Thorough due diligence on a wide range of metrics is carried out on any new proposed supplier and only those capable of meeting company requirements will be approved.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless the directors 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

## Europcar Group UK Limited

### Directors' report (continued)

#### Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Independent auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with the Companies Act 2006. Therefore, the independent auditors, PricewaterhouseCoopers LLP, will be deemed to be reappointed for each succeeding financial year.

#### Events after the end of the reporting period

Details of subsequent events are provided within Note 24.

On behalf of the Board



S Owens  
Director  
30 July 2020

*Independent auditors' report to the members of Europcar Group UK Limited*

**Report on the audit of the financial statements**

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**Opinion**

In our opinion, Europcar Group UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of total comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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**Material uncertainty related to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Should the company's operations not recover in line with expectations, or if there is a second national lockdown, the company will be reliant on a non-binding letter of support from its ultimate parent, Europcar Mobility Group SA, in order to meet payments as they fall due, and this letter is not legally enforceable. In the event that support is not provided by the ultimate parent company, alternative funding will be required to enable the company to continue as a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Europcar Group UK Limited

### *Independent auditors' report to the members of Europcar Group UK Limited (continued)*

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### *Auditors' 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 auditors' 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 auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Robert Girdlestone (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 July 2020

## Europcar Group UK Limited

### Income statement for the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Revenue	3	331,993	333,806
Cost of sales		(186,166)	(176,189)
<b>Gross profit</b>		<b>145,827</b>	<b>157,617</b>
Distribution costs		(96,105)	(94,878)
Exceptional administrative expenses	5	(7,281)	(6,721)
Other administrative expenses		(34,727)	(44,459)
<b>Total administrative expenses</b>		<b>(42,008)</b>	<b>(51,180)</b>
<b>Operating profit before exceptional administrative expenses</b>		<b>14,995</b>	<b>18,280</b>
<b>Operating profit</b>	5	<b>7,714</b>	<b>11,559</b>
Other financial income	8	911	52
Other financial expenses	8	(12,721)	(11,597)
<b>Profit on ordinary activities before taxation and exceptional administrative expenses</b>		<b>3,185</b>	<b>6,735</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(4,096)</b>	<b>14</b>
Tax on (loss)/ profit on ordinary activities	9	218	2,807
<b>(Loss)/profit for the financial year</b>		<b>(3,878)</b>	<b>2,821</b>

The accompanying notes form an integral part of these financial statements. The results for the year arise solely from continuing operations.

## Europcar Group UK Limited

### Statement of total comprehensive income for the year ended 31 December 2019

	Note	2019	2018
		£000	£000
(Loss)/profit for the financial year		(3,878)	2,821
<b>Other comprehensive income/(expense): Items that will not be reclassified to profit or loss</b>			
Actuarial gains recognised in the pension scheme	18	1,149	281
Movement on deferred tax relating to pension scheme	12	89	(54)
<b>Total other comprehensive income for the year</b>		<b>1,238</b>	<b>227</b>
<b>Total comprehensive (expense)/ income for the year</b>		<b>(2,640)</b>	<b>3,048</b>

The accompanying notes form an integral part of these financial statements.

## Europcar Group UK Limited

### Statement of financial position as at 31 December 2019

	Note	2019	2018
		£000	£000
<b>Fixed assets</b>			
Property, plant and equipment	10	245,129	194,943
Right-of-use-assets	11	33,699	-
		<b>278,828</b>	<b>194,943</b>
<b>Current assets</b>			
Inventory	12	2,617	2,650
Trade and other receivables	13	360,290	346,073
Cash and cash equivalents		26,029	13,734
		<b>388,936</b>	<b>362,457</b>
Creditors: amounts falling due within one year	14	(516,806)	(425,271)
<b>Net current liabilities</b>		<b>(127,870)</b>	<b>(62,814)</b>
<b>Total assets less current liabilities</b>		<b>150,958</b>	<b>132,129</b>
Creditors: amounts falling due after more than one year	15	(50,798)	(27,618)
Provisions for liabilities	16	(63,528)	(63,138)
Post-employment benefits	19	(1,598)	(2,967)
<b>Net assets</b>		<b>35,034</b>	<b>38,406</b>
<b>Equity</b>			
Called up share capital	18	30,001	30,001
Revaluation reserve		207	207
Capital contribution reserve		80	812
Retained earnings		4,746	7,386
<b>Total equity</b>		<b>35,034</b>	<b>38,406</b>

The financial statements on pages 14 to 51 were approved by the board of directors on 30 July 2020 and signed on its behalf by:



S Owens  
Director  
Company registered number: 01089053

The accompanying notes form an integral part of these financial statements.

