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ANC Rental Corporation (Holdings) Limited

Report and Financial Statements

For the year ended 31 December 2002



ANC Rental Corporation (Holdings) Limited

Registered No: 915008

Directors

I Wardle
J S Leigh

Secretary

J M Colton

Auditors

Ernst & Young LLP
City Gate West
Toll House Hill
Nottingham
NG1 5FY

Bankers

National Westminster Bank plc
1 Granby Street
Leicester
LE1 9GT

Registered Office

James House
55 Welford Road
Leicester
LE2 7AR

Directors' Report

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 December 2002.

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 and Guy Salmon.

The group profit on ordinary activities before tax and exceptional items was £14,606,000 (2001 - £9,704,000).

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.

On 13 November 2001, the UK group's ultimate parent company (ANC Rental Corporation, a US company) filed voluntary petitions for reorganisation under Chapter 11 of the US Bankruptcy Code. This was as a consequence of the immediate impact of the September 11th terrorist incidents upon the airport related operations of the US rent a car industry. These petitions did not include any ANC operations outside the US. The protection of Chapter 11 is expected to allow the US business to reorganise its operations and finances. The US business has continued to trade throughout, and the operations of the UK group have been substantially unaffected.

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. Further details are set out in the Statement of Accounting Policies.

On 1 August 2002, the trade and assets of Republic Industries Automotive Rental Group (Holland) B.V. were sold for 11,266,988 euros.

Dividends

A dividend of £289,000 (2001 - £nil) is payable at 6% on the minority interest redeemable preference shares. This dividend will be accrued but not paid until after the US parent emerges from Chapter 11.

Directors and their interests

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

I Wardle
J S Leigh

At 31 December 2002, none of the directors had any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' Report

Payments to suppliers

It is the group policy, 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 16 days (2001 – 18 days).

Disabled people

It is group policy that each company gives full consideration to disabled people who make application for employment and equal opportunity for training and career development is given. Each company also endeavours to give continued employment to recently disabled employees.

Employee involvement

The group is committed to employee involvement and uses a variety of methods to inform and consult its employees. Our Vision 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 roadshows to ensure all employees are fully aware of the performance of the group. The company's business strategy is summarised and communicated through the Vision programme.

Regular feedback on employee performance is also a feature of the Vision programme. The performance appraisal system reflects our organisation's values along with managers and employees discussing work performance, training and career development.

Political and charitable contributions

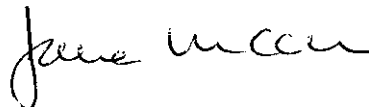
The group made no political or charitable contributions in either year.

Auditors

Arthur Andersen resigned as the groups' auditor on 1 October 2002. Ernst & Young were appointed on 4 October 2002. The directors will place a resolution to reappoint Ernst & Young for the ensuing year before the annual general meeting.

James House
55 Welford Road
Leicester
LE2 7AR

By order of the Board



J M Colton

Secretary

26 February 2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of ANC Rental Corporation (Holdings) Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

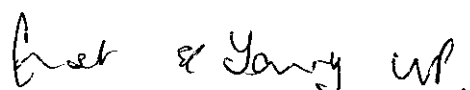
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Nottingham

26 February 2003

Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 £'000	Restated 2001 Total £'000
Turnover	2	194,295	204,848
Cost of sales		(89,720)	(100,807)
Gross profit		104,575	104,041
Distribution costs		(53,838)	(54,139)
Administrative expenses		(25,549)	(26,529)
Operating profit	3	25,188	23,373
Exceptional items	4	(12,000)	878
Finance charges (net)	7	(10,582)	(13,669)
Profit on ordinary activities before taxation		2,606	10,582
Tax on profit on ordinary activities	8	(3,846)	(4,269)
(Loss)/profit for the year		(1,240)	6,313
Dividend payable (non-equity)		(289)	-
Retained (loss)/profit for the year	20	(1,529)	6,313

The movement on reserves is disclosed in note 20.

