

Vanguard Rental (Holdings) Limited
Annual report and financial statements
for the year ended 31 December 2004

Registered number 915008



Vanguard Rental (Holdings) Limited

Annual report and financial statements for the year ended 31 December 2004

	Page
Directors and advisors	1
Directors' report for the year ended 31 December 2004	2
Independent auditors' report to the members of Vanguard Rental (Holdings) Limited	5
Consolidated profit and loss account for the year ended 31 December 2004	6
Consolidated statement of total recognised gains and losses for the year ended 31 December 2004	7
Consolidated balance sheet as at 31 December 2004	8
Company balance sheet as at 31 December 2004	9
Consolidated cash flow statement as at 31 December 2004	10
Notes to the financial statements for the year ended 31 December 2004	11

Vanguard Rental (Holdings) Limited

Directors and advisors

Directors

I Wardle
J S Leigh
W E Lobeck
L Tessler
B A Gold (appointed 7 May 2004)

Secretary

Jane M Colton

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

National Westminster Bank plc
1 Granby Street
Leicester
LE1 9GT

Bank of Scotland
P.O. Box 39900
155 Bishopsgate
London
EC2M 3YB

Registered Office

James House
55 Welford Road
Leicester
LE2 7AR

Vanguard Rental (Holdings) Limited

Directors' report for the year ended 31 December 2004

The directors present their annual report, together with the financial statements and independent auditors' report for the year ended 31 December 2004.

Results and dividends

The audited financial statements for the year ended 31 December 2004 are set out on pages 6 to 37.

Principal activity and business review

The principal activity of the group during the year was that of short term rental of motor vehicles and chauffeur driven car rental, under the trading names of National Car Rental, Alamo Rent A Car, Guy Salmon and 4 Wheels.

The group profit on ordinary activities before tax was £19,662,000 (2003 - £9,722,000).

The group is firmly established as the market leader for UK short term rental and this continues to provide a base from which further opportunities and growth can be developed.

Directors and their interests

The directors who held office during the year and subsequently were as follows:

I Wardle
J S Leigh
W E Lobeck
C S Brody (resigned 7 May 2004)
L Tessler
B A Gold (appointed 7 May 2004)

At 31 December 2004, none of the directors had any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Vanguard Rental (Holdings) Limited

Directors' Report for the year ended 31 December 2004 (continued)

Payments to suppliers

It is the policy of the group, in respect of the majority of suppliers, to agree the terms of payment with those suppliers when finalising overall contract terms. The group seeks to comply with the agreed payment terms whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed contracted terms and conditions.

The average number of days taken by the group to pay suppliers, including fleet vehicle suppliers, was 14 days (2003 : 14 days).

Employee involvement

The group is committed to employee involvement and uses a variety of methods to inform and consult its employees. The Vision Plus programme is committed to developing employee relationships and improving two-way communication. Information is circulated by means of notices, bulletins, newsletters, team briefings and annual road shows to ensure all employees are fully aware of the performance of the group. The group's business strategy is summarised and communicated through the Vision Plus programme. Regular feedback on employee performance is also a feature of the Vision Plus programme. The performance appraisal system reflects the organisation's values along with managers and employees discussing work performance, training and career development.

Political and charitable contributions

The group made no political or charitable contributions in either year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Vanguard Rental (Holdings) Limited

Directors' Report for the year ended 31 December 2004 (continued)

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to formally reappoint them as auditors to the company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in cursive script, appearing to read 'Jane M Colton', written in dark ink.

Jane M Colton
Secretary
16 June 2005

Independent auditors' report to the members of Vanguard Rental (Holdings) Limited

We have audited the financial statements, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cashflow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

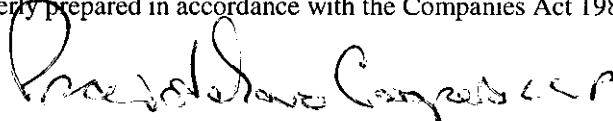
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the group's profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

16 June 2005

Vanguard Rental (Holdings) Limited

Consolidated profit and loss account for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
(restated - note 1)			
Turnover	2	259,521	231,793
Cost of sales		(122,629)	(113,446)
Gross profit		136,892	118,347
Distribution costs		(70,345)	(65,666)
Administrative expenses	4	(34,048)	(33,280)
Operating profit	3	32,499	19,401
Net interest payable	7	(12,837)	(9,679)
Profit on ordinary activities before taxation		19,662	9,722
Tax on profit on ordinary activities	8	(7,598)	(5,672)
Profit for the year		12,064	4,050
Non-equity minority interests	20	(285)	(297)
Retained profit for the year	19	11,779	3,753

The movement on reserves is disclosed in note 19.