Europcar Group UK Limited

Statement of changes in equity  
for the year ended 31 December 2019

	Called up share capital £000	Revaluation reserve £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
<b>Balance as at 1 January 2018</b>	<b>30,001</b>	<b>207</b>	<b>398</b>	<b>4,338</b>	<b>34,944</b>
Profit for the financial year	-	-	-	2,821	2,821
Other comprehensive income/(expense) for the financial year					
Actuarial gain on defined benefit pension scheme	-	-	-	281	281
Movement on deferred tax relating to pension scheme	-	-	-	(54)	(54)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,048</b>	<b>3,048</b>
Share-based payment charge	-	-	414	-	414
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>414</b>	<b>-</b>	<b>414</b>
<b>Balance as at 31 December 2018*</b>	<b>30,001</b>	<b>207</b>	<b>812</b>	<b>7,386</b>	<b>38,406</b>
Loss for the financial year	-	-	-	(3,878)	(3,878)
Other comprehensive income for the financial year					
Actuarial gain on defined benefit pension scheme	-	-	-	1,149	1,149
Movement on deferred tax relating to pension scheme	-	-	-	89	89
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,640)</b>	<b>(2,640)</b>
Share-based payment credit	-	-	(732)	-	(732)
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(732)</b>	<b>-</b>	<b>(732)</b>
<b>Balance as at 31 December 2019</b>	<b>30,001</b>	<b>207</b>	<b>80</b>	<b>4,746</b>	<b>35,034</b>

\*There was no impact on the company's retained earnings as at 1 January 2019 from adopting IFRS16 as the company has used the modified retrospective approach without restatement of the previous year (see note 23).

## Europcar Group UK Limited

### Notes to the financial statements

#### 1. Summary of significant accounting policies

Europcar Group UK Limited is a private limited company and is incorporated and domiciled in England and Wales in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out on page 2.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Europcar Mobility Group S.A.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Europcar Mobility Group S.A. These financial statements do not include certain disclosures in respect of:

- Share-based payments;
- Business combinations;
- Assets held for sale and discontinued operations;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

The financial statements of Europcar Mobility Group S.A. can be obtained as described in note 22.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued) .

##### Going concern

The company made a loss in the current financial year and is in a net current liabilities position as at 31 December 2019.

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate. They have also been in constructive discussions with the company's lenders who have remained supportive and reset a number of fleet tests under the facility. The ultimate United Kingdom parent company of Europcar Group UK Limited, Europcar UK Limited received an equity injection of £10 million in June 2020 from its parent to bolster its liquidity. In addition, the Company received an equity injection of £30 million in June 2020 from its parent company which will provide sufficient operational and financial support to Europcar Group UK Limited to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on their business without curtailment for the foreseeable future. Accordingly, the directors continue to believe that adopting the going concern basis of preparation for the financial statements remains appropriate.

The outlook, however, remains uncertain and, should the business not recover in line with expectations or there is a second national lockdown, management believes they may need to secure further funding to meet certain required payments in the first quarter of 2021. The company has received a letter from its ultimate parent company, Europcar Mobility Group SA, confirming that the parent will use its best efforts to provide the necessary support. This letter, however, does not place a legal obligation on the parent to provide this support and, in the current uncertain environment, the availability of that support cannot be assured. These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

##### New standards, amendments and IFRIC interpretations

###### IFRS 16 "Leases"

As of 1 January 2019, the company has adopted IFRS 16 "Leases". Previously, according to IAS 17, there was a distinction between operational leases and finance leases and the accounting treatment depended on this classification. Pursuant to IFRS 16 all leases are recorded on the company balance sheet with a fixed asset representing the right of use asset equal to the amount of the lease obligations for the leased item for the lease term and a lease liability representing the obligation to make rental payments. The right of use is amortized over the life of the contract and the initial liability equals the discounted payments required under the lease.

On 1 January 2019, the company decided to apply the modified retrospective approach which consists of recognising an asset for the right of use equal to the amount of the lease obligations. On adopting the standard there was no adjustment to opening equity and the comparative amounts presented in the Income Statement and Statement of Financial Position. Further information is presented in note 23.

The leases of the company include contracts related to the rental fleet, real estate leases related to the rental activity in all of the locations in which the company operates (agencies, desks in airports, preparation areas, car parks) and real estate leases unrelated to the rental business (offices).

The right of use asset and the lease liability include the fixed rents to be paid to the lessor, the variable rents that include a minimum guarantee (mainly for leases in railway stations and airports), and other variables amounts if and only if they are based on an index (e.g. real estate).

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### IFRS 16 "Leases" (continued)

The discount rate applied to the rental fleet is the estimated interest rate implicit or that given in the lease contracts with the manufacturers or financial institutions. The discount rate applied to real estate contracts are based on the incremental borrowing rate to which is added a spread to take account of country-specific economic environment. The average discount rate for real estate contracts is 4.75% at the transition date.

The lease term corresponds to the non-cancellable period of the lease agreement unless the company is reasonably certain to exercise an option to extend a lease.

The company has chosen to apply the following simplification measure: rents on real estate and equipment contracts corresponding to an asset with a low unit value or a short-term lease (less than 12 months) are recognised directly as expenses and are consequently not within the scope of IFRS16. This simplification measure has not been applied for leases related to the fleet of vehicles which means that all leases related to the fleet even those under 12 months are considered as within the scope.

The following main contracts have not been recognised in the balance sheet of the company:

- Contracts covered by the exemptions above;
- Contracts considered as service contracts for which the rent expense is recognised directly as an operating expense in the profit and loss statement;
- Contracts considered as substitutable assets when the lessor has the ability to change the location of the leased item without a significant financial contribution such as certain airport contracts.