All turnover and operating profit arose from continuing activities.

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £'000	2001 £'000
(Loss) / profit for the financial year	(1,240)	6,313
Prior year adjustment in respect of deferred tax (see note 1 on page 9)	3,821	-
Currency translation differences on foreign currency investments	(74)	30
Total recognised gains and losses relating to the year	2,507	6,343

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet

at 31 December 2002

	Notes	2002 £'000	Restated 2001 £'000
Fixed assets			
Tangible assets	10	218,643	221,659
Investments	11	50	50
		<u>218,693</u>	<u>221,709</u>
Current assets			
Stock	12	1,442	1,514
Debtors	13	83,187	86,141
Investments	14	642	618
Cash	15	29,705	20,327
		<u>114,976</u>	<u>108,600</u>
Creditors: Amounts falling due within one year			
Vehicle backed finance		(218,605)	(203,174)
Other creditors		(97,624)	(108,573)
	16	<u>(316,229)</u>	<u>(311,747)</u>
Net current liabilities		<u>(201,253)</u>	<u>(203,147)</u>
Total assets less current liabilities		17,440	18,562
Creditors: Amounts falling due after more than one year	17	(18,723)	(18,268)
Provisions for liabilities and charges	18	(528)	(582)
Net liabilities		<u>(1,811)</u>	<u>(288)</u>
Capital and reserves			
Called-up share capital	19	77,229	77,229
Additional paid-up capital	20	25,117	25,117
Profit and loss account	20	(109,043)	(107,440)
Shareholders' deficit (equity)	21	<u>(6,697)</u>	<u>(5,094)</u>
Minority interests (non-equity)	22	<u>4,886</u>	<u>4,806</u>
Total capital employed		<u>(1,811)</u>	<u>(288)</u>

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

J S Leigh

Director

I Wardle

Director

26 February 2003

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

Company Balance Sheet

at 31 December 2002

	Notes	2002 £'000	Restated 2001 £'000
Fixed assets			
Investments	11	77,362	77,362
Current assets			
Debtors	13	6,435	7,645
Cash		10	-
Net current assets		6,445	7,645
Total assets less current liabilities		83,807	85,007
Net assets		83,807	85,007
Capital and reserves			
Called-up share capital	19	77,229	77,229
Additional paid-up capital	20	25,117	25,117
Profit and loss account	20	(18,539)	(17,339)
Shareholders' funds (all equity)	21	83,807	85,007

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

J S Leigh

Director

I Wardle

Director

26 February 2003

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

Notes to the Financial Statements

at 31 December 2002

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.

On 13 November 2001, the UK group's ultimate parent company (ANC Rental Corporation, a US company) filed voluntary petitions for reorganisation under Chapter 11 of the US Bankruptcy Code with the US Bankruptcy Court in Wilmington, Delaware. These petitions did not include any ANC operations outside the US. The protection of Chapter 11 is expected to allow the US business to reorganise its operations and finances, under the protection of the Bankruptcy Court in respect of pre petition liabilities. The US business has continued to trade throughout.

The operations of the UK group have been substantially unaffected by the situation in the US, and the UK directors expect this to continue. In order to secure the independent financial position of the UK group, the UK directors have obtained a new bank overdraft facility of £20 million as a working capital facility. The UK group also continues to have the support of its largest vehicle finance providers.

The US parent has, with the approval of the US Bankruptcy Court, confirmed that no repayment of balances due to it by the UK group as at 13 November 2001, will be sought, and such amounts have been subordinated in favour of the UK overdraft lender and the UK vehicle finance providers. Receivables and payables arising from trading after 13 November 2001, will continue to be settled in the normal course of business.

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.

