



ANC Rental Corporation Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 2779999



Directors' report

For the year ended 31 December 2001

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 December 2001.

Principal activity

The principal activity of the company continues to be that of an intermediate holding company, providing management services for its subsidiaries, whose principal operations are in short term vehicle rental.

Business review

The company has continued to provide management services to its subsidiaries throughout the year. This trading activity will be continued for the foreseeable future and the directors will consider other opportunities as they present themselves.

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 reorganize 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.

Results and dividends

The results of the year's trading are set out on pages 6 to 14. The directors do not recommend the payment of a dividend (2000 - £nil).

Directors and their interests

The directors who have served during the year and subsequently are as follows:

I Wardle
J S Leigh

No director held any beneficial interest in shares of ANC Rental Corporation Limited or any of its subsidiaries at 31 December 2001 or at 31 December 2000.

Payments to suppliers

It is the company's policy, in respect of the majority of suppliers, to agree the terms of payment with those suppliers when finalising overall contract terms. The company 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.

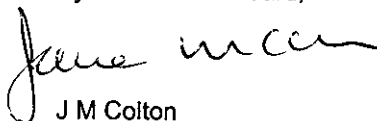
Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

James House
55 Welford Road
Leicester
LE2 7AR

By order of the Board,

A handwritten signature in black ink, appearing to read 'J M Colton', written over the printed name.

J M Colton

Secretary

29 May 2002

Directors' responsibilities

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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.

To the shareholders of ANC Rental Corporation Limited

We have audited the financial statements of ANC Rental Corporation Limited for the year ended 31 December 2001, which comprise the profit and loss account, balance sheet, and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 the United Kingdom Auditing 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 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 circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

29 May 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Management income		77	106
Operating profit		<u>77</u>	<u>106</u>
Investment income	1	2,518	2,395
Profit on ordinary activities before taxation	2	<u>2,595</u>	<u>2,501</u>
Tax on profit on ordinary activities	4	(109)	-
Profit on ordinary activities after taxation	12	<u>2,486</u>	<u>2,501</u>

All operating profit arose from continuing activities.

There were no recognised gains or losses other than those shown in the profit and loss account above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	5	66,842	66,842
Current assets			
Debtors			
- due within one year	6	14,016	10,099
- due after one year	6	30,634	32,055
		<u>44,650</u>	<u>42,154</u>
Creditors: Amounts falling due within one year	7	(475)	(465)
Net current assets		<u>44,175</u>	<u>41,689</u>
Total assets less current liabilities		111,017	108,531
Creditors: Amounts falling due after more than one year	8	(30,000)	(30,000)
Net assets		<u>81,017</u>	<u>78,531</u>
Capital and reserves			
Called-up share capital	10	32,462	32,462
Share premium account	11	33,686	33,686
Profit and loss account	12	14,869	12,383
Shareholders' funds, all equity	13	<u>81,017</u>	<u>78,531</u>

The financial statements on pages 6 to 14 were approved by the board of directors and signed on its behalf by:

J S Leigh

Director

I Wardle

Director

29 May 2002

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

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

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.

Investments

Fixed asset investments in subsidiary undertakings are shown at cost less provisions for impairment.

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 or such losses. Deferred taxation assets and liabilities are calculated using the liability method and are recognised or provided for to the extent that it is probable that an asset or liability will crystallise in the foreseeable future.

Statement of 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.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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, as its results are included in the consolidated financial statements of the ultimate parent undertaking which are publicly available.

Exemption from preparing Group financial statements

Consolidated financial statements have not been prepared as the company has taken advantage of the exemption provided in Section 228 of the Companies Act 1985, as the company is a wholly owned subsidiary of a parent incorporated within the European Community.

Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard No. 8 not to disclose related party transactions with companies, 90% or more of whose voting rights are controlled within the ANC Rental Corporation group.

Notes to the financial statements

31 December 2001

1 Investment Income

	2001 £'000	2000 £'000
Income from shares in group undertakings	2,475	2,350
Other interest receivable	1	1
Interest on loans to group undertakings	42	44
	<u>2,518</u>	<u>2,395</u>

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Auditors' remuneration for audit services	<u>5</u>	<u>5</u>

3 Staff costs

	2001 Number	2000 Number
Average monthly number of employees (including executive directors) was	<u>5</u>	<u>6</u>

Their aggregate remuneration comprised:

	2001 £'000	2000 £'000
Wages and salaries	393	349
Social security costs	41	33
Other pension costs	58	48
	<u>492</u>	<u>430</u>

Directors' remuneration, interests and transactions

The total amounts for directors' remuneration and other benefits were as follows:

	2001 £'000	2000 £'000
Emoluments	<u>244</u>	<u>149</u>

The emoluments of the directors are paid by other undertakings within the group. The amount of the directors' emoluments shown above are in respect of their services to the company having been recharged to the company.