##### Property, plant and equipment and depreciation

Other than individual freehold and leasehold properties which have in the past been periodically re-valued with surpluses or deficits transferred to the revaluation reserve, property, plant and equipment are shown at cost less any rebates received and net of any depreciation and provisions for impairment. The benefit of rebates is spread evenly over the estimated useful life of each asset.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is provided to write off the cost less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Short leasehold properties	- over the period of the lease
Fleet vehicles - owned	- expected holding period from 1 to 3 years
Fleet vehicles - hire purchase	- shorter of the useful economic life and lease term
Plant and machinery, fixtures and fittings	- between 3 and 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating income' in the income statement.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### **Revaluation of properties**

Individual freehold and leasehold properties have in the past been periodically re-valued with surpluses or deficits transferred to the revaluation reserve. The company elected to use previous fair value measurement as the deemed cost on transition to FRS101 and thereafter depreciate these properties over their remaining useful lives. When the associated assets are sold, the amounts included in the revaluation reserve will be transferred to retained earnings.

##### **Vehicles purchased with manufacturer or dealer buy-back commitment**

Vehicles subject to manufacturer repurchase agreements have contractual holding periods of less than 12 months and are recognised as current assets at the inception of the arrangement. The amount recorded under "Trade and other receivables" in the statement of financial position represents the acquisition cost of the vehicles (net of volume rebates) and is the sum of two amounts representing two distinct current assets:

- the "Vehicle buy-back agreement receivable", representing the agreed buy-back price (the obligation of the manufacturer or dealer); and
- the "Deferred depreciation expense on vehicles", representing the difference between the acquisition cost of the vehicle and the agreed buy-back price. This asset is depreciated through the income statement on a straight-line basis over the contractual holding period of the vehicle.

For stolen vehicles, an impairment charge is recognised against the value of the corresponding "Vehicle buy-back agreement receivable" over a three-month period following the event. For badly damaged vehicles, an adjustment is made to the value of the corresponding receivable on the basis of third party appraisal of the damaged vehicle.

The agreements with car manufacturers and dealers in respect of the rental fleet do not contain a lease based on the respective economic substance of the arrangement.

##### **Vehicles purchased without manufacturer or dealer buy-back commitment ("Non buy back" vehicles)**

"Non buy back" vehicles are recognised as property, plant and equipment and are initially measured at cost, including any import duties, non-refundable purchase taxes and any costs directly attributable to bringing the vehicle to the rental location and preparing it for rental. After initial recognition, the vehicles are carried at their cost less any accumulated depreciation and any provisions for accumulated impairment losses.

Non buy back vehicles are depreciated on a straight-line basis based on their planned holding period and projected residual values. Over the holding period, residual values are regularly reviewed, taking into account the conditions of the used vehicle market, and are adjusted as necessary.

##### **Vehicles purchased with manufacturer or dealer buy-back commitment and financed through rental agreements qualifying as operating leases**

Vehicles acquired through rental arrangements with financial institutions and financial divisions of car manufacturers when the providers of financing do not transfer significant risks and rewards of ownership to the company in substance qualified as operating leases until 31 December 2018. The implementation of IFRS16 Leases on 1 January 2019 has changed the accounting treatment of vehicles operated under operating lease arrangements, explained in detailed new standards, amendments and IFRIC interpretations accounting policy note 1.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

##### Provisions

A provision is recognised in the Statement of Financial Position when a present legal or constructive obligation exists as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The impact of discounting provisions is recognised as an interest expense.

##### Leases

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases (lessee accounting). Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

The related liability, being either finance lease liability or amounts drawn down under finance facilities to fund vehicles under buyback arrangements, is included within creditors as "obligations under finance lease and hire purchase contracts". The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The IFRS16 implementation has changed the accounting treatment of operating leases from 1 January 2019, explained in "Detailed new standards, amendments and IFRIC interpretations" earlier in Note 1.

##### Inventory

Relates to fuel held for resale and internal use, is stated at the lower of cost and net realisable value.

##### Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### Share-based payments

The company operates an equity settled, share-based compensation plan, under which the company receives services from employees as consideration for equity instruments of Europcar Mobility Group S.A. The awards are granted by Europcar Mobility Group S.A and the company has no obligations to settle the awards. The fair value of the employee services received in exchange for the grant of the share-based compensation is recognised as an expense and included in note 6 to the financial statements. A credit is recognised directly in shareholders' equity as a capital contribution.

The total amount to be expensed is determined by reference to the fair value of options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the company revises its estimates of the numbers of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

##### Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **Europcar Group UK Limited**

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### **Foreign currencies**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

##### **Insurance recoveries**

Accident costs recoverable from customers and customers' insurance companies are credited to the income statement when the accident cost is charged. The corresponding asset is recorded net of any provisions to the extent that recovery is probable.

##### **Third party insurance liabilities and claims**

Provision is made for the estimated value of uninsured losses from both known and incurred but not reported third party claims on an actuarially determined basis. Where these claims are expected to be settled over a longer period of time, the provision made represents the present value of the expenditures expected to be required to settle the obligation.

##### **Share capital**

Ordinary shares are classified as equity. Redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

##### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

##### **Employee benefits**

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 1. Summary of significant accounting policies (continued)

##### **Employee benefits (continued)**

Past-service costs are recognised immediately in the income statement. The defined benefit section of the scheme was closed to future service accrual as at 30 April 2016. A defined contribution section of the scheme was set up for existing current members at that date.