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for both the group and the company. For the group, shareholders' funds at 1 January 2002 have been increased by £3,821,000 and the tax charge for the year ended 31 December 2002 has increased by £1,978,000. The deferred tax debtor has increased by £1,843,000 at 31 December 2002. Profit for the current year has reduced by £1,978,000 as a result of the change in accounting policy. For the company, shareholders' funds have been increased by £1,636,000 at 1 January 2002 and the deferred tax debtor has increased by £436,000 at 31 December 2002. Profit for the company for the current year has reduced by £1,200,000 as a result of the change in accounting policy.

Cash flow statement

The company has elected to utilise the exemption provided by Financial Reporting Standard No.1 (Revised) and has not prepared a cash flow statement on the basis that the financial statements of the company's ultimate parent undertaking, ANC Rental Corporation, a company registered in the United States of America, are publicly available.

Basis of consolidation

The group financial statements consolidate the financial statements of ANC Rental Corporation (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.

Notes to the Financial Statements

at 31 December 2002

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.

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 rentals arising 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 of the rental is charged to interest payable with the balance of the rental charged to cost of sales to provide consistency of treatment with other methods of vehicle financing.

Notes to the Financial Statements

at 31 December 2002

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.

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.

Notes to the Financial Statements

at 31 December 2002

2. Segmental analysis

Turnover

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

	2002 £'000	2001 £'000
United Kingdom	184,361	195,101
Rest of Europe	9,047	9,337
Other	887	410
	<u>194,295</u>	<u>204,848</u>

Profit and loss account

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 and also the finance element of operating lease payments. Since such charges relate principally to the company's vehicle fleet utilised in its day to day operations, the directors believe that a more appropriate classification of such vehicle related costs would be as cost of sales. Accordingly, the following analysis shows the effect of such a reclassification on an extract of the profit and loss account for the years ended 31 December 2002 and 2001, and eliminates the effect of exceptional items in both years.

	2002 £'000	Re- classification £'000	2002 Reclassified £'000	2001 Reclassified £'000
Turnover	194,295		194,295	204,848
Cost of sales	<u>(89,720)</u>	<u>(10,351)</u>	<u>(100,071)</u>	<u>(113,854)</u>
Gross profit	104,575	(10,351)	94,224	90,994
Distribution costs	(53,838)	-	(53,838)	(54,139)
Administrative expenses	<u>(25,549)</u>	<u>-</u>	<u>(25,549)</u>	<u>(26,529)</u>
Operating profit	25,188	(10,351)	14,837	10,326
Exceptional items	(12,000)	12,000	-	-
Finance charges (net)	<u>(10,582)</u>	<u>10,351</u>	<u>(231)</u>	<u>(622)</u>
Profit on ordinary activities before taxation	<u>2,606</u>	<u>12,000</u>	<u>14,606</u>	<u>9,704</u>
Exceptional items			<u>(12,000)</u>	<u>878</u>
Profit on ordinary activities before taxation and after exceptional items			<u>2,606</u>	<u>10,582</u>

The above analysis is presented for information purposes only.

Notes to the Financial Statements

at 31 December 2002

3. Operating profit

Operating profit is stated after charging:

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets:		
- Owned	5,670	7,257
- Leased	31,659	36,172
Research and development:		
- Current year expenditure	642	1,695
Operating lease rentals:		
- Land and buildings	10,277	9,743
- Other leased assets (including vehicles)	1,924	2,471
Auditors' remuneration:		
- Audit	62	73
- Non-audit services (previous auditors)	150	191

4. Exceptional items

Certain of the group's subsidiary companies have written off their loans and trading balances with Republic Industries Autovermietung GmbH, totalling £12,000,000, following the latter company being placed into Administrative Receivership on 13 September 2002.

The 1999 financial statements included charges for exceptional items of £13,567,000 of which £10,567,000 related to restructuring provisions. Of this total, the amount released to the profit and loss account in 2002 was £nil (2001 - £878,000).