All turnover and operating profit arose from continuing activities. There is no difference between the above results and those reported on an unmodified historical cost basis.

Vanguard Rental (Holdings) Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2004

	2004	2003
	£000	£000
Retained profit for the year	11,779	3,753
Currency translation differences on foreign currency investments	207	(255)
Total recognised gains and losses relating to the year	11,986	3,498

The accompanying notes are an integral part of these statements.

Vanguard Rental (Holdings) Limited

Consolidated balance sheet as at 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	10	326,122	256,309
Investments	11	50	50
		326,172	256,359
Current assets			
Stock	12	2,163	1,919
Debtors	13	83,016	81,061
Cash	14	12,698	12,425
		97,877	95,405
Creditors: amounts falling due within one year			
Vehicle backed finance		(296,523)	(244,545)
Other creditors		(108,302)	(102,624)
	15	(404,825)	(347,169)
Net current liabilities		(306,948)	(251,764)
Total assets less current liabilities		19,224	4,595
Provisions for liabilities and charges	16	(5,551)	(2,322)
Net assets		13,673	2,273
Capital and reserves			
Called-up share capital	17	77,229	77,229
Additional paid-up capital	18	25,117	25,117
Profit and loss account	18	(93,559)	(105,545)
Shareholders' funds/(deficit) –equity	19	8,787	(3,199)
Minority interests (non-equity)	20	4,886	5,472
Total capital employed		13,673	2,273

The financial statements on pages 6 to 37 were approved by the board of directors and signed on its behalf by:



I Wardle

Director

16 June 2005



J S Leigh

Director

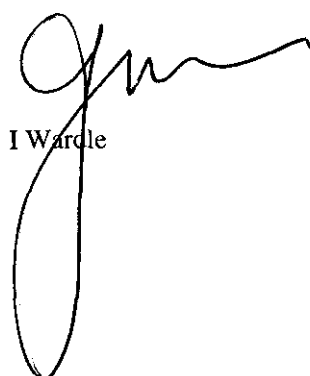
The notes on pages 11 to 37 form an integral part of these accounts.

Vanguard Rental (Holdings) Limited

Company balance sheet as at 31 December 2004

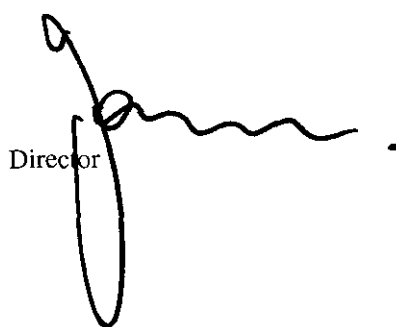
	Notes	2004 £000	2003 £000
Fixed assets			
Investments	11	77,362	77,362
Current assets			
Debtors	13	5,767	5,999
Cash	14	242	10
Net current assets		6,009	6,009
Net assets		83,371	83,371
Capital and reserves			
Called-up share capital	17	77,229	77,229
Additional paid-up capital	18	25,117	25,117
Profit and loss account	18	(18,975)	(18,975)
Shareholders' funds (all equity)	19	83,371	83,371

The financial statements were approved by the board of directors and signed on its behalf by:



I Wardle

J S Leigh



Director

Director

16 June 2005

The accompanying notes are an integral part of this balance sheet.

Vanguard Rental (Holdings) Limited

Consolidated cash flow statement as at 31 December 2004

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	25	76,233	45,018
Returns on investment and servicing of finance			
Interest received		170	169
Interest paid		(579)	(385)
Interest element of finance lease payments		(12,747)	(9,322)
		(13,156)	(9,538)
Taxation			
UK corporation tax paid		(778)	(555)
Net cash inflow before capital expenditure, financial investment, acquisitions and financing		62,299	34,925
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(551,120)	(432,671)
Receipts from sales of tangible fixed assets		448,591	347,520
		(102,529)	(85,151)
Acquisitions			
Cash acquired from subsidiary undertakings	24	–	682
Financing			
Cash inflow from sale and finance leaseback		535,909	425,745
Capital element of finance leases		(484,266)	(399,805)
		51,643	25,940
Increase/(decrease) in cash	26	11,413	(23,604)

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies

Basis of preparation and going concern

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

The UK directors have reviewed the financial position, current trading, forecasts and available borrowing facilities of the UK group (both in respect of overdraft and vehicle financing facilities), and have concluded that the application of the going concern assumption remains appropriate in preparing these accounts.