Under FRS 101, the Company is able to recognise a net asset for defined benefit pension scheme where a surplus arises if it has an unconditional right to a surplus. The Company has sought legal advice in relation to the Scheme and believes that it has an unconditional right to a surplus and can therefore recognise a net pension asset under FRS 101.

##### **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

##### **Revenue**

Revenue represents the amounts (excluding value added tax and net of discounts) derived from self-drive vehicle hire and the provision of related services to third party customers and is recognised over the duration of the hire period. Revenue includes the estimated amount for vehicles on hire at the reporting date but not yet invoiced, which is included in accrued income. Revenue is derived from vehicle hire services provided to customers by third parties for whom the company performs a referral, invoicing and credit control function and where the company has substantially all the risks and rewards in relation to the provision of these services. Income derived from leasing vehicles to third parties on operating leases is recognised in revenue on a straight-line basis over the life of the lease. Rebates which are directly related to turnover volume are netted against revenue. Revenue includes administration fees billed to customers which are recognised when invoiced.

##### **Financial guarantees**

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

##### **Exceptional items**

Exceptional items are defined as being items that are material in size, unusual or infrequent in nature, and are disclosed separately as exceptional items in the income statement.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 2. Critical accounting estimates and judgements

*Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.*

##### 2.1. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

###### *Provisions*

The company continues to carry provisions against exposures that arise in the normal course of trading, which include uninsured losses for which there is self-insurance using management's best estimate of the likely settlement of incidents. The estimated settlement is reviewed on a regular basis and the amount provided is adjusted as required. Provisions also cover areas such as termination and reorganisation activities. Judgement is involved in assessing the exposures in these areas and hence in setting the level of the required provision.

In 2017 the company has recorded a provision in respect of an investigation by the Trading Standards Service into the company's billing practices for damage repairs. This provision includes a number of estimates and assumptions which could change materially in the future as these estimates and assumptions are revised. See note 16 for further information.

###### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

###### *Retirement benefit obligations*

Judgement is required in the setting of assumptions used by the actuaries in assessing the financial position of each defined benefit scheme. The company determines the assumptions to be adopted in discussion with its actuaries, and believes these assumptions to be in line with generally accepted practice, but the application of different assumptions could have a significant effect on the amounts reflected in the income statement and statement of financial position in respect of post-employment benefits. The sensitivity of principal scheme liabilities to changes in the assumptions used by actuaries is set out in Note 19.

###### *Lease accounting*

The lease payments are discounted using the interest rate implicit in the lease or that given in the lease contracts with the manufactures or financial institutions. The discount rate applied to real estate contracts are based on the incremental borrowing rate to which is added a spread to take account of country-specific economic environment. The average discount rate for real estate contracts is 4.75% at transition date.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 2.1. Critical accounting estimates and assumptions (continued)

##### *Fleet*

Given the nature of the company's business, the main asset in the statement of financial position is the vehicle fleet, a proportion of which has no guaranteed residual value and therefore the value at the end of the rental life will depend on the market for those vehicles at the time of disposal. Judgement is therefore required in the estimation of residual values, with reference made to recent disposal experience, and external market data.

##### *Trade and other receivables*

The recoverability of trade and other receivables balances are regularly assessed. Where there is evidence that it will not be possible to collect all amounts outstanding, a provision for impairment is recognised. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

##### *Amounts owed by group undertakings*

The recoverability of amounts owed by group undertakings is regularly assessed. Where there is evidence that it will not be possible to collect all amounts outstanding, a provision for impairment would be recognised.

#### 2.2. Critical judgements in applying the entity's accounting policies

##### Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

#### 3. Revenue

All revenue arose from one class of business within the UK in 2019 and 2018.

#### 4. Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2019	2018
	£000	£000
Impairment gains(losses)		
– movement in loss allowance for trade receivables and contract assets	633	(520)
Net impairment gains(losses) on financial and contract assets	633	(520)

All of the above impairment relates to receivables arising from contracts with customers.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 5. Operating profit

This is stated after charging/(crediting):

	2019	2018
	£000	£000
Depreciation of property, plant and equipment (see note 10)	1,872	1,931
Depreciation of vehicles purchased without buy back guarantees (see note 10)	53,010	30,304
	54,882	32,235
Depreciation of right-of-use assets (see note 11)	17,800	-
(Profit)/loss on disposal of freehold properties	(1,045)	458
Inventory recognised as an expense	(8,146)	(9,289)
Operating lease rentals* - land and buildings	17,692	24,681
- other leased assets (including vehicles)	-	12,004

\* Operating lease rentals are those not within the scope of IFRS16, see exemptions taken in new standards, amendments and IFRIC interpretations accounting policy note 1.