5. Remuneration of directors

	2002 £'000	2001 £'000
Emoluments	470	487

Emoluments represent those paid to two directors (2001 – two) by the group during the year. Two directors (2001 – two) were members of the pension scheme during the year.

Highest paid director

	2002 £'000	2001 £'000
Emoluments	235	244

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2002 was £24,078 (2001 - £11,539).

Notes to the Financial Statements

at 31 December 2002

6. Staff costs

The average monthly number of employees, including directors, was:

	Number of employees	
	2002	2001
Management	34	32
Clerical	252	275
Other	2,293	2,390
	<u>2,579</u>	<u>2,697</u>

Their aggregate payroll costs were as follows:

	2002 £'000	2001 £'000
Wages and salaries	41,171	40,259
Social security costs	3,429	3,366
Other pension costs	1,317	1,248
	<u>45,917</u>	<u>44,873</u>

7. Finance charges (net)

	2002 £'000	2001 £'000
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a) Investment Income

Bank interest	106	91
Investment income	49	57
Group undertakings	<u>251</u>	<u>1,632</u>
	<u>406</u>	<u>1,780</u>

b) Interest payable and similar charges

Bank loans, overdrafts and other loans	(557)	(779)
Finance charges payable in respect of finance leases and hire purchase contracts	(9,401)	(12,004)
Finance element of operating leases	(1,009)	(1,114)
Parent and fellow subsidiary undertakings	-	(1,552)
Other	<u>(21)</u>	<u>-</u>
	<u>(10,988)</u>	<u>(15,449)</u>
	<u>(10,582)</u>	<u>(13,669)</u>

Notes to the Financial Statements

at 31 December 2002

8. Taxation

Group	2002 £'000	Restated 2001 £'000
Current tax	577	365
Deferred tax	4,132	3,983
Advance corporation tax	896	235
Prior year adjustments		
-Advance corporation tax	546	(408)
-Corporation tax	(152)	94
-Deferred tax	(2,153)	-
	<u>3,846</u>	<u>4,269</u>

Company	2002 £'000	Restated 2001 £'000
Deferred tax	<u>1,200</u>	<u>-</u>

Factors affecting current tax charge in the period

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>2,606</u>	<u>10,582</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	782	3,175
Adjustment for non deductible expenses	3,110	(275)
Utilisation of ACT brought forward	(259)	(494)
Effect of non taxable income	(17)	-
Overseas losses not offset	180	307
Differences in timing of taxation of foreign earnings	(145)	(289)
Utilisation of ACT surrendered	(896)	(255)
Effect of brought forward tax losses	(2,397)	(2,673)
Effect of utilisation of group relieved tax losses	(1,200)	-
Excess of depreciation over capital allowances	1,419	882
Credit for overseas taxation	-	(13)
Current consolidated tax charge in period	<u>577</u>	<u>365</u>

9. Result attributable to ANC Rental Corporation (Holdings) Limited

The result for the year for ANC Rental Corporation (Holdings) Limited was a loss of £1,200,000 (2001 – £nil). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Notes to the Financial Statements

at 31 December 2002

10. Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold property £'000	Plant and machinery, fixtures and fittings £'000	Fleet vehicles £'000	Total £'000
Cost					
At 1 January 2002	9,384	8,437	8,633	225,177	251,631
Additions	110	907	1,400	396,109	398,526
Disposals	(15)	(1,167)	(2,305)	(398,685)	(402,172)
Transfers	3	(3)	-	-	-
At 31 December 2002	9,482	8,174	7,728	222,601	247,985
Depreciation					
At 1 January 2002	1,279	4,393	4,549	19,751	29,972
Charge for year	146	961	2,254	33,968	37,329
Disposals	(3)	(1,106)	(2,233)	(34,617)	(37,959)
Transfers	1	(1)	-	-	-
At 31 December 2002	1,423	4,247	4,570	19,102	29,342
Net book value					
At 31 December 2002	8,059	3,927	3,158	203,499	218,643
At 31 December 2001	8,105	4,044	4,084	205,426	221,659

Freehold land at a cost of £3,758,000 (2001 - £3,755,000) has not been depreciated.