Accounts presentations – prior year presentation adjustment

In accordance with the requirements of Financial Reporting Standard No.18, the directors have reconsidered the presentation of certain trading arrangements which previously were included within turnover net of costs. The directors consider that the most appropriate treatment is to include the gross sales in turnover and the prior year figures have been restated to gross up both turnover and cost of sales by £11,752,000.

Basis of consolidation

The group financial statements consolidate the financial statements of Vanguard Rental (Holdings) Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment as required.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of fifty years. Freehold land is not depreciated. Leasehold properties are amortised on a straight-line basis over the life of the lease.

Fleet vehicles are capitalised at the price paid for them, after deducting all discounts received, and are depreciated by equal monthly instalments to write down the net cost to estimated residual value over the expected holding period which is six to twelve months for cars and twelve to twenty-four months for vans.

Depreciation on other fixed assets is computed to write off their costs on a straight-line basis over their expected useful lives as follows:

Plant and machinery, fixtures and fittings	3 to 10 years
Computer equipment	3 to 5 years

Residual value is calculated on prices prevailing at the date of acquisition, updated for subsequent market movements.

Investments

Fixed asset investments are stated at cost less any provision for impairment. All listed investments are stated at market value. Investment income is accounted for on an accruals basis.

Stocks

Stocks relate to petrol held for resale and are stated at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Foreign subsidiaries have been consolidated using the net investment method. Any gains and losses arising on retranslation of these entities has been reflected in the statement of total recognised gains and losses.

Leased assets

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet within tangible fixed assets as fleet vehicles and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Gross rental costs on assets held under operating leases are charged to the profit and loss account in the period to which they relate. In the case of vehicle operating leases the finance element along with the balance of the rental are charged to cost of sales.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

1 Accounting policies (continued)

Pension costs and other post-retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either accruals or prepayments in the balance sheet.

The group also operates a personal pension plan for certain employees, differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit. Provision is made for any impairment.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Where possible, the company will take advantage of group relief provisions to offset taxable profits against taxable losses arising in other group undertakings in the period. No payment is made in respect of the surrender of such losses or for the surrender of ACT.

Deferred taxation is provided in full on timing differences that arise in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

2 Segmental analysis

Turnover

The analysis of turnover, substantially all of which arose from the principal activity, by geographical area of destination is as follows:

	2004	2003
	£000	£000
	(restated - note 1)	
United Kingdom	226,692	205,022
Continental Europe	32,225	26,355
Other	604	416
	259,521	231,793

Analysis of turnover, by geographical area of origin is as follows:

	2004	2003
	£000	£000
	(restated - note 1)	
United Kingdom	235,370	212,741
Continental Europe	24,151	19,052
	259,521	231,793

In common with industry practice, the group does not present a segmental analysis of operating profit and net operating assets as the directors consider that to present this information would be seriously prejudicial to the commercial interests of the group.

Profit and loss account – supplemental disclosure

In the profit and loss account presented on page 6 interest payable includes finance charges payable in respect of finance leases and hire purchase contracts in accordance with UK generally accepted accounting practice. Since such charges relate principally to the group's vehicle fleet utilised in its day to day operations, the directors believe that for a better understanding of the group's commercial operation it is more appropriate to classify such vehicle related costs as part of cost of sales. Accordingly, the following supplementary analysis shows the effect of such a reclassification on an extract of the profit and loss account for the years ended 31 December 2004 and 2003.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

2 Segmental analysis (continued)

	2004	Re- Classification	2004 Reclassified	2003 Reclassified
	£000	£000	£000	£000
	(restated - note 1)			
Turnover	259,521	-	259,521	231,793
Cost of sales	(122,629)	(12,581)	(135,210)	(122,999)
Gross profit	136,892	(12,581)	124,311	108,794
Distribution costs	(70,345)	-	(70,345)	(65,666)
Administrative expenses	(34,048)	-	(34,048)	(33,280)
Operating profit	32,499	(12,581)	19,918	9,848
Net interest payable	(12,837)	12,581	(256)	(126)
Profit on ordinary activities before taxation	19,662	-	19,662	9,722

