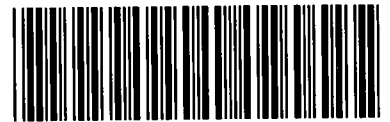


Registered number: 01089053

Europcar Group UK Limited

Annual report and financial statements
for the year ended 31 December 2021

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Europcar Group UK Limited

Annual report and financial statements for the year ended 31 December 2021

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Europcar Group UK Limited

Directors and advisors

Directors

G Smith
R Santiago
M Korvin
C Carson

Independent auditors

PricewaterhouseCoopers LLP
HS Central Business Exchange
4th Floor
Midsummer Boulevard
Milton Keynes
MK9 2DF

Bankers

National Westminster Bank plc
1 Granby Street
Leicester
LE1 9GT

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Registered office

1 Great Central Square
Leicester
England
LE1 4JS

Europcar Group UK Limited

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2021.

Principal activities

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

Review of the business

The profit for the financial year amounted to £12.2m (2020: £21.2m loss). At 31 December 2021, the company had net assets of £61.4m (31 December 2020: £42.8m).

The company continued to incur exceptional costs this year, principally comprising property related closure costs of £2.1m along with other restructuring related activities as the company continued to optimise its operations, resulting in total exceptional administrative expenses incurred of £3.7m (2020: £10.4m); see note 5 for further details.

Excluding these exceptional administrative expenses, the company generated a profit before tax of £10.1m (2020: £18.2m loss) as it took an important step back to pre-Covid trading, with increased revenues (up £51m/25%) driven by corporate volume and leisure rate. Supporting the directors' positive view of the company's future trading prospects in the medium and longer term as we learn to live with Covid.

We continued to successfully navigate the operational challenges arising from COVID-19 during the year; we safeguarded our staff, maintained a full service to our customers and aligned our business to our new "Connect" strategy, the objective of which is to position the Europcar Mobility Group ('Group') as a major player of sustainable, digital and connected mobility in the years to come. Our operational resilience has allowed us to deliver a high-quality service to our customers throughout the year and the changes we have made to our internal operating practices mean that we are well placed to manage any ongoing impacts of COVID-19 as they unfold over the medium and longer term. In addition, the company benefited from available UK Government support, including furlough receipts detailed in note 8, tax payment deferrals and business rate reductions.

The audited financial statements for the year ended 31 December 2021 are set out on pages 18 to 52.

Future Developments

In 2022, the environment will remain unpredictable as we learn to live with Covid and the Ukraine crisis unfolds.

Supply of vehicles will be challenging, however the company will continue to be resourceful and 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.

Our 'Connect' program reached an important milestone in Q1 2022 as over 95% of our fleet is now connected via telematics devices. The coming months will see opportunities crystallise as we leverage this technology.

The network strategy has been delivered but we continue to make improvements to our stations and always look for opportunities to further enhance our proposition.

Finally, 2022 saw us conclude our HQ consolidation with the opening of our New HQ in Leicester's regeneration zone of Great Central Square. Whilst clearly being positive culturally as we welcomed people back to work, symbolically it shows we are investing in the future and moving forward positively.

Europcar Group UK Limited

Strategic report (continued)

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, and focussed meetings occur monthly, ensuring 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.

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 and global conflict. 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

The conflict in Ukraine has created a number of challenges for manufacturers, from rising prices and availability of raw materials to keeping abreast of the latest sanctions. Availability and supply of fleet could harm the performance of the company however the group's strong working relationships with motor manufacturers, multi-route purchasing model 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, 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.

Europcar Group UK Limited

Strategic report (continued)

Financial risk management and principal risks (continued)

Brexit

The transition period for the UK leaving the European Union ended on 31 December 2020 with a deal having been agreed, resulting in new rules from 1 January 2021.

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. Whilst the rules have been confirmed any impact of these has still yet to be directly felt due to the continuing Coronavirus pandemic. However based on what has been implemented we remain confident that there will be no material disruption to travel as a result of Brexit.

The business is not responsible for the importation of goods into the UK and therefore will not be directly impacted by any difficulties arising from the new trading terms with the European Union, and based on the new rules the automotive industry as a whole will not be significantly adversely impacted. Whilst a small number of vehicles are transported by the group to Northern Ireland from the rest of the UK, the Northern Ireland Protocol ensures that no additional costs should arise from the process. The company will continue to monitor and respond to the emerging legislation in the UK as it establishes a standalone regulatory environment post Brexit.

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 minimizing 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 are continuing to develop with Group targets for Hybrid and EV vehicles through to 2023. Europcar already 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. EV's and hybrids are now also being offered as part of Europcar's long term rental programme – "Flex+". Our excellent relationships with vehicle manufacturers also ensures that we are able to work with them to provide the right mobility solutions for all our customers and push towards a more sustainable environment.

The company's ultimate parent company, Europcar Mobility Group S.A. in March 2022 became the first mobility service company to have its carbon reduction objectives approved by Science Based Targets initiative; this is only one critical step towards embedding deeper our decarbonisation plan into 'Connect', our Group's strategic framework, progressively involving more and more functions and stakeholders.

Europcar Group UK Limited

Strategic report (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"), the UK GDPR and any associated legislation.

There are serious consequences for our business should 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. Any suspected breach of data protection legislation 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 security controls are in place to protect our customers, avoiding negative impacts on key stakeholders, associated reputational damage and potential for financial implications. Group IT have procedures in place to identify data breaches and manage any incidents. The Group has insurance coverage against these risks.