Included within fleet vehicles are assets held under finance leases with a net book value of £200,295,000 (2001 - £187,616,000).

Included within plant and machinery, fixtures and fittings are assets held under finance leases with a net book value of £nil (2001 - £15,000).

Company

The company has no fixed assets (2001 - £nil).

Notes to the Financial Statements

at 31 December 2002

11. Fixed asset investments

Group

	2002 £'000	2001 £'000
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Cost and net book value

At 1 January 2002 and 31 December 2002	<u>50</u>	<u>50</u>
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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	%
ANC 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

	2002 £'000	2001 £'000
At cost	<u>77,362</u>	<u>77,362</u>

Notes to the Financial Statements

at 31 December 2002

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	%
ANC Rental Corporation (Group) PLC*		Holding company	74,026,762 £1 ordinary shares	100
ANC Rental Corporation Limited		Holding company	649,238,158 5p ordinary shares	100
ANC Rental Corporation (Properties) Limited		Property holding company	30,000,100 £1 ordinary shares	100
ANC Rental Corporation (Insurances) Limited	Guernsey	Insurance and reinsurance	250,000 £1 ordinary shares	100
ANC Rental Corporation (UK) Limited		Vehicle rental	30,001,000 £1 ordinary shares	100
Ganymed 196 ¹	Germany	Holding company	2 shares of 1,000 & 24,000 Euros each	100
Ganymed 197 ²	Germany	Holding company	2 shares of 1,000 & 24,000 Euros each	100
Ganymed Autovermietung GmbH & Co KG	German partnership	Vehicle rental	1 share of 1,000 Euros	100
Republic Industries Automotive Rental Group (Holland) BV	Holland	Dormant	4,002 NLG10 ordinary shares	100
ANC Rental Corporation (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
ANC Rental Pension Scheme Trustees Limited		Trustee for ANC Rental Pension Scheme	2 £1 ordinary shares	100
Diplema Spain SA	Spain	Dormant (liquidated on 25/11/02)	2 £1 ordinary shares	100

*denotes directly held by the company

1. Full company name is Ganymed Einhundertsechundneunzigste Vermögensverwaltungs GmbH

2. Full company name is Ganymed Einhundertsiebenundneunzigste Verwaltungs GmbH

All subsidiary undertakings have been included in the consolidation.

Notes to the Financial Statements

at 31 December 2002

12. Stock

	2002	2001
Group	£'000	£'000
Petrol for resale	1,442	1,514

Company

The company has no stocks (2001 - £nil). In the opinion of the directors, there is no material difference between the replacement cost and balance sheet value of stocks.

13. Debtors

	2002	Restated 2001
Group	£'000	£'000
Trade debtors	31,576	35,776
Amounts owed by fellow subsidiary undertakings	29,877	25,161
Other debtors	1,698	2,462
Prepayments and accrued income	18,193	18,921
Deferred tax	1,843	3,821
	<u>83,187</u>	<u>86,141</u>

	2002	Restated 2001
Company	£'000	£'000
Amounts owed by fellow subsidiary undertakings	5,999	6,009
Deferred tax	436	1,636
	<u>6,435</u>	<u>7,645</u>

Deferred tax comprises:

	Provided 2002	Restated Provided 2001
Group	£'000	£'000
Unremitted Foreign earnings	(799)	-
Accelerated capital allowances	(1,232)	(1,800)
Advance corporation tax	-	557
Short term timing differences	936	564
Tax losses	2,938	4,500
	<u>1,843</u>	<u>3,821</u>
Provision at 1 January	3,821	7,804
Deferred tax charge in profit & loss account	(1,978)	(3,983)
Provision at 31 December	<u>1,843</u>	<u>3,821</u>

Notes to the Financial Statements

at 31 December 2002

13. Debtors (continued)

Deferred tax comprises:

	Provided 2002 £'000	Restated 2001 £'000
Company		
Short term timing differences	436	1,636
Provision at 1 January	1,636	1,636
Deferred tax charge in profit & loss account	(1,200)	-
Provision at 31 December	436	1,636

In line with the 'basis of preparation and going concern' note in the accounting policies on page 9, both the group and the company have provided for deferred tax on a full provision basis in accordance with FRS19, 'Deferred Tax'.