The above analysis is presented for supplemental information purposes only.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Operating profit

This is stated after charging/(crediting):

Group	2004	2003
	£000	£000
Auditors' remuneration - audit services	356	162
- non-audit services previous auditors	-	116
- non-audit services current auditors	8	147
	364	425
Research and development expenditure written off	1,278	1,617
Depreciation of owned fixed assets	8,200	3,868
Depreciation of leased assets	35,350	34,306
	43,550	38,174
Amortisation of goodwill arising on acquisition of Vanguard Rental (Switzerland) A.G. (note 24)	-	106
(Profit)/Loss on disposal of fixed assets	(13)	38
Operating lease rentals - land and buildings	13,191	12,355
- other leased assets (including vehicles)	5,518	5,165

Auditors remuneration includes £15,000 (2003 - £15,000) of audit fees relating to the company that have been borne by subsidiary undertakings.

4 Operating exceptional item

Administrative expenses for the year ended 31 December 2003 included an operating exceptional charge of £1,545,000 related to a provision for lease commitments on vacant properties. In 2004, £433,000 of that provision has been released to the profit and loss account to reflect the revised lease obligations resulting from the rent review during the year.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Directors' emoluments

	2004	2003
	£000	£000
Emoluments	579	501

Emoluments represent those paid to two directors (2003 : two) by the group during the year. Two directors (2003 : two) were members of the pension scheme during the year.

	2004	2003
	£000	£000
Highest paid director		
Emoluments	299	252

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2004 was £22,632 (2003: £18,629).

6 Staff costs

The average number of employees during the year were as follows:

	2004	2003
	Number	Number
Management	40	40
Clerical	278	268
Other	2,823	2,648
	3,141	2,956

Their aggregate payroll costs were as follows:

	2004	2003
	£000	£000
Wages and salaries	53,826	47,506
Social security costs	5,040	4,367
Other pension costs	1,885	1,837
	60,751	53,710

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Net interest (payable) / receivable

	2004	2003
	£000	£000
a) Interest receivable and similar income		
Bank interest	109	135
Investment income	28	35
Group undertakings	45	-
	182	170
b) Interest payable and similar charges		
Bank loans, overdrafts and other loans	(430)	(280)
Finance charges payable in respect of finance leases and hire purchase contracts	(12,581)	(9,553)
Other	(8)	(16)
	(13,019)	(9,849)
Net Interest payable	(12,837)	(9,679)

8 Tax on profit on ordinary activities

(a) Analysis of charge in period	2004	2003
Group	£000	£000
Current tax		
Corporation tax (note 8 (b))	3,447	2,840
Deferred tax (note 16)	4,227	1,189
Advance corporation tax	97	676
Prior year adjustments		
- Advance corporation tax	-	10
- Corporation tax	33	-
- Deferred tax (note 16)	(206)	957
Total current tax	7,598	5,672

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Tax on profit on ordinary activities (continued)

Company	2004	2003
	£000	£000
Deferred tax	-	436

(b) Factors affecting current tax charge in period

Group	2004	2003
	£000	£000
Profit on ordinary activities before tax	19,662	9,722
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30%	5,899	2,917
Effects of:		
Adjustment for non deductible expenses	278	340
Utilisation of ACT brought forward	(98)	(676)
Non taxable income	(74)	(210)
Overseas losses not offset	1,386	1,204
Differences in timing of taxation of foreign earnings	143	41
Brought forward tax losses	(903)	(1,369)
Excess of depreciation over capital allowances	(3,485)	441
Depreciation on assets not qualifying for capital allowances	286	409
Short term timing differences	15	(257)
Current consolidated tax charge in period (note 8(a))	3,447	2,840

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Result attributable to Vanguard Rental (Holdings) Limited

The result for the year for Vanguard Rental (Holdings) Limited was £nil (2003 - £436,000 loss). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