During the year the company obtained the following services from the company's auditors:

	2019	2018
	£000	£000
Fees payable to the auditors for the audit of the company	120	120
Fees payable to auditors for the audit of the other group companies	60	60
	180	180

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 5. Operating profit (continued)

During the year the company incurred exceptional administrative expenses of £7,281,000 (2018: £6,721,000). These are analysed below:

	2019	2018
	£000	£000
Redundancy	2,003	1,149
Restructuring related legal and professional fees	9	6
Property related restructuring including onerous leases and loss on sale	2,781	1,867
Legal and professional fees and other costs	2,488	3,699
	<b>7,281</b>	<b>6,721</b>

#### 6. Personnel costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, were as follows:

	2019	2018
	No.	No.
Operations	1,605	1,681
Sales and administration	381	467
	<b>1,986</b>	<b>2,148</b>
	2019	2018
	£000	£000
Wages and salaries	50,103	53,504
Social security costs	4,177	4,679
Other pension costs	1,301	1,116
Share-based payments	(732)	414
Past service costs in respect of guaranteed minimum pension benefits (see note 19)	-	511
	<b>54,849</b>	<b>60,224</b>

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 7. Directors' emoluments

	2019	2018
	£000	£000
Aggregate emoluments	450	642
Contributions to defined contribution pension scheme	59	59
	509	701

#### Remuneration of the highest paid director:

	2019	2018
	£000	£000
Aggregate emoluments	244	369
Contributions to defined contribution pension scheme	32	32
	276	401

One director vested shares to the amount of £93,000.

The other director received no emoluments in respect of his services as a director of this company.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 8. Net finance costs

	2019	2018
	£000	£000
Bank interest	11	17
Interest on loans to group undertakings	148	14
Other interest receivable and similar income	752	21
<b>Other financial income</b>	<b>911</b>	<b>52</b>
Bank overdraft	(91)	(49)
Bank arrangement fees amortised	(985)	(1,950)
Vehicle financing and other loans	(9,211)	(8,409)
Interest on lease liabilities*	(1,333)	-
Interest on loans from group undertakings	(609)	(669)
Other interest payable	(492)	(520)
<b>Other financial expenses</b>	<b>(12,721)</b>	<b>(11,597)</b>
<b>Net finance costs</b>	<b>(11,810)</b>	<b>(11,545)</b>

\* The interest indicated is in respect of the application of IFRS 16 in the current year only where comparative information is not restated under the modified retrospective approach, see note 1 and note 23.

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 9. Tax on (loss)/profit on ordinary activities

(a) Analysis of tax in the year	2019	2018
	£000	£000
<b>Current tax</b>		
Current tax	-	-
Adjustments in respect of previous periods	-	(5,317)
<b>Total current tax</b>	<b>-</b>	<b>(5,317)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 13)	(670)	146
Adjustments in respect of previous periods	452	2,364
<b>Total deferred tax</b>	<b>(218)</b>	<b>2,510</b>
<b>Tax on (loss)/ profit on ordinary activities (note 9 (b))</b>	<b>(218)</b>	<b>(2,807)</b>

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9. Tax on (loss)/profit on ordinary activities (continued)

#### b) Factors affecting tax credit in the year

The tax credit for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£000	£000
(Loss)/profit on ordinary activities before taxation	(4,096)	14
(Loss)/profit on ordinary activities before taxation at 19% (2018: 19%)	(778)	3
Adjustments in respect of previous periods	452	(2,953)
Non-deductible expenses	648	143
Group relief at zero cost	(540)	-
<b>Total tax credit</b>	<b>(218)</b>	<b>(2,807)</b>

#### Factors that may affect future tax charges

The 2020 budget sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020. The charge to Corporation Tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 10. Property, plant and equipment

	Freehold land and buildings	Short leasehold properties	Fleet vehicles	Plant and machinery, fixtures and fittings	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2019	4,167	16,458	221,255	9,264	251,144
Additions	-	1,661	137,310	1,036	140,007
Disposals	(55)	(1,234)	(69,466)	(874)	(71,629)
Reclassification	-	(20)	-	20	-
<b>At 31 December 2019</b>	<b>4,112</b>	<b>16,865</b>	<b>289,099</b>	<b>9,446</b>	<b>319,522</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	1,415	11,182	36,444	7,160	56,201
Charge for the year	48	1,040	51,814	784	53,686
Disposals	(55)	(972)	(35,158)	(505)	(36,690)
Reclassification (see note 13)	-	-	1,196	-	1,196
<b>At 31 December 2019</b>	<b>1,408</b>	<b>11,250</b>	<b>54,296</b>	<b>7,439</b>	<b>74,393</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>2,704</b>	<b>5,615</b>	<b>234,803</b>	<b>2,007</b>	<b>245,129</b>
At 31 December 2018	2,752	5,276	184,811	2,104	194,943

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 11. Right-of-use asset leases

From 1 January 2019, Right-of-use assets have been recognised related to leasehold properties and motor vehicles which used to be treated as operating leases, see note 23 for details about the effect of adoption of IFRS 16. Information about these leases is presented below.

#### (i) Amounts recognised in the statement of financial position

	2019	1 January 2019
	£000	£000
<b>Right-of-use assets</b>		
Leasehold properties	29,164	23,795
Fleet vehicles	4,535	7,416
	<b>33,699</b>	<b>31,211</b>
<b>Lease liabilities</b>		
Current	7,560	9,810
Non-current	26,568	21,401
	<b>34,128</b>	<b>31,211</b>

Additions to the right-of-use assets during the 2019 financial year were £23,266,000 (2018: £nil).