Coronavirus -Covid-19 pandemic

Throughout the year the COVID-19 pandemic was the largest risk factor for the business as travel restrictions were imposed by governments on both a local and international level. Although there has been a significant reduction in Leisure demand, we have seen a resurgence of corporate business to pre-covid levels.

The risks and uncertainties associated with the global pandemic and the government response to these have been actively managed. Significant changes to rental procedures have been put in place such as enhanced cleaning in-between rentals in order to protect staff and customers to reduce the transmission risk of COVID-19. In addition, more comprehensive cash flow forecasting has been implemented to ensure that any impact of future drops in demand from imposed restrictions are mitigated. The business has also continued to utilise government support where available including furloughing employees where necessary in order to reduce costs and reflect actual demand.

Following the third national lockdown that commenced in January 2021, in February 2021 the government published a roadmap for lifting the lockdown in a series of steps with the majority of restrictions being lifted in July 2021. Further to the spread of the 'Omicron' variant, the government announced 'Plan B' measures which were lifted at the end of January 2022 with all COVID-19 travel restrictions lifted on 18 March 2022 in England with the devolved assemblies following soon after.

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. Our corporate values are:

Customer Centric

Open Communication

Working Together

Feeling Valued

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.

Key Decisions

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 in both the short and long term.

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.

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)

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, company update meetings and consultation processes. Further details are provided in the Directors Report.

Engaging with our members

The company's ultimate parent, Europcar Mobility Group S.A., 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 2020 of Europcar Mobility Group S.A.

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. The company has been awarded certification to the world class, ISO accredited Achilles Carbon Reduce Programme. Carbon Reduce Certification demonstrates the company's commitment to measuring, managing and reducing greenhouse gas emissions in a robust and credible way in accordance with ISO 14064, complementing our existing ISO 14001 accreditation.

Aligning to the company's environmental strategy, verification of the company's operational footprint recognises the actions to measure greenhouse gas emissions, understanding carbon liabilities and puts in place management plans to reduce emissions in our organisation. The company has achieved Carbon Reduce Certification (previously CEMARS) for its operational carbon footprint for each year from since 2010. Key targets set by the company to reduce greenhouse gas emissions over the coming years include reducing the average fleet CO2 figure; reducing average vehicle emissions for non-revenue movements; improving awareness of electricity/water usage and efficiencies.

Accreditation to ISO 9001 and ISO14001 with a robust Quality and Environmental management system also demonstrates Europcar's commitment to continuous improvement.

Risk Management

As highlighted above, consideration of risks is an integral part of 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 quarterly and monthly for focused discussions. The agenda of the Risk Management Committee includes a number of standing items including regulatory compliance and review of business risks, including financial risks.

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)

Application of duties in decision making

Specific issues throughout the year have demonstrated how the matters listed above have been incorporated into the decision making process.

Closure of stations – The decision was taken to permanently close some stations in the year. This was part of a long term strategy to move towards a more centralised model, with considerations given to the need to maintain a strong nationwide logistics delivery and collection network. Employee's interests were also considered, both in terms of the immediate teams and the wider interest in the sustainability of the company.

COVID-19 procedures – The board implemented changes quickly to respond to the COVID-19 pandemic which covered a wide range of issues and stakeholders. The safety of staff and customers, and by extension the ongoing relationships with these, was a priority in implementing increased cleaning regimes. The requirement set for high standards in these procedures was also considered critical for maintaining a strong reputation. COVID-19 continued to result in new way of working for many employees who were either furloughed or worked remotely. Home working arrangements have continued for staff, where appropriate, during the financial year. The company has continued with the provision of extensive support for our people through the periods of COVID-19 restrictions, focusing on wellbeing, enhanced communication including senior management calls to staff, and practical assistance for working from home.

Employee furlough – During the year significant reductions in demand had a direct impact on the number of staff required. The Government furlough scheme provided support for where furloughing was required, and the decision on how to operate this best for the company was considered alongside the interests of the employees themselves, the long term financial stability of the company, the need to act fairly to employees and the positive impact that the retention of employees would have on the wider community and the relationships held there.

On behalf of the Board



C Carson
Director

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22 September 2022

Europcar Group UK Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

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 / or up to the date of signing the financial statements were:

G Smith

M Korvin (appointed 15 November 2021)

C Carson

R Santiago

S Owens (resigned 5 February 2021)

L Peligry (resigned 15 November 2021)

Dividends

No dividends were paid or proposed during the current or prior year. The directors do not recommend the payment of a final dividend (2020: £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 financial statements have been prepared on a going concern basis.

At 31 December 2021, the company has net assets of £61.4m, and net current liabilities of £225.0m. The company's existing vehicle funding agreement expires on 31 October 2022. On 24 June 2022, new facilities were agreed in respect of a securitisation structure, whereby funding is supplied via notes issued to a syndicate of banks via an issuer special purpose vehicle (SPV) which can then be drawn by a fleet SPV, which uses those funds to supply vehicles to the company under hire purchase arrangements. The total value of funding committed under the agreement is £450m over an initial term of 3 years.

Further to the funding described above we have extended our vehicle funding agreement at a reduced amount of £150m to meet any fleet funding requirements that are not met by the securitisation due to loan to value and fleet concentration limits.