10 Tangible fixed assets

	Freehold land and buildings	Short leasehold property	Plant and machinery, fixtures and fittings	Fleet vehicles	Total
Group	£000	£000	£000	£000	£000
Cost					
At 1 January 2004	9,311	9,203	9,525	263,302	291,341
Additions	250	705	2,681	553,487	557,123
Disposals	(179)	(68)	(30)	(480,271)	(480,548)
Foreign exchange	-	1	2	349	352
At 31 December 2004	9,382	9,841	12,178	336,867	368,268
Depreciation					
At 1 January 2004	1,529	5,187	6,016	22,300	35,032
Charge for year	149	882	1,603	40,916	43,550
Disposals	(39)	(55)	(23)	(36,326)	(36,443)
Foreign exchange	-	-	-	7	7
At 31 December 2004	1,639	6,014	7,596	26,897	42,146
Net book value					
At 31 December 2004	7,743	3,827	4,582	309,970	326,122
At 31 December 2003	7,782	4,016	3,509	241,002	256,309

Freehold land at a cost of £3,605,447 (2003 - £3,655,447) has not been depreciated. Included within fleet vehicles are assets held under finance leases with a net book value of £241,908,000 (2003 - £233,909,000).

Company

The company has no fixed assets (2003 - £nil).

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

11 Fixed asset investments

Group

	2004	2003
	£000	£000
Cost and net book value		
At 1 January 2004 and 31 December 2004	50	50

In the opinion of the directors, the value of the investment is not less than the value recorded in the financial statements.

	Principal activity	Holding	%
Vanguard Marketing Services Middle East Limited	Franchising of vehicle rental systems in the Middle East	50,000 £1 ordinary shares	25

The above company is registered in the British Virgin Islands.

Company

Subsidiary undertakings	2004	2003
	£000	£000
At cost	77,362	77,362

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

11 Fixed asset investments (continued)

The parent company holds investments in the following subsidiary undertakings:

	Country of incorporation (if not England & Wales)	Principal Activity	Holding	%
* Vanguard Rental (Group) Limited		Holding company	74,026,762 £1 ordinary shares	100
Vanguard Rental Limited		Holding company	649,238,158 5p ordinary shares	100
Vanguard Rental (Properties) Limited		Property holding company	30,000,100 £1 ordinary shares	100
Vanguard Rental Insurances (Guernsey) Limited	Guernsey	Insurance and reinsurance	250,000 £1 ordinary shares	100
Vanguard Rental (UK) Limited		Vehicle rental	30,001,000 £1 ordinary shares	100
Vanguard Rental (German Holdings) Gmbh	Germany	Holding company	2 shares of 1,000 & 24,000 Euros each	100
Vanguard Rental Gmbh	Germany	Holding company	2 shares of 1,000 & 24,000 Euros each	100
Vanguard Autovermietung GmbH & Co KG	German partnership	Vehicle rental	1 share of 1,000 Euros	100
Vanguard Rental (Holland) BV	Holland	Dormant	18,161 1Euro ordinary shares	100
Vanguard Rental (Franchising) Limited		Franchising of vehicle rental systems	8,000 £1 ordinary shares	100
Provincial Assessors Limited		Accident damage assessment	2 £1 ordinary shares	100
Provincial Securities Limited		Dormant	4 £1 ordinary shares	100
Diplema 272 Limited		Dormant	2 £1 ordinary shares	100
Diplema 274 Limited		Dormant	2 £1 ordinary shares	100
Vanguard Rental Pension Scheme Trustees Limited		Trustee for Vanguard Rental Pension Scheme	2 £1 ordinary shares	100
* Vanguard Rental (Switzerland) A.G.	Switzerland	Vehicle rental	9,998 CHF 10 each ordinary shares	100

*denotes directly held by the company

All subsidiary undertakings have been included in the consolidation.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

12 Stock

	2004	2003
Group	£000	£000
Consumables and fuel stock	2,163	1,919

Company

The company has no stocks (2003 - £nil).

13 Debtors

Group

	2004	2003
	£000	£000
Trade debtors	42,716	39,376
Amounts owed by fellow subsidiary undertakings	12,057	4,378
Other debtors	714	982
Prepayments and accrued income	27,529	36,325
	83,016	81,061

Company

	2004	2003
	£000	£000
Amounts owed by fellow subsidiary undertakings	5,767	5,999

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

14 Cash

Group

	2004	2003
	£000	£000
Cash in hand and at bank	5,836	95
Restricted cash	6,862	12,330
	12,698	12,425

Restricted cash of £6,007,000 (2003- £11,494,000) represents cash received by Vanguard Rental (UK) Limited on the sale of vehicles, to manufacturers and dealers, while these vehicles are still on lease from the leasing companies. Under the terms of Vanguard Rental (UK) Limited's financing arrangement the company is obliged to pay, on demand, this cash to the relevant leasing companies, subject to a reduction for the value of any vehicles which are unsold but for which the lease has been settled.