#### (ii) Amounts recognised in the income statement

	2019	2018
	£000	£000
<b>Depreciation charge of right-of-use assets</b>		
Leasehold properties	4,836	-
Fleet vehicles	12,964	-
	<b>17,800</b>	<b>-</b>
Interest expense on right-of-use liabilities (included in finance cost)	<b>(1,333)</b>	<b>-</b>

The total cash outflow for right-of-use leases in 2019 was £17,670,000.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 12. Inventory

	2019	2018
	£000	£000
Fuel inventory	2,617	2,650

The replacement cost of inventory is the same as the balance sheet carrying values. Inventories are stated after provisions for impairment of £nil (2018: £nil).

### 13. Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	18,842	28,379
Vehicle buy-back agreement receivables	261,088	243,221
Amounts owed by group undertakings	24,028	13,201
Other receivables including fleet	26,942	29,408
Corporation tax	-	4,835
Deferred tax	2,013	1,706
Prepayments and accrued income	27,377	25,323
	<b>360,290</b>	<b>346,073</b>

Vehicle buy-back agreement receivables are shown net of depreciation and impairment expense in respect of damaged or stolen vehicles amounting to £261,088,000 (2018: £243,221,000); the depreciation charged for these vehicles amounted to £33,284,000 (2018: £47,940,000). £1,196,000 of accumulated depreciation was reclassified as being non buy back vehicle related, see note 10.

Trade receivables are stated after provisions for impairment of £1,571,000 (2018: £2,093,000).

Amounts owed by group undertakings are unsecured and deemed to be recoverable. Included within this balance are interest bearing balances that bear interest at 2.61%, the rest are interest free.

The company participated in a Group led non-recourse factoring program in December 2019 with a specialised factoring company.

For the 2019 financial year, factoring operations resulted in the assignment of receivables representing turnover including VAT and all assignors in the order of £16.03 million in total, charge expensed from factoring organisations of £39,000 divided between £16,000 of factoring commissions and the balance representing interest charges.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 13. Trade and other receivables (continued)

Deferred tax comprises:	2019	2018
	£000	£000
Accelerated capital allowances	2,890	2,369
Property leasehold improvements	(1,275)	(1,220)
Other short-term timing differences	215	231
Defined benefit pension scheme (actuarial losses & other)	183	326
	<b>2,013</b>	<b>1,706</b>
Asset at 1 January	1,706	4,270
Deferred tax in the income statement - current year	670	(146)
Deferred tax in the income statement - prior year	(452)	(2,364)
Deferred tax recognised in other comprehensive income	89	(54)
Asset at 31 December	<b>2,013</b>	<b>1,706</b>

The deferred tax asset in 2019 arises principally on short term timing differences and will be utilised by the company as it is expected to continue generating taxable profits in the foreseeable future.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	101,536	74,498
Amounts owed to group undertakings	20,309	51,559
Redeemable preference shares	4,887	4,887
Bank overdraft	-	3,365
Corporation tax	196	-
Other taxation and social security	25,837	16,761
Accruals and deferred income	12,882	15,041
	165,647	166,111
Right-of-use asset lease liabilities (see note 15)	7,560	-
Other borrowings dedicated to fleet financing	343,599	259,160
	516,806	425,271

Other borrowings dedicated to fleet financing includes vehicle backed finance, which is principally secured on the assets to which it relates and a charge over the other assets of the company.

Amounts owed to group undertakings are unsecured and are repayable on demand. Included within this balance are interest bearing balances that are charged at rates ranging from 0.75% to 2.61%, the rest are interest free.

#### Redeemable preference shares

The redeemable preference shares do not carry any voting rights. The shares may be redeemed at par at any time by the holder or the company upon 30 days written notice.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 15. Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Other borrowings dedicated to fleet financing	24,230	25,786
Right-of-use asset lease liabilities*	26,568	-
Amounts owed to fellow group undertakings	-	1,832
	<b>50,798</b>	<b>27,618</b>

Other borrowings dedicated to fleet financing includes vehicle backed finance, which is principally secured on the assets to which it relates and a charge over the other assets of the company.

	Borrowings	Lease liabilities*	Other creditors	Total
Maturity of debt	2019	2019	2019	2019
	£000	£000	£000	£000
Within one year or on demand	343,599	7,560	4,887	356,046
Later than one year but not later than five years	24,230	14,236	-	38,466
Later than five years	-	12,332	-	12,332
<b>As at 31 December 2019</b>	<b>367,829</b>	<b>34,128</b>	<b>4,887</b>	<b>406,844</b>

\* The right of use liabilities is in respect of the application of IFRS 16 in the current year only under the modified retrospective approach, see notes 1, 11 and 23.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 16. Provisions for liabilities

	Restructuring	Dilapidations	Insurance claims liabilities	Legal Provision	Total
	£000	£000	£000	£000	£000
At 1 January 2019	1,677	978	22,483	38,000	63,138
Charged to the income statement	4,793	42	15,766	-	20,601
Utilised during the year	(3,370)	-	(16,841)	-	(20,211)
At 31 December 2019	3,100	1,020	21,408	38,000	63,528

#### Restructuring

The provision includes onerous leases arising on vacant or surplus properties which are expected to be utilised within a period of one to eight years.

#### Dilapidations

The dilapidations provision covers the costs of remediation of certain properties held under operating leases, the ultimate expenditure of which is expected to be coterminous with the underlying remaining lease periods.