The company has also taken the opportunity to engage in the group receivables factoring program. This will commence at the end of July 2022 and the monies from this will be used to underwrite the insurance liabilities.

Following the re-opening of the economy and exit from Covid-19 measures in the UK, the company has seen strong demand for its services and further to restructuring undertaken during 2020, has achieved an operating profit of £19.1m in 2021. The directors have prepared forecasts that indicate an increasing trend of profitability and cash flow from 2022 through to 2024.

There is still, however, some uncertainty in the outlook arising from the current supply constraints of new vehicles, resulting from global shortages of semi-conductors and vehicle parts sourced from the Ukraine. These factors may impact on the company's ability to achieve its growth forecasts, and the directors have prepared cash flow projections under a realistic downside scenario which indicate that the company has sufficient resources to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly the directors believe that the preparation of the financial statements on a going concern basis is appropriate.

Europcar Group UK Limited

Directors' report (continued)

Political and charitable contributions

No political or charitable donations were made during this or the previous year.

As part of our Group's 'Commit Together' programme, colleagues can take paid leave to complete charity work to support a cause of their choice.

In 2021, the Covid-19 pandemic has prevented much of the typical charitable activity that would normally go on across the business. We have however supported a number of charitable initiatives which have included providing special rates and free vehicles to emergency services and key worker groups / bodies and free use of the head office car park for NHS staff situated in close proximity to Leicester Royal Infirmary.

Statement of stakeholder engagement

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 UK Procurement 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.

Europcar Group UK Limited

Directors' report (continued)

Statement of employee engagement

The company operates a number of 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
- Company updates through a live stream
- Company intranet site
- Workplace by Facebook

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.
- 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.
- 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.

Every appointment in the Company is made solely on the basis of a person's suitability for that particular post. No reference is made to gender, sexual orientation, gender reassignment, pregnancy or maternity, age, race, religion or belief, marital status (including civil partnership) or disability. The Company is committed to making reasonable adjustments to enable disabled people to compete for positions on equal terms. Where existing employees become disabled, the Company makes every effort to ensure that their employment can continue, which will include consultation with the employee to ensure any reasonable adjustments can be arranged. The same principle of equality applies to opportunities for career development within the Company and to every one of our operations, people practices and management processes.

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 through our Company Updates which are presented by our Senior Management Team through a live stream, including updates on financial and economic factors that affect the performance of the company. Our group also issues regular communication with regard to our strategies, the ongoing performance of the company and future plans.

Directors' report (continued)

Statement of employee engagement (continued)

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. Questions are encouraged as part of these meetings and feedback provided.
- Scheduled Senior Management Visits & video calls 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.

Events after the end of the reporting period

Details of subsequent events are provided within Note 25.

Europcar Group UK Limited

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

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.

Streamlined Energy and Carbon Reporting

This inventory has been prepared in accordance with the requirements of the measure-step of the Toitū carbon marks, which is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the inventory is aligned with industry or sector best practice for emissions measurement and reporting.

Europcar Group UK Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

GHG emissions and energy use for period 1 January 2021 to 31 December 2021

	2021	2020
Energy consumption used to calculate emissions (kWh)	64,813,629.32	61,896,287.32
Gas (kWh)	81,674.00	169,710.00
Electricity (kWh)	2,087,194.00	2,911,857.00
Transport fuels (kWh)	62,644,761.55	58,814,720.32
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities tCO ₂ e (Scope 1)	15,315.35	13,520.00
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	443.17	678.87
Total gross emissions tCO ₂ e based on the above	15,758.52	14,198.87
Total gross emissions from above by unit turnover/revenue (tCO ₂ e/£M)	61.99	69.85

These emissions and usage were calculated using ISO14064 Part 1 2018 and CEMARS methodology verified to ISO14064 Part 1 2018 and CEMARS.

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.

On behalf of the Board



C Carson
Director

22 September 2022



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

Report on the audit of the financial statements

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 2021 and of its profit 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 2021; the income statement, the statement of comprehensive income, and 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.

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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with tax legislation and consumer regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Tax regulations and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting, including but not limited to revenue overstatement through posting journal entries to increase revenue, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

- Discussions with management, including considerations of any known or suspected fraud or instances of non-compliance with laws and regulations. Discussions included a specific focus on the latest position with the Trading Standards Authority in respect of the matter referred to in note 18 and the continued appropriateness of the provision previously recorded. Our work also included obtaining an updated confirmation from the company's external legal advisors.
- Identified and tested unusual journals entries, specifically those with unusual account combinations impacting revenue and fleet, and journals posted by senior management personnel.
- Evaluated assumptions made by management in determining significant financial estimates, obtaining appropriate supporting audit evidence. Our work focused specifically on the valuation of the self-insured claims reserve which requires significant judgment on the part of management and ourselves.
- Reviewed board minutes and management's summary of all known and potential legal claims.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

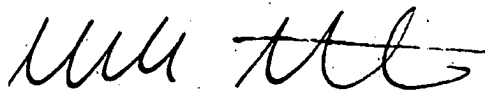
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
22 September 2022