The balance of the restricted cash £855,000 (2003- £836,000) represents cash held by Vanguard Rental Insurances (Guernsey) Limited and is required to cover that company's solvency requirements as an insurance company.

Company

	2004	2003
	£000	£000
Cash in hand and at bank	242	10

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

15 Creditors: amounts falling due within one year

Group	2004	2003
	£000	£000
Obligations under finance leases and hire purchase contracts (secured)	296,523	244,545
Bank loans and overdrafts	-	11,140
Trade creditors	38,435	31,931
Amounts owed to parent and fellow subsidiary undertakings	37,966	30,923
Taxation and social security	1,729	1,794
Corporation tax	5,317	2,625
Other creditors	4	18
Accruals and deferred income	24,851	24,193
	404,825	347,169

Obligations under finance leases and hire purchase contracts are secured principally on the assets to which they relate, with a charge also having been granted over the other assets of the relevant group undertaking.

Company

The company has no creditors due within one year (2003 : £nil).

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

16 Provisions for liabilities and charges

Group	2004	2003
	£000	£000
Restructuring (a)	(1,227)	(2,019)
Deferred tax (b)	(4,324)	(303)
	(5,551)	(2,322)

(a) Restructuring

Group	£000
At 1 January 2004	(2,019)
Utilised during the year	359
Release of vacant property provision (see note 4)	433
At 31 December 2004	(1,227)

(b) Deferred tax comprises

Group	2004	2003
	£000	£000
Unremitted foreign earnings	(1,555)	(1,699)
Accelerated capital allowances	(4,131)	(791)
Short term timing differences	679	619
Tax losses	683	1,568
	(4,324)	(303)
Provision at 1 January	(303)	1,843
Deferred tax charge in profit & loss account	(4,021)	(2,146)
Provision at 31 December	(4,324)	(303)

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

16 Provisions for liabilities and charges (continued)

Company	2004	2003
	£000	£000
Provision at 1 January	-	436
Deferred tax charge in profit & loss account	-	(436)
Provision at 31 December	-	-

In line with the 'basis of preparation and going concern' note in the accounting policies on page 11, both the group and the company have provided for deferred tax on a full provision basis in accordance with Financial Reporting Standard No.19, 'Deferred Tax'.

17 Called-up share capital

	2004	2003
	£000	£000
Authorised:		
78,000,000 ordinary shares of £1 each	78,000	78,000
Allotted, called-up and fully-paid:		
77,228,629 ordinary shares of £1 each.	77,229	77,229

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

18 Reserves

	Additional paid-up capital	Profit and loss account	Total
Group	£000	£000	£000
At 1 January 2004	25,117	(105,545)	(80,428)
Profit for the financial year	-	11,779	11,779
Currency translation differences	-	207	207
At 31 December 2004	25,117	(93,559)	(68,442)

	Additional paid-up capital	Profit and loss account	Total
Company	£000	£000	£000
As at 1 January and 31 December 2004	25,117	(18,975)	6,142

19 Reconciliation of movements in shareholders' funds/(deficit)

Group	2004	2003
	£000	£000
Profit for the financial year	11,779	3,753
Currency translation differences	207	(255)
Net increase in shareholders' funds	11,986	3,498
Opening shareholders' deficit	(3,199)	(6,697)
Closing shareholders' funds/(deficit)	8,787	(3,199)

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

19 Reconciliation of movements in shareholders' funds/(deficit) (continued)

Company	2004	2003
	£'000	£'000
Loss for the financial year	-	(436)
Net decrease in shareholders' funds	-	(436)
Opening shareholders' funds	83,371	83,807
Closing shareholders' funds	83,371	83,371

20 Minority interests

	Non-equity	Non-equity
	2004	2003
	£000	£000
At 31 December	4,886	5,472

Non-equity minority interests comprise 11,140,025 6% cumulative redeemable preference shares of CAN\$1 each in Vanguard Rental (UK) Limited, a subsidiary undertaking, issued on 31 December 2001. The shares do not entitle the holders to any rights against other group companies and are redeemable at any time at par, subject to written notice.