14. Investments

	2002 £'000	2001 £'000
Group		
Listed investments at market value	642	618

Company

The company has no investments (2001 - £nil).

15. Cash

	2002 £'000	2001 £'000
Cash in hand and at bank	70	62
Restricted cash	29,635	20,265
	29,705	20,327

Restricted cash represents £28,849,000 (2001- £19,649,000) of cash received on the sale of vehicles, to manufacturers and dealers, while these vehicles are still on lease from the leasing companies. Under the terms of ANC Rental Corporation (UK) Limited's overdraft agreement that 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 £786,000 (2001- £616,000) represents cash held by ANC Rental Corporation (Insurances) Limited in Guernsey and is required to cover that company's solvency requirements as an insurance company.

Notes to the Financial Statements

at 31 December 2002

16. Creditors: Amounts falling due within one year

	2002	Restated 2001
Group	£'000	£'000
Obligations under finance leases and hire purchase contracts (secured)	218,605	203,174
Bank loans and overdrafts	4,909	7,660
Loan notes	-	1,641
Trade creditors	26,660	28,077
Amounts owed to parent and fellow subsidiary undertakings (note 17)	46,960	52,878
Taxation and social security	1,244	1,425
Corporation tax	518	-
Other creditors	29	482
Accruals and deferred income	17,304	16,410
	<u>316,229</u>	<u>311,747</u>

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 UK group undertaking.

Interest is added to the loan notes, calculated at 0.5% per annum below LIBOR pre 1 February 2001 and 1.5% above LIBOR post 1 February 2001, for six months sterling deposits for £1,000,000 in the London Interbank Market. The shareholder notes were floating rate guaranteed unsecured loan notes which were repaid in full during August 2002

Company

The company has no creditors due within one year (2001 - £nil).

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

	2002	2001
Group	£'000	£'000
Amounts owed to parent undertakings	<u>18,723</u>	<u>18,268</u>

At year end the net amounts owed by the company and its UK incorporated subsidiaries to the US group were approximately £33 million, substantially all of which represented pre petition liabilities.

During the year, pre petition liabilities due to the US group by the company and its UK incorporated subsidiaries, were subordinated in favour of the UK overdraft and vehicle finance providers, with the approval of the US Bankruptcy Court. It was also confirmed that repayment of these balances will not be sought without the approval of the UK finance providers while any amounts are owed to them by the UK group.

Company

The company has no creditors due after more than one year (2001 - £nil).

Notes to the Financial Statements

at 31 December 2002

18. Provisions for liabilities and charges

Restructuring

Group	£'000
At 1 January 2002	(582)
Utilised during the year	54
At 31 December 2002	(528)

Company

The company had no provisions for liabilities and charges at either year end.

19. Called up share capital

	2002 £'000	2001 £'000
<i>Authorised:</i>		
78,000,000 ordinary shares of £1 each	78,000	78,000
<i>Allotted, called-up and fully-paid:</i>		
77,228,628 ordinary shares of £1 each	77,229	77,229

20. Reserves

Group	Additional paid-up capital £'000	Profit and Loss Account £'000	Total £'000
At beginning of year	25,117	(111,261)	(86,144)
Prior year adjustment in respect of deferred tax	-	3,821	3,821
As restated	25,117	(107,440)	(82,323)
Loss for the financial year	-	(1,529)	(1,529)
Currency translation differences	-	(74)	(74)
At end of year	25,117	(109,043)	(83,926)