Notes to the financial statements (continued)

4 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
UK Corporation tax	247	-
Advance corporation tax	235	-
Adjustment in respect of prior years:		
- UK corporation tax	35	-
- Advance corporation tax	(408)	-
	<u>109</u>	<u>-</u>

5 Fixed asset investments

Cost and net book value	Subsidiary undertakings £'000
At 1 January 2001 and 31 December 2001	<u>66,842</u>

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

Investments in subsidiary undertakings comprise:

	Country of incorporation (if not England & Wales)	Principal activity	Holding	%
*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
*Republic Industries Automotive Rental Group (Holland) B.V.	Holland	Vehicle rental	4,002 NLG 10 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 Ltd		Trustee for ANC Rental Pension Scheme	2 £1 ordinary shares	100
*Diplema Spain S.A.	Spain	Dormant	2 £1 ordinary shares	100

*denotes directly held by the company.

Notes to the financial statements (continued)

6 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	12,568	10,099
ACT recoverable	1,100	-
Other debtors	348	-
	<u>14,016</u>	<u>10,099</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	30,000	30,000
ACT recoverable	634	2,055
	<u>30,634</u>	<u>32,055</u>
	<u>44,650</u>	<u>42,154</u>

7 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to subsidiary undertakings	120	115
Other creditors	345	345
Accruals and deferred income	10	5
	<u>475</u>	<u>465</u>

8 Creditors: Amounts falling due after more than one year

	2001 £'000	2000 £'000
Amounts owed to group undertakings	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

9 Deferred taxation

There is no provided or unprovided deferred taxation at 31 December 2001 (2000 - £nil).

Notes to the financial statements (continued)

10 Called-up share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
672,000,000 ordinary shares of 5p each	<u>33,600</u>	<u>33,600</u>
<i>Allotted, called-up and fully-paid:</i>		
649,238,158 ordinary shares of 5p each	<u>32,462</u>	<u>32,462</u>

11 Share premium account

	£'000
At 1 January and 31 December 2001	<u>33,686</u>

12 Profit and loss account

	£'000
At 1 January 2001	12,383
Retained profit for the year	<u>2,486</u>
At 31 December 2001	<u>14,869</u>

13 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the year	2,486	2,501
Issue of ordinary shares	-	30,000
Opening shareholders' funds	<u>78,531</u>	<u>46,030</u>
Closing shareholders' funds	<u>81,017</u>	<u>78,531</u>

14 Financial commitments

The company had no capital commitments at 31 December 2001 (2000 - £nil).

The company had no annual commitments under non-cancellable operating leases at 31 December 2001 or 31 December 2000.

Notes to the financial statements (continued)

15 Pension scheme

The company is the principal employer of a funded defined benefit pension scheme established by ANC Rental Corporation Limited known as the ANC Rental Pension Scheme.

Information on the ANC Rental Pension scheme is contained in the ANC Rental Corporation (Holdings) Limited financial statements for the year ended 31 December 2001.

Additional disclosures regarding the group defined benefit pension scheme are required under the transitional provisions of "FRS 17 Retirement benefits". In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the parent undertaking, ANC Rental Corporation (Holdings) Limited, shows a surplus of £2,446,000. Further details of this valuation can be found in the financial statements of the parent undertaking.

16 Contingent liabilities

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

In addition, the company has guaranteed certain vehicle finance obligations of a fellow UK group undertaking.

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

17 Ultimate parent company and controlling party

The company's ultimate parent company and controlling party is ANC Rental Corporation, a company registered in the United States of America.

The largest group into which the company's results are consolidated is ANC Rental Corporation, the financial statements of which are available to the public from The Secretary, ANC Rental Corporation (Holdings) Limited, James House, 55 Welford Road, Leicester, LE2 7AR. The smallest group into which the company's results are consolidated is that headed up by ANC Rental Corporation (Holdings) Limited.

Copies of the financial statements of ANC Rental Corporation (Holdings) Limited for the year ended 31 December 2001 are available from The Secretary, ANC Rental Corporation (Holdings) Limited, James House, 55 Welford Road, Leicester, LE2 7AR.