21 Financial commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2004	2003
	£000	£000
Authorised and contracted for:		
- vehicles	73,410	145,146

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

21 Financial commitments (continued)

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
Group	£000	£000	£000	£000
Operating leases which expire:				
- within one year	2,267	1,120	833	1,490
- between two and five years	5,309	5,360	208	53
- over five years	3,937	4,716	-	-
	11,513	11,196	1,041	1,543

	Land and buildings	
	2004	2003
Company	£'000	£'000
Operating leases which expire:		
- within one year	-	-
- between two and five years	222	239
- over five years	449	426
	671	665

The above operating leases are for properties occupied by a subsidiary undertaking of the company. The lease expense relating to these properties is incurred by the subsidiary undertaking.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

22 Pension scheme

The group operates a funded defined benefit pension scheme known as the Vanguard Rental Pension Scheme ("the Scheme"). The cost of the Scheme to the Group in 2004 was £876,000 (2003 - £821,000).

The group provides pension arrangements to certain full time employees through the Scheme and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

Qualified actuaries, Foden Baynes Associates carried out the most recent actuarial valuation of the Scheme as at 31 December 2002. At the valuation date, the total market value of the Scheme's assets was £12.9million. The valuation disclosed a past service deficit of £4,356,000 being a funding level of 74.7%. The Directors agreed to continue the contribution rate at 21.8% of members' total pensionable salaries plus a fixed annual contribution of £610,000 in order to eliminate the deficit over a period of 10 years.

The valuation was made using the projected unit method. The assumptions that had the most significant effect on the result of the valuation were as follows:

Investment rate of return (discount rate)	6.5% per annum
Annuity rate of interest	5.5% per annum
Salary increases	4.5% per annum
Pension increases	3.0% per annum

The actuarial valuation described above has been updated at 31 December 2004 by qualified actuaries, Foden Baynes Associates, using revised assumptions that are consistent with the requirements of Financial Reporting Standard No.17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2004	2003
Rate of increase in salaries	3.5%	4.0%
Rate of increase in pensions payment	2.5%	2.5%
Discount rate	5.5%	6.0%
Inflation assumption	2.5%	2.5%

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

22 Pension scheme (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2004	2004	2003	2003
	%	£000	%	£000
Equities	7.50	10,229	7.20	9,281
Bonds	5.25	8,028	6.00	6,400
Cash and current assets	4.75	40	4.00	167
Total fair value of assets		18,297		15,848
Present value of scheme liabilities		(19,608)		(17,565)
Deficit in the scheme		(1,311)		(1,717)
Related deferred tax asset		393		515
Net pension liability		(918)		(1,202)

The contribution rate for 2004 was 21.6% (2003: 21.6%) of pensionable earnings and the agreed contribution rate for the next three years is 21.6% of pensionable earnings. In addition the directors of the employing companies intend to make an additional fixed contribution of £610,000 each year for the next 8 years to offset the deficit.

Analysis of the amount that would have been charged to operating profit under Financial Reporting Standard No.17.

	2004	2003
	£000	£000
Current service cost	649	636
Past service cost	—	—
	649	636

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

22 Pension scheme (continued)

Analysis of the amount that would have been credited to net finance income under Financial Reporting Standard No.17.

	2004	2003
	£000	£000
Expected return on pension scheme assets	1,003	810
Interest on pension scheme liabilities	(1,066)	(902)
	(63)	(92)

Analysis of the actuarial gain that would have been recognised in the statement of total recognised gains and losses:

	2004	2003
	£000	£000
Actuarial return less expected return on pension scheme assets	1,344	974
Experience gains and losses arising on the scheme liabilities	(401)	(541)
Changes in assumptions underlying the present value of the scheme liabilities	(1,334)	(6)
	(391)	427

Reconciliation of net assets and reserves under Financial Reporting Standard No.17

If the pension scheme liability was recognised in the financial statements the net assets and reserves would be as follows:

Net assets/(liabilities)

	Group	Group	Company	Company
	2004	2003	2004	2003
	£000	£000	£000	£000
As stated in the balance sheet	13,673	2,273	83,371	83,371
Financial Reporting Standard No.17 defined benefit liabilities	(918)	(1,202)	(918)	(1,202)
Net assets including defined benefit liabilities	12,755	1,071	82,453	82,169