Company	Additional paid-up capital £'000	Profit and Loss Account £'000	Total £'000
At beginning of year	25,117	(18,975)	6,142
Prior year adjustment in respect of deferred tax	-	1,636	1,636
As restated	-	(17,339)	7,778
Loss for the financial year	-	(1,200)	(1,200)
At end of year	25,117	(18,539)	6,578

Notes to the Financial Statements

at 31 December 2002

21. Reconciliation of movements in shareholders' deficit

	2002 £'000	Restated 2001 £'000
Group		
(Loss) / profit for the financial year	(1,529)	6,313
Currency translation differences	(74)	30
Net (decrease) / increase in shareholders' (deficit) / funds	(1,603)	6,343
Opening shareholders' (deficit) as previously stated	(8,915)	(19,241)
Prior year adjustment in respect of deferred tax	3,821	7,804
Opening shareholders' (deficit) as restated	(5,094)	(11,437)
Closing shareholders' (deficit)	(6,697)	(5,094)

In line with the 'basis of preparation and going concern note' in the accounting policies on page 9, both the group and the company have provided for deferred tax on a full provision basis in accordance with FRS19, 'Deferred Tax'.

	2002 £'000	Restated 2001 £'000
Company		
Loss for the financial year	(1,200)	-
Net decrease in shareholders' funds	(1,200)	-
Opening shareholders' funds as previously stated	83,371	83,371
Prior year adjustment	1,636	1,636
Opening shareholders' funds as restated	85,007	85,007
Closing shareholders' funds	83,807	85,007

22. Minority interests

	Non-equity £'000	Total £'000
At 31 December 2001	4,806	4,806
Issue of redeemable preference shares	80	80
At 31 December 2002	4,886	4,886

Non-equity minority interests comprise 11,140,025 6% cumulative redeemable preference shares of CAN \$1 each in ANC Rental Corporation (UK) Limited, a subsidiary undertaking, issued on 31 December 2001. A further 185,007 redeemable preference shares of CAN\$1 each were issued on 29 January 2002. 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.

Notes to the Financial Statements

at 31 December 2002

23. Financial commitments

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

	2002 £'000	2001 £'000
Authorised and contracted for:		
- vehicles	86,154	109,000

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

Group	Land and buildings		Other	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Operating leases which expire:				
- within one year	362	3,350	416	633
- between two and five years	5,037	3,035	444	1,142
- over five years	3,943	3,589	-	-
	<u>9,342</u>	<u>9,974</u>	<u>860</u>	<u>1,775</u>

Company	Land and buildings	
	2002 £'000	2001 £'000
Operating leases which expire:		
- within one year	24	177
- between two and five years	18	43
- over five years	531	505
	<u>573</u>	<u>725</u>

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.

Notes to the Financial Statements

at 31 December 2002

24. Pension scheme

The group operates a funded defined benefit pension scheme known as the ANC Rental Pension Scheme ("the Scheme"). The cost of the Scheme to the Group in 2002 was £832,000 (2001 - £899,000).

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.

The most recent actuarial valuation of the Scheme was carried out as at 1 January 2000 by qualified actuaries employed by William M. Mercer Limited. At the valuation date, the total market value of the Scheme's assets was £16.5 million. The results of the valuation showed that the assets held were more than sufficient to cover the liabilities of the Scheme in respect of completed service on the funding basis. The directors expect the cost of the Scheme to the Group in 2003 to be of a similar amount to 2002.