Europcar Group UK Limited

Income statement for the year ended 31 December 2021

	Note	2021	2020
		£000	Restated (note1) £000
Revenue	3	254,213	203,288
Cost of sales		(137,191)	(121,683)
Gross profit		117,022	81,605
Distribution costs		(65,684)	(62,915)
Exceptional administrative expenses	5	(3,741)	(10,418)
Other administrative expenses		(30,927)	(34,921)
Total administrative expenses		(34,668)	(45,339)
Other operating income	8	2,405	8,540
Operating profit/(loss) before exceptional administrative expenses		22,816	(7,691)
Operating profit/(loss)	5	19,075	(18,109)
Other financial income	9	69	366
Other financial expenses	9	(12,811)	(10,887)
Profit/(loss) before taxation and exceptional administrative expenses		10,074	(18,212)
Profit/(loss) before taxation		6,333	(28,630)
Tax on profit/(loss)	10	5,856	7,430
Profit/(loss) for the financial year		12,189	(21,200)

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 comprehensive income for the year ended 31 December 2021

	Note	2021	2020
		£000	£000
Profit/(loss) for the financial year		12,189	(21,200)
Other comprehensive income/(expense): Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) recognised in the pension scheme	21	7,914	(1,241)
Movement on deferred tax relating to pension scheme	15	(1,504)	236
Total other comprehensive income/(expense) for the year		6,410	(1,005)
Total comprehensive income/(expense) for the year		18,599	(22,205)

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

Europcar Group UK Limited

Statement of financial position as at 31 December 2021

	Note	2021	2020
		£000	£000
Fixed assets			
Property, plant and equipment	11	327,969	234,869
Right-of-use-assets	12	39,476	27,941
		367,445	262,810
Current assets			
Inventory	13	2,840	1,983
Trade and other receivables	14	265,335	287,089
Cash and cash equivalents		32,819	7,071
		300,994	296,143
Creditors: amounts falling due within one year	16	(525,953)	(380,790)
Net current liabilities		(224,959)	(84,647)
Total assets less current liabilities		142,486	178,163
Creditors: amounts falling due after more than one year	17	(27,688)	(70,664)
Provisions for liabilities	18	(60,603)	(62,929)
Post-employment benefits	21	7,193	(1,781)
Net assets		61,388	42,789
Equity			
Called up share capital	20	60,001	60,001
Revaluation reserve		181	207
Capital contribution reserve		40	40
Retained earnings / (accumulated losses)		1,166	(17,459)
Total equity		61,388	42,789

The financial statements on pages 18 to 52 were approved by the board of directors on 22 September 2022 and signed on its behalf by:



C Carson, 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 2021

	Called up share capital	Revaluation reserve	Capital contribution reserve	Retained earnings / (Accumulated losses)	Total equity
	£000	£000	£000	£000	£000
Balance as at 1 January 2020	30,001	207	80	4,746	35,034
Loss for the financial year	-	-	-	(21,200)	(21,200)
Other comprehensive expense for the financial year	-	-	-	(1,005)	(1,005)
Total comprehensive expense for the year	-	-	-	(22,205)	(22,205)
Share capital increase	30,000	-	-	-	30,000
Share-based payment credit	-	-	(40)	-	(40)
Total transactions with owners, recognised directly in equity	30,000	-	(40)	-	29,960
Balance as at 31 December 2020	60,001	207	40	(17,459)	42,789
Profit for the financial year	-	-	-	12,189	12,189
Other comprehensive income for the financial year	-	-	-	6,410	6,410
Total comprehensive income for the year	-	-	-	18,599	18,599
Reserves transfer on sale of revalued assets	-	(26)	-	26	-
Balance as at 31 December 2021	60,001	181	40	1,166	61,388

Europcar Group UK Limited

Notes to the financial statements

1. Summary of significant accounting policies

Europcar Group UK Limited is a private company limited by shares, domiciled, incorporated and registered 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, as applicable to companies using FRS 101. 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:

- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information;
- the requirements of paragraphs 10(d) and 134–136 of IAS 1 Presentation of Financial Statements and the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, for the effect of future accounting standards not yet adopted;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures including 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;
- 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 24.

Europcar Group UK Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis.

At 31 December 2021, the company has net assets of £61.4m, and net current liabilities of £225.0m. The company's existing vehicle funding agreement expires on 31 October 2022. On 24 June 2022, new facilities were agreed in respect of a securitisation structure, whereby funding is supplied via notes issued to a syndicate of banks via an issuer special purpose vehicle (SPV) which can then be drawn by a fleet SPV, which uses those funds to supply vehicles to the company under hire purchase arrangements. The total value of funding committed under the agreement is £450m over an initial term of 3 years.

Further to the funding described above we have extended our vehicle funding agreement at a reduced amount of £150m to meet any fleet funding requirements that are not met by the securitisation due to loan to value and fleet concentration limits.

The company has also taken the opportunity to engage in the group receivables factoring program. This will commence at the end of July 2022 and the monies from this will be used to underwrite the insurance liabilities.

Following the re-opening of the economy and exit from Covid-19 measures in the UK, the company has seen strong demand for its services and further to restructuring undertaken during 2020, has achieved an operating profit of £19.1m in 2021. The directors have prepared forecasts that indicate an increasing trend of profitability and cash flow from 2022 through to 2024.

There is still, however, some uncertainty in the outlook arising from the current supply constraints of new vehicles, resulting from global shortages of semi-conductors and vehicle parts sourced from the Ukraine. These factors may impact on the company's ability to achieve its growth forecasts, and the directors have prepared cash flow projections under a realistic downside scenario which indicate that the company has sufficient resources to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly the directors believe that the preparation of the financial statements on a going concern basis is appropriate.