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

22 Pension scheme (continued)

Profit and loss reserves

	Group	Group	Company	Company
	2004	2003	2004	2003
	£000	£000	£000	£000
As stated in the balance sheet	(93,559)	(105,545)	(18,975)	(18,975)
Financial Reporting Standard No.17 defined benefit liabilities	(918)	(1,202)	(918)	(1,202)
Net liabilities including defined benefit pension liabilities	(94,477)	(106,747)	(19,893)	(20,177)

Movement in deficit during the year

	2004
	£000
Deficit in the scheme at the beginning of the year	(1,717)
Movement in the year:	
Current service cost	(649)
Contributions	1,509
Net return on assets	(63)
Actuarial loss	(391)
Deficit in the scheme at the end of the year	(1,311)

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

22 Pension scheme (continued)

History of experience gains and losses

	2004	2003
Difference between the expected and actual return on scheme assets:		
Amount (£000)	1,344	974
Percentage of scheme assets	7.3%	6.1%
Experience gains and losses on scheme liabilities:		
Amount (£000)	(401)	(541)
Percentage of the present value of scheme liabilities	(2.2%)	(3.4%)
Total actuarial gain recognised in the statement of total recognised gains and losses:		
Amount (£000)	(391)	427
Percentage of the present value of scheme liabilities	(2.1%)	2.7%

The company also operates a defined contribution Group Personal Pension Plan for which the pension cost charge for the year amounted to £396,000 (2003 - £366,000).

23 Contingent liabilities

The company, along with certain other UK group undertakings, has entered into cross guarantees in respect of a revolving credit and overdraft facility of £30 million with effect from 3 December 2004. The amount outstanding on the facility at year end was £3 million (2003: £nil).

In addition, the company, along with another UK group undertaking, has guaranteed certain vehicle finance obligations of a fellow group undertaking, amounting to 53 million Euros at 31 December 2004 (2003: 58 million Euros).

The directors are of the opinion that these arrangements will not have a material impact on the results or position of the company.

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

24 Acquisition of Vanguard Rental (Switzerland) A.G.

The group purchased Vanguard Rental (Switzerland) A.G. during 2003 for a total consideration of £1. Goodwill arising on acquisition of £106,000 was written off in 2003.

25 Reconciliation of operating profit to net cash inflow from operating activities:

	2004	2003
	£000	£000
Operating profit	32,499	19,401
Amortisation of intangibles	–	106
Depreciation charges	43,550	38,174
Loss / (profit) on sale of fixed assets	(13)	38
(Increase) in stocks	(244)	(477)
(Increase) / decrease in debtors	(6,534)	9,512
Increase / (decrease) in creditors	7,846	(21,736)
Dividends	(871)	–
Net cash inflow from operating activities	76,233	45,018

26 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£000	£000
Increase / (decrease) in cash in year	11,413	(23,604)
Cash inflow from increase in debt and leasing finance	(51,643)	(25,940)
Changes in net debt resulting from cash flows	(40,230)	(49,544)
Translation difference	(335)	93
Movement in net debt in the year	(40,565)	(49,451)
Net debt at the start of the year	(243,260)	(193,809)
Net debt at the end of the year	(283,825)	(243,260)

Vanguard Rental (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

27 Analysis of changes in net debt

	1 January 2004	Cash flows	Other non cash changes	Exchange movements	31 December 2004
	£000	£000	£000	£000	£000
Cash in hand and at bank	12,425	254	-	19	12,698
Bank overdraft	(11,140)	11,140	-	-	-
	1,285	11,394	-	19	12,698
Net debt					
Finance leases and hire purchase contracts	(244,545)	(51,643)	-	(335)	(296,523)
	(244,545)	(51,643)	-	(335)	(296,523)
	(243,260)	(40,249)	-	(316)	(283,825)

28 Related party transactions

The company has taken advantage of the exemption offered under Financial Reporting Standard No.8 not to disclose related party transactions within a group whose consolidated financial statements are available to the public. There are no other related party transactions requiring disclosure in the period.

29 Ultimate parent company and controlling party

The group's ultimate parent company and controlling party, and the parent company of both the largest and smallest group to consolidate the results of the group, is Worldwide Excellerated Leasing Limited, a company registered in Bermuda.

The company's immediate parent undertaking is Vanguard Car Rental EMEA Holdings Limited, a company incorporated in the United Kingdom. These results are consolidated in the accounts of Vanguard Car Rental EMEA Holdings Limited and copies of these accounts are available from the Secretary, Vanguard Car Rental EMEA Holdings Limited, James House, 55 Welford Road, Leicester, LE2 7AR.