The actuarial valuation described above has been updated at 31 December 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2002	2001
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions payment	2.1%	3.0%
Discount rate	5.6%	5.7%
Inflation assumption	2.1%	2.2%

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:

	2002 %	2002 £000	2001 %	2001 £000
Equities	77.1	9,923	81.0	11,840
Bonds	16.2	2,078	11.0	1,608
Property	2.3	301	1.1	160
Cash and current assets	4.4	563	6.9	1,009
Total fair value of assets	100.0	12,865	100.0	14,617
Present value of scheme liabilities		(15,781)		(12,171)
(Deficit)/surplus in the scheme		(2,916)		2,446
Related deferred tax asset/(liability)		875		(734)
Net pension (liability)/asset		(2,041)		1,712

The contribution rate for 2002 was 21.8% of pensionable earnings and the agreed contribution rate for the next three years is 21.8% of pensionable earnings. In addition the directors of the employing companies intend to make an additional contribution of £500,000 each year to offset the deficit.

Notes to the Financial Statements

at 31 December 2002

24. Pension scheme (continued)

Analysis of the amount that would have been charged to operating profit under FRS 17

	2002 £000
Current service cost	662
Past service cost	-
Gain (loss) on settlements and curtailments	-
	<u>662</u>

Analysis of the amount that would have been credited to net finance income under FRS 17

	2002 £000
Expected return on pension scheme assets	898
Interest on pension scheme liabilities	(700)
	<u>198</u>

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

	2002 £000
Actual return less expected return on pension scheme assets	(2,364)
Experience gains and losses arising on the scheme liabilities	(3,438)
Changes in assumptions underlying the present value of the scheme liabilities	-
	<u>(5,802)</u>

Reconciliation of net assets and reserves under FRS17

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

Net (liabilities)/assets

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
As stated in the balance sheet	(1,811)	(288)	83,807	85,007
FRS 17 defined benefit (liabilities)/assets	<u>(2,041)</u>	<u>1,712</u>	<u>(2,041)</u>	<u>1,712</u>
Net (liabilities)/assets including defined benefit (liabilities)/assets	<u>(3,852)</u>	<u>1,424</u>	<u>81,766</u>	<u>86,719</u>

Notes to the Financial Statements

at 31 December 2002

24. Pension scheme (continued)

Profit and loss reserves

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
As stated in the balance sheet	(109,043)	(107,440)	(18,539)	(17,339)
FRS 17 defined benefit (liabilities)/assets	<u>(2,041)</u>	<u>1,712</u>	<u>(2,041)</u>	<u>1,712</u>
Net (liabilities)/assets including defined benefit (liabilities)/assets	<u>(111,084)</u>	<u>(105,728)</u>	<u>(20,580)</u>	<u>(15,627)</u>

Movement in surplus during the year

	2002 £000
Surplus in the scheme at the beginning of the year	2,446
Movement in the year:	
Current service cost	(662)
Contributions	904
Net return on assets	198
Actuarial loss	<u>(5,802)</u>
Deficit in scheme at the end of the year	<u>(2,916)</u>

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets:	
Amount (£000)	(2,364)
Percentage of scheme assets	18.4%
Experience gains and losses on scheme liabilities:	
Amount (£000)	(3,438)
Percentage of the present value of scheme liabilities	26.7%
Total actuarial gain recognised in the statement of total recognised gains and losses:	
Amount (£000)	(5,802)
Percentage of the present value of scheme liabilities	45.1%

The company also operates a defined contribution Group Personal Pension Plan for which the pension cost charge for the year amounted to £337,000 (2001 - £349,000).

Notes to the Financial Statements

at 31 December 2002

25. Contingent liabilities

The company, along with certain other UK group undertakings, have entered into cross guarantees in respect of the new £20 million overdraft facility which was obtained during the year.

In addition, the company has guaranteed certain vehicle finance obligations of a subsidiary undertaking.

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

26. 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 ANC Rental Corporation, a company registered in the United States of America.

Copies of the consolidated financial statements for ANC Rental Corporation for the period ended 31 December 2002 are available from The Secretary, ANC Rental Corporation (Holdings) Limited, James House, 55 Welford Road, Leicester, LE2 7AR.