Prior Year restatement

Prior year amounts for distribution costs and administrative expenses have been restated to correct a misclassification in the gross up adjustment in respect of the government support received in relation to the CJRS, disclosed in note 8. This restatement has no effect on prior year operating profit but results in a reclassification of £7,079,000 of costs from other administrative expenses to distribution costs, previously £42,000,000 and £55,836,000 respectively, now £34,921,000 and £62,915,000.

Europcar Group UK Limited

1. Summary of significant accounting policies (continued)

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.

Property, plant and equipment and depreciation (continued)

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 in arriving at 'Operating (loss)/profit' in the income statement.

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.

Europcar Group UK Limited

1. Summary of significant accounting policies (continued)

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.

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.

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'. 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. These are disclosed separately to provide further understanding of the financial performance of the company.

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 FRS 101 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

Europcar Group UK Limited

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.

Leases

From 1 January 2019, the company adopted IFRS 16 "Leases". 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.

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 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. In the year ended 31 December 2021, the discount rate for real estate contracts ranged between 0.91% and 5.08%.

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.

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.

Europcar Group UK Limited

1. Summary of significant accounting policies (continued)

Leases (continued)

In 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arose as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The company has successfully negotiated a limited number of rent concessions on leased properties involving the waiver of break clauses, none of these had any material effect on the value of IFRS 16 right of use assets and lease liabilities.

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

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

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.

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.

Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The company has utilised the Government's Coronavirus Job Retention Scheme ('CJRS') in both the current and prior year, which allows for businesses to submit claims for repayment of furlough or flexible furlough employee wages as a result of COVID-19. The grant income received has been accounted for in accordance with IAS 20 and shown in other operating income in the income statement and personnel costs have been shown gross of grant income.

Europcar Group UK Limited

1. Summary of significant accounting policies (continued)

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.

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 IAS 19, 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 IAS 19.

Europcar Group UK Limited

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 an annual basis by an independent actuary and the accrual rate adjusted in accordance with historical claims experience, together with expectations around risk initiatives. The company applies a mid-point of the range of estimated reserves provided by the actuary to its accrual rates, the realisation of which could differ from those estimates. Using the upper estimate of average accrual rates provided by the independent would increase in the required provision by £0.4m, with a corresponding reduction of £0.4m if the lower estimate were to be used.

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 18 for further information.

Retirement benefit obligations

Judgement is required in the setting of assumptions used by the actuaries in assessing the financial position of the 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 an 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 21.

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. Residual values are estimated with reference made to recent disposal experience and external market data. There has been some volatility in used vehicle prices since Covid restrictions started to lift in mid-2021 as demand rose, exacerbated by shortages of semi-conductors and other parts impacting on new vehicle supply, giving rise to increased estimation uncertainty. A 5% increase in average estimated residual values would result in a reduced depreciation charge in the current financial year of around £4.5m.

Europcar Group UK Limited

2.1 Critical accounting estimates and assumptions (continued)

Lease accounting – determination of lease term

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 it is probable that the lease will be extended (or not terminated).

3 Revenue

All revenue arose from the principal activity of self-drive vehicle hire within the UK in both the current and prior year.

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

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

	2021	2020
	£000	£000
Impairment losses		
– movement in loss allowance for trade receivables and contract assets	(912)	(13)
Net impairment losses on financial and contract assets	(912)	(13)

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

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5. Operating profit/(loss)

This is stated after charging/(crediting):

	2021	2020
	£000	£000
Depreciation of property, plant and equipment (see note 11)	1,497	2,018
Depreciation of vehicles purchased without buy back guarantees (see note 11)	62,571	52,257
	64,068	54,275
Depreciation of right-of-use assets (see note 12)	13,097	13,844
Profit on disposal of freehold properties	(543)	(28)
Inventory recognised as an expense	5,162	5,718
Operating lease rentals* - land and buildings	7,126	7,052

* Operating lease rentals are those not within the scope of IFRS16, see lease accounting policy.

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

	2021	2020
	£000	£000
Fees payable to the auditors for the audit of the company	137	148
Fees payable to auditors for the audit of the other group companies	42	44
	179	192

Europcar Group UK Limited

5. Operating profit/(loss) (continued)

During the year the company incurred exceptional administrative expenses of £3,741,000 (2020: £10,418,000). These are analysed below:

	2021	2020
	£000	£000
Redundancy	275	2,344
Restructuring related legal and professional fees	828	135
Property related restructuring including onerous leases and loss on sale	2,138	1,081
Legal and professional fees and other costs	500	891
Additional insurance costs linked to historical and exceptional events	-	5,967
	3,741	10,418

6. Personnel costs

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

	2021	2020
	No.	No.
Operations	1,233	1,246
Sales and administration	255	303
	1,488	1,549
	2021	2020
	£000	£000
Wages and salaries	44,138	41,878
Social security costs	3,391	3,857
Other pension costs	1,062	1,227
Share-based payments	-	(40)
	48,591	46,922

The company has utilised the Government's Job Retention Scheme. The grant income received has been accounted for in accordance with FRS 101 and personnel costs above are presented gross of grant income.

Europcar Group UK Limited

Notes to the financial statements (continued)

7. Directors' emoluments

	2021	2020
	£000	£000
Aggregate emoluments	859	419
Contributions to defined contribution pension scheme	16	64
Compensation for loss of office	134	-
	1,009	483

Remuneration of the highest paid director:

	2021	2020
	£000	£000
Aggregate emoluments	585	205
Contributions to defined contribution pension scheme	-	32
	585	237

Three directors, including the highest paid director, vested shares during the year to the amount of £2,500 (2020: one director, £6,000).