#### Insurance claims liabilities

The provision for insurance claims liabilities represents the provision for uninsured losses under third party liabilities or claims and is expected to be utilised over a period of one to seven years.

#### Legal Provision

On 23 June 2017 Leicester City Council Trading Standards Service opened an investigation into Europcar Group UK Limited in relation to allegations that the company levied charges for repairs where damages to a vehicle had been in dispute and without the consent of the holder; and/or false and/or excessive charges relating to the cost of the repairs, in breach of Regulation 9 of the Consumer Protection from Unfair Trading Regulations 2008 ("the Regulations").

The company has recorded a provision of £38,000,000 which was included within exceptional administrative expenses in 2017. This amount continues to be the Company's best estimate, at this stage of the investigation, of the potential liabilities associated with the investigation. This provision is based on a number of assumptions, including an assumption that the charging practices will be found to be misleading under the Regulations and that the conduct of the company is found to be inappropriate in relation to its approach to charging repair costs to consumers.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 17. Contingencies and other commitments

a) Capital commitments, for which no provision has been made, are as follows:

	2019	2018
	£000	£000
Authorised and contracted for:		
Vehicles	38,649	33,031

b) The company had the following future minimum lease payments under non-cancellable leases that do not fall within the scope of IFRS 16 for each of the following periods:

	31 December 2019		31 December 2018	
	Land and buildings	Vehicles	Land and buildings	Vehicles
	£000	£000	£000	£000
Payable:				
- Not later than one year	12,654	-	17,451	5,734
- Later than one year and not later than five years	17,329	-	33,252	2,176
- Later than five years	1,309	-	8,107	-
	<b>31,292</b>	<b>-</b>	<b>58,810</b>	<b>7,910</b>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. These leases are recognised in the statement of financial position for 2019 and not presented in the 2019 table above. Minimum lease rental payments are those not within the scope of IFRS16, see exemptions taken in new standards, amendments and IFRIC interpretations accounting policy note 1 and opening reconciliation in note 23.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 18. Called up share capital

	2019		2018	
	Number	£000	Number	£000
<b>Authorised</b>				
Ordinary shares of £1 each	30,001,000	30,001	30,001,000	30,001
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	30,001,000	30,001	30,001,000	30,001

### 19. Post-employment benefits

#### Defined benefit scheme

The group operates a multi-employer hybrid pension scheme known as the PremierFirst Vehicle Rental Pension Scheme, with a funded defined benefit section which closed to future accrual on 30 April 2016. Assets and liabilities are held in a separately administered fund. The company has committed to pay £1,080,000 per annum into the defined benefit section of the Scheme over a three year period from 1 January 2020, in order to address a funding deficit identified at the 31 December 2018 triennial valuation.

On 26 October 2018, a judgement was made in the High Court in relation to defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. An estimate of the extent to which the judgment crystallises additional liabilities for our own scheme is £511,000, which has been recognised as a Past Service Cost for the year to 31 December 2018.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post-employment benefits (continued)

An actuarial valuation for the Scheme was carried out as at 31 December 2018 and was updated to 31 December 2019 in accordance with FRS101 by a qualified independent actuary:

	2019	2018
Discount rate	2.05%	2.85%
Rate of increase in salaries	n/a	n/a
Retail Price Inflation (RPI)	3.10%	3.25%
Consumer Price Inflation (CPI)	2.20%	2.25%
Pension increases	3.05%	3.10%

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the group's UK plans are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of those plans.

Life expectancy at 65 for year ended 31 December:

	2019	2018
Future pensioners – male	87.9	88.3
Current pensioners – male	86.6	86.9
Future pensioners – female	89.8	90.4
Current pensioners – female	88.3	88.8

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post-employment benefits (continued)

The assets in the Scheme for the year ended 31 December are:

	2019	2018
	£000	£000
Equities	15,437	12,810
LDI Fund	8,171	9,275
Diversified Growth Funds	11,269	10,334
Diversified Credit	12,647	10,606
Illiquid growth fund	5,807	5,416
Cash and current assets	202	114
<b>Total fair value of assets</b>	<b>53,533</b>	<b>48,555</b>
Present value of scheme liabilities	(55,131)	(51,522)
<b>Net deficit in scheme</b>	<b>(1,598)</b>	<b>(2,967)</b>

**Analysis of the amount that has been charged to operating income:**

	2019	2018
	£000	£000
Current service cost	-	-
Past service cost	-	(511)
<b>Total operating income</b>	<b>-</b>	<b>(511)</b>

Of the current service cost, £nil (2018: £nil) is recharged to fellow group companies.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post-employment benefits (continued)

Analysis of the amount that has been charged to other financial expenses:

	2019	2018
	£000	£000
Net interest on liability	(80)	(69)

Analysis of the amount recognised in the Statement of total comprehensive income:

	2019	2018
	£000	£000
Actual return less expected return on pension plan assets	5,293	(3,711)
Experience gain arising on pension plan liabilities	1,215	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(6,595)	3,687
Changes in demographic assumptions underlying the present value of the scheme liabilities	1,236	305
Actuarial gain recognised in Statement of total comprehensive income	1,149	281

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post-employment benefits (continued)

