2779999

ANC Rental Corporation Limited

Report and Financial Statements

For the year ended 31 December 2002

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PUB 0255
COMPANIES HOUSE 27/02/03

Registered No: 2779999

Directors

I Wardle

J S Leigh

Secretary

J M Colton

Auditors

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

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 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.

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 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.

Results and dividends

The results of the year's trading are set out on pages 7 to 18. The directors declared and paid a dividend of £1,700,000 on 26 February 2002 (2001 - £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 2002 or at 31 December 2001.

Directors' Report

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.

Auditors

Arthur Andersen resigned as the company's 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 Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 18. 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 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.

Independent auditors' report

to the members of ANC Rental Corporation Limited

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

Ernst & Young LLP
Registered Auditor
Nottingham

26 February 2003

Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 £'000	Restated 2001 £'000
Management income		135	77
Administrative expenses		(983)	-
Operating (loss)/profit	3	(848)	77
Finance charges (net)	2	-	2,518
(Loss)/profit on ordinary activities before taxation		(848)	2,595
Tax on profit on ordinary activities	5	(384)	(147)
(Loss)/profit on ordinary activities after taxation		(1,232)	2,448
Dividends paid		(1,700)	-
Retained (loss) / profit for the year	13	(2,932)	2,448

All operating profit arose from continuing activities.

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

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £'000	Restated 2001 £'000
(Loss) / profit for the financial year	(1,232)	2,448
Prior year adjustment in respect of deferred tax (see note 1 on page 8)	(743)	-
Total recognised gains and losses relating to the year	(1,975)	2,448

The accompanying notes are an integral part of these statements.

Balance Sheet

at 31 December 2002

	Notes	2002 £'000	Restated 2001 £'000
Fixed assets			
Investments	6	66,842	66,842
Current assets			
Debtors			
- due within one year	7	10,650	14,016
- due after one year	7	30,000	30,634
		40,650	44,650
Creditors: Amounts falling due within one year	8	(150)	(475)
Net current assets		40,500	44,175
Total assets less current liabilities		107,342	111,017
Creditors: Amounts falling due after more than one year	9	(30,000)	(30,000)
Provisions for liabilities and charges	10	-	(743)
Net assets		77,342	80,274
Capital and reserves			
Called-up share capital	11	32,462	32,462
Share premium account	12	33,686	33,686
Profit and loss account	13	11,194	14,126
Equity shareholders' funds	14	77,342	80,274

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. 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 company 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 the company. Shareholders' funds at 1 January 2002 have decreased by £743,000 and the tax charge for the year ended 31 December 2002 has decreased by £743,000. Profit for the current year has increased by £743,000 as a result of the change in accounting policy.

Notes to the Financial Statements

at 31 December 2002

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 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.

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 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.

Notes to the Financial Statements

at 31 December 2002

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 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.

2. Finance Charges

	2002 £'000	2001 £'000
Income from shares in group undertakings	-	2,475
Other interest receivable	-	1
Interest on loans to group undertakings	-	42
	-	2,518

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration for audit services	5	5

Notes to the Financial Statements

at 31 December 2002

4. Staff Costs

	2002 Number	2001 Number
Average monthly number of employees (including executive directors) was	5	5

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	427	393
Social security costs	48	41
Other pension costs	61	58
	536	492

Directors' remuneration, interests and transactions

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

	2002 £'000	2001 £'000
Emoluments	235	244

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

at 31 December 2002

5. Tax on (loss) / profit on ordinary activities

	2002 £'000	Restated 2001 £'000
Current tax	-	247
Deferred tax		
- Unremitted earnings of GIC	(743)	38
Advance corporation tax	896	235
Prior year adjustments		
-Advance corporation tax	546	(408)
-Corporation tax	(315)	35
	384	147

Factors affecting current tax charge in the period

	2002 £'000	2001 £'000
(Loss) / profit on ordinary activities before tax	(848)	2,595
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax of 30%	(254)	779
Effect of expenses not deductible for tax purposes	235	-
Effect of non taxable income	(17)	-
Utilisation of ACT brought forward	-	(494)
Effect of utilisation of group relieved tax losses	(707)	-
Differences in timing of taxation of foreign earnings	743	(38)
Current tax charge in period	-	247

Notes to the Financial Statements

at 31 December 2002

6. Fixed asset investments

Cost and net book value	Subsidiary undertakings £'000
At 1 January 2002 and 31 December 2002	66,842

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
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 Autovermeitung GmbH & Co KG	German partnership	Vehicle rental	1 share of 1,000 Euros	100
*Republic Industries Automotive Rental Group (Holland) B.V.	Holland	Dormant	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 (liquidated on 25/11/02)	2 £1 ordinary shares	100

*denotes directly held by the company.

1. Full company name is Ganymed Einhundertsechsundneunzigste Vermogensverwaltungs GmbH
2. Full company name is Ganymed Einhundertsiebenundneunzigste Verwaltungs GmbH

Notes to the Financial Statements

at 31 December 2002

7. Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	9,802	12,568
ACT recoverable	784	1,100
Other debtors	64	348
	10,650	14,016
Amounts falling due after more than one year:		
Amounts owed by group undertakings	30,000	30,000
ACT recoverable	-	