Two of the directors received no emoluments in respect of services performed by them to this company:

One director carries on work in an executive capacity for Europcar Mobility Group S.A. in a global role and his remuneration is recharged in full to that entity.

One director is paid by another company within the Europcar Mobility Group, and is a director of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of her remuneration in respect of each of the subsidiaries. Her total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

There were two directors in the company's defined contribution plan (2020: three directors).

Europcar Group UK Limited

Notes to the financial statements (continued)

8. Other operating income

	2021	2020
	£000	£000
Government grant	2,405	8,540
	2,405	8,540

During the period to the closure of the scheme on 30 September 2021, the company was in receipt of government support in relation to the CJRS, see government grants accounting policy note.

9. Net finance costs

	2021	2020
	£000	£000
Bank interest	4	32
Interest on loans to group undertakings	65	334
Other financial income	69	366
Bank overdraft	(1)	(34)
Bank arrangement fees amortised	(1,856)	(1,270)
Vehicle financing and other loans	(6,637)	(6,987)
Interest on lease liabilities	(1,260)	(1,337)
Interest on loans from group undertakings	(2,123)	(292)
Other interest payable	(934)	(967)
Other financial expenses	(12,811)	(10,887)
Net finance costs	(12,742)	(10,521)

Europcar Group UK Limited

Notes to the financial statements (continued)

10. Tax on profit/(loss)

(a) Analysis of tax in the year	2021	2020
	£000	£000
Current tax		
Current tax	7	-
Adjustments in respect of prior periods	-	(333)
Total current tax	7	(333)
Deferred tax		
Origination and reversal of temporary differences	1,638	(2,506)
Effect of tax rate change on opening balance	(2,915)	(695)
Adjustments in respect of prior periods	(4,586)	(3,896)
Total deferred tax (note 15)	(5,863)	(7,097)
Tax on profit/(loss) (note 10 (b))	(5,856)	(7,430)

Europcar Group UK Limited

Notes to the financial statements (continued)

10. Tax on profit/(loss) (continued)

b) Factors affecting tax credit in the year

The tax credit for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit/(loss) before taxation	6,333	(28,630)
Profit/(loss) before taxation at 19% (2020: 19%)	1,203	(5,440)
Adjustments in respect of prior periods	(4,586)	(4,229)
Non-deductible income /(expenses)	1,097	(675)
Impact of change in corporation tax rate	(3,518)	(695)
Deferred tax not recognised	-	3,609
Foreign tax withheld on income	7	-
Other differences	(59)	-
Total tax credit	(5,856)	(7,430)

At the balance sheet date there is an unrecognised deferred tax asset of £nil (2020: £3.6m) in respect of tax losses carried forward.

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, and the change was substantively enacted in May 2021. Deferred tax has been provided at the enacted rates that will prevail in the periods when the timing differences are expected to reverse.

Europcar Group UK Limited

Notes to the financial statements (continued)

11. 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
Cost					
At 1 January 2021	3,620	17,382	291,087	9,558	321,647
Additions	-	1,049	205,221	241	206,511
Disposals	(966)	(612)	(92,372)	(1,412)	(95,362)
Reclassification	-	-	-	-	-
At 31 December 2021	2,654	17,819	403,936	8,387	432,796
Accumulated depreciation					
At 1 January 2021	1,443	12,027	65,040	8,268	86,778
Charge for the year	37	989	62,571	471	64,068
Disposals	(375)	(489)	(43,759)	(1,396)	(46,019)
At 31 December 2021	1,105	12,527	83,852	7,343	104,827
Net book value					
At 31 December 2021	1,549	5,292	320,084	1,044	327,969
At 31 December 2020	2,177	5,355	226,047	1,290	234,869

Europcar Group UK Limited

Notes to the financial statements (continued)

12. Right-of-use assets

Information about right-of-use assets is summarised below:

(i) Amounts recognised in the statement of financial position

	2021	2020
	£000	£000
Right-of-use assets – net book value		
Leasehold properties	29,526	23,206
Fleet vehicles	9,950	4,735
	39,476	27,941
Lease liabilities		
Current	12,378	7,193
Non-current	27,688	21,644
	40,066	28,837

Additions to the right-of-use assets during the 2021 financial year were £25,105,000 (2020: £13,006,000).

(ii) Amounts recognised in the income statement

	2021	2020
	£000	£000
Depreciation charge of right-of-use assets		
Leasehold properties	4,259	4,448
Fleet vehicles	8,838	9,396
	13,097	13,844
Interest expense on right-of-use liabilities (included in finance cost)	(1,260)	(1,337)

The total cash outflow for right-of-use leases in 2021 was £14,660,000 (2020: £14,714,000)

Europcar Group UK Limited

Notes to the financial statements (continued)

13. Inventory

	2021	2020
	£000	£000
Fuel inventory	2,840	1,983

In the opinion of the directors, the replacement cost of inventory is the same as the balance sheet carrying values.

14. Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	31,436	27,089
Vehicle buy-back agreement receivables	172,854	180,154
Amounts owed by group undertakings	10,381	24,312
Other receivables including fleet	9,713	23,984
Deferred tax (note 15)	13,705	9,346
Prepayments and accrued income	27,246	22,204
	265,335	287,089

Vehicle buy-back agreement receivables are shown net of depreciation and impairment provision in respect of damaged or stolen vehicles amounting to £172,854,000 (2020:£180,154,000); the depreciation charged for these vehicles amounted to £14,532,000 (2020: £20,048,000).

Trade receivables are stated after provisions for impairment of £2,527,000 (2020: £2,350,000).

Amounts owed by group undertakings are unsecured and repayable on demand. Included within this balance are interest bearing balances that bear interest at 2.61%, the rest are interest free.

Europcar Group UK Limited

Notes to the financial statements (continued)

15. Deferred taxation

	2021	2020
	£000	£000
At the beginning of the year	9,346	2,013
Credited to profit or loss	5,863	7,097
(Charged)/credited to the statement of comprehensive income	(1,504)	236
At the end of the year	13,705	9,346

Details of deferred tax assets, liabilities, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Asset / (liability)		(Charged)/credited to profit or loss		(Charged)/credited to other comprehensive income	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	13,661	9,230	4,431	(6,920)	-	-
Defined benefit pension scheme	(1,367)	(267)	404	686	(1,504)	236
Other temporary differences	413	383	30	(168)	-	-
Available losses	998	-	998	-	-	-
	13,705	9,346	5,863	6,402	(1,504)	236

Deferred tax assets have been recognised in full in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered based upon business forecasts. There is no unrecognised deferred tax at 31 December 2021.

As referred to in note 10, in the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, and the change was substantively enacted in May 2021. Deferred tax has been provided at the enacted rates that will prevail in the periods when the timing differences are expected to reverse.

Europcar Group UK Limited

Notes to the financial statements (continued)

16. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	24,590	57,755
Amounts owed to group undertakings	79,871	18,362
Redeemable preference shares	4,887	4,887
Corporation tax	300	300
Other taxation and social security	10,652	22,160
Accruals and deferred income	18,880	11,197
	139,180	114,661
Right-of-use asset lease liabilities (see note 12)	12,378	7,193
Other borrowings dedicated to fleet financing	374,395	258,936
	525,953	380,790

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 is a loan of £60m from Europcar International which was advanced in July to August 2021 to meet additional fleet funding requirements as the company's volumes returned to pre-pandemic levels. This loan bears interest at 8.25%. Other interest bearing intercompany loan account balances are charged at rates ranging from 0.1% to 2.6%, together with current account balances that are settled under normal trade terms.

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 (continued)

17. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Other borrowings dedicated to fleet financing	-	46,071
Right-of-use asset lease liabilities (see note 12)	27,688	21,644
Other taxation and social security	-	2,949
	27,688	70,664

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. The current facility expires in October 2022 and is therefore reported in full within creditors falling due within one year at 31 December 2021.

	Borrowings	Lease liabilities	Other creditors	Total
Maturity of debt	2021	2021	2021	2021
	£000	£000	£000	£000
Within one year or on demand	374,395	12,378	4,887	391,660
Later than one year but not later than five years	-	16,396	-	16,396
Later than five years	-	11,292	-	11,292
As at 31 December	374,395	40,066	4,887	419,348

Europcar Group UK Limited

Notes to the financial statements (continued)

18. Provisions for liabilities

	Restructuring	Dilapidations	Insurance claims liabilities	Legal Provision	Total
	£000	£000	£000	£000	£000
At 1 January 2021	2,280	1,116	21,533	38,000	62,929
Charged to the income statement	1,103	202	9,592	-	10,897
Utilised during the year	(1,674)	(98)	(11,451)	-	(13,223)
At 31 December 2021	1,709	1,220	19,674	38,000	60,603

Restructuring

The company has continued to rationalise its operations and property estate, and the provision comprises mainly onerous leases arising on vacant or surplus properties which are expected to be utilised within a period of one to two years, together with a small redundancy provision.

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 are 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 (continued)

19. Contingencies and other commitments

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

	2021	2020
	£000	£000
Authorised and contracted for:		
Vehicles	61,760	38,379

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 2021	31 December 2020
	Land and buildings £000	Land and buildings £000
Payable:		
- Not later than one year	5,382	9,235
- Later than one year and not later than five years	4,276	8,833
- Later than five years	308	426
	9,966	18,494

Minimum lease rental payments are those not within the scope of IFRS 16, see exemptions taken in leases accounting policy note 1.

20. Called up share capital

	2021		2020	
	Number	£000	Number	£000
Authorised				
Ordinary shares of £1 each	60,001,000	60,001	60,001,000	60,001
Allotted, called up and fully paid				
Ordinary shares of £1 each	60,001,000	60,001	60,001,000	60,001

Europcar Group UK Limited

Notes to the financial statements (continued)

21. Post-employment benefits

The company operates both defined benefit and defined contribution arrangements for its employees.

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.

An actuarial valuation for the Scheme was carried out as at 31 December 2018 and was updated to 31 December 2021 in accordance with FRS 101 by a qualified independent actuary, Isio Services Limited.

The significant assumptions used by the actuaries are as follows:

	2021	2020
	%	%
Discount rate	1.90	1.55
Rate of increase in salaries	n/a	n/a
Retail Price Inflation (RPI)	3.45	3.10
Consumer Price Inflation (CPI)	2.65	2.20
Pension increases	3.35	3.05

Salary increases in the above table are shown as nil as the scheme is closed to future accrual.

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 using SAPS 3 tables with scheme specific adjustments based on scheme experience analysis in line with the 31 December 2018 actuarial funding valuation.

Life expectancy at 60 for year ended 31 December:

	2021	2020
	Years	Years
Future pensioners – male	87.6	87.9
Current pensioners – male	86.2	86.4
Future pensioners – female	89.8	89.9
Current pensioners – female	88.3	88.4

Europcar Group UK Limited

Notes to the financial statements (continued)

21. Post-employment benefits (continued)

The assets in the Scheme, based on market value at 31 December, are:

	2021	2020
	£000	£000
Equities	18,896	16,404
LDI Fund	8,580	10,019
Diversified Growth Funds	12,370	10,933
Diversified Credit	14,155	12,133
Hedge funds	7,609	6,273
*Cash and current assets	210	127
Total fair value of assets	61,820	55,889
Present value of scheme liabilities	(54,627)	(57,670)
Net surplus / (deficit) in scheme	7,193	(1,781)

*All of the assets are quoted with the exception of cash and current assets

Reconciliation of fair value of scheme assets:

	2021	2020
	£000	£000
Opening fair value of scheme assets	55,889	53,533
Expected return on assets	847	1,088
Actual less expected return on assets	6,876	3,725
Employer contributions	1,080	1,080
Benefits and other	(2,872)	(3,537)
Closing fair value of scheme assets	61,820	55,889

The actual return on assets for the year to 31 December 2021 was: £7,723,000 (2020: £4,813,000)

Europcar Group UK Limited

Notes to the financial statements (continued)

21. Post-employment benefits (continued)

Reconciliation of present value of scheme liabilities:

	2021	2020
	£000	£000
Opening value of scheme liabilities	57,670	55,131
Interest cost	867	1,110
Impact of changes in financial assumptions	(312)	4,675
Impact of changes in demographic assumptions	(726)	291
Benefits and other	(2,872)	(3,537)
Closing value of scheme liabilities	54,627	57,670

Analysis of scheme liabilities:

	2021	2020
	£000	£000
Plans that are wholly or partly funded	54,627	57,670

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.

Europcar Group UK Limited

Notes to the financial statements (continued)

21. Post-employment benefits (continued)

The following amounts have been recognised in the profit and loss account:

Charged to other financial expenses:

	2021	2020
	£000	£000
Net interest on liability	(20)	(22)

The following amounts have been recognised in the statement of other comprehensive income:

	2021	2020
	£000	£000
Actual return less expected return on pension plan assets	6,876	3,725
Changes in financial assumptions underlying the present value of the scheme liabilities	312	(4,675)
Changes in demographic assumptions underlying the present value of the scheme liabilities	726	(291)
Actuarial gain / (loss) recognised in Statement of total comprehensive income	7,914	(1,241)

Sensitivity analysis

At the reporting date, reasonable possible changes to one of the relevant actuarial assumptions, with the other assumptions held constant, would have affected the defined benefit obligation by the amounts shown below:

Change in assumptions	(Decrease) /increase in liabilities £000
Increase discount rate by 0.25%	(2,254)
Increase inflation assumption by 0.25%	1,900
Increase life expectancy by 1 year	2,468

Europcar Group UK Limited

Notes to the financial statements (continued)

21. Post-employment benefits (continued)

Defined contribution schemes

The company also operates defined contribution pension schemes. The assets of these schemes are held separately from the company in independently administered funds. The pension costs charge represents contributions payable by the company to the funds, and for the year amounted to £1,062,000 (2020: £1,227,000). Contributions totalling £76,000 (2020: £80,000) were payable to the schemes at the balance sheet date and are included in creditors.

22. 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.

23. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year, the directors were remunerated for services to the company. This has been disclosed in note 7. The directors are considered to be the key management personnel.

There were no other related party transactions in the current or prior year that require disclosure under IAS 24.

24. 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 ultimate parent of the Europcar group, incorporated in France and listed on the stock exchange market of Euronext Paris.

The company's results are consolidated into the group headed by Europcar Mobility Group S.A. which is both the smallest and largest group for which consolidated financial statements are drawn up of which the company is a member. 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>.

25. Events after the end of the reporting period

On 24 June 2022, new facilities were agreed in respect of a UK securitisation structure, whereby funding is supplied via notes issued to a syndicate of banks via an issuer special purpose vehicle (SPV) which can then be drawn by a fleet SPV, which uses those funds to supply vehicles to the company under hire purchase arrangements. The total value of funding committed under the agreement is £450m over an initial term of 3 years.

The company has also taken the opportunity to extend its vehicle funding agreement at a reduced amount of £150m to meet any additional fleet funding requirements to support further growth.

Europcar Group UK Limited

Notes to the financial statements (continued)

25. Events after the end of the reporting period (continued)

On 15 June 2022, it was announced that Green Mobility Holdings S.A., a consortium consisting of Volkswagen, Attestor and Pon Holdings, has obtained a controlling interest in the share capital and voting rights of Europcar Mobility Group S.A.

The conflict in Ukraine has created a number of challenges for vehicle manufacturers, from rising prices and availability of raw materials to keeping abreast of the latest sanctions. At this stage the consequences for the global economy of the events are uncertain. While the Group has no operations in this part of the world and no direct and negligible indirect exposure to customers and suppliers in the region, we are carefully monitoring the situation.