#### Reconciliations of present value of scheme liabilities:

	2019	2018
	£000	£000
Opening value of scheme liabilities	51,522	56,166
Past service cost	-	511
Interest cost	1,433	1,345
Experience gains	(1,215)	-
Impact of changes in financial assumptions	6,595	(3,687)
Impact of changes in demographic assumptions	(1,236)	(305)
Benefits and other	(1,968)	(2,508)
Closing value of scheme liabilities	55,131	51,522

#### Analysis of scheme liabilities:

	2019	2018
	£000	£000
Plans that are wholly or partly funded	55,131	51,522

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post-employment benefits (continued)

#### Reconciliation of fair value of scheme assets:

	2019	2018
	£000	£000
Opening fair value of scheme assets	48,555	53,198
Expected return on assets	1,353	1,276
Actual less expected return on assets	5,293	(3,711)
Employer contributions	300	300
Benefits and other	(1,968)	(2,508)
Closing fair value of scheme assets	53,533	48,555

The actual return on assets for the year to 31 December 2019 was: £6,646,000 (2018: -£2,435,000)

#### Risks

The main risks to which the company is exposed in relation to the Scheme are:

- Yield risk; a fall in bond yields will increase the Scheme's liabilities more than the Scheme assets
- Inflation risk; the majority of the benefits in the Scheme increase in line with inflation, and so if inflation is greater than expected the liabilities will increase
- Mortality risk; the assumptions adopted by the company make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in an increase in the Scheme's liabilities.

#### Sensitivity analysis

Change in assumptions	(Decrease) /increase in liabilities £000
Increase discount rate by 0.25%	(2,123)
Increase RPI inflation assumption by 0.25%	1,873
Increase life expectancy by 1 year	2,234

The company also operates defined contribution Group Personal Pension Plans for which the pension costs charge for the year amounted to £1,301,000 (2018: £1,116,000). The amount outstanding to be paid at the year-end amounted to £92,000 (2018: £86,000).

## Europcar Group UK Limited

### Notes to the financial statements (continued)

#### 20. Security

CSC Trustees Limited as Security Trustee on behalf of various financiers holds a debenture over land and buildings, a fixed charge over receivables and a floating charge over the current and future assets of the company as security in respect of UK group borrowings.

#### 21. Related party transactions

The company has taken advantage not to disclose transactions entered between companies within the group headed by Europcar Mobility Group S.A. as permitted by FRS101 framework. There were no other related party transactions in the current or preceding year.

#### 22. Ultimate parent company

The company is a wholly owned subsidiary of PremierFirst Vehicle Rental Holdings Limited, its immediate parent, a company incorporated in the UK, and of its ultimate parent, Europcar Mobility Group S.A.

The company's results are consolidated into the group headed by Europcar Mobility Group S.A. The consolidated financial statements of this group are available to the public from Europcar Mobility Group S.A., 13 Ter boulevard Berthier, 75017 Paris -France, or from the website <http://finance.euopcar-group.com>.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 23. Effect of adoption of IFRS 16 – Leases

As indicated in notes 1 and 11, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. This note explains the impact of the adoption of IFRS 16 "Leases" on the company's financial statements.

#### Impact on the financial statements

On 1 January 2019, the company decided to apply the modified retrospective approach which consists of recognising an asset for the right of use equal to the amount of the lease obligations. The comparative information in the first year of application is not restated.

The following tables present the impacts of the first application of IFRS 16 on the opening balance sheet:

Statement of financial position (extract of impacted lines)	Balance Sheet published - 31 Dec 2018	IFRS 16 Adjustment	Balance Sheet as at 1 January 2019
	£000	£000	£000
<b>Fixed assets</b>			
Property, plant and equipment	194,943	31,211	226,154
<b>Creditors: amounts falling due within one year</b>	(425,271)	(9,810)	(435,081)
<b>Net current liabilities</b>	(62,814)	21,401	(41,413)
<b>Creditors: amounts falling due after more than one year</b>	(27,618)	(21,401)	(49,019)
<b>Net assets</b>	<b>38,406</b>	<b>-</b>	<b>38,406</b>

There was no impact on the company's retained earnings as at 1 January 2019 from adopting this standard.

## Europcar Group UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

### 23. Effect of adoption of IFRS 16 – Leases (continued)

#### Reconciliation to prior year lease commitments

	£000
<b>Operating lease commitments disclosed as at 31 December 2018 (see note 11)</b>	<b>66,720</b>
(Less) Lease agreements out of IFRS 16 scope and exemptions taken by the company	(34,973)
(Less) adjustments as a result of a different treatment of extension and termination options and other	(536)
<b>Lease liability recognised as at 1 January 2019</b>	<b>31,211</b>
Of which are:	
Current lease liabilities	9,810
Non-current lease liabilities	21,401
<b>Lease liability recognised as at 1 January 2019</b>	<b>31,211</b>

### 24. Events after the end of the reporting period

Due to the severe impact of the Covid-19 pandemic on the business, the company issued 30,000,000 fully paid Ordinary Shares of £1 for a total consideration of £30,000,000 to its immediate parent company, PremierFirst Vehicle Rental Holdings Limited on 15 July 2020 which will provide sufficient operational and financial support to Europcar Group UK Limited to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on their business without curtailment for the foreseeable future. Please see the going concern disclosures in the Directors Report and Note 1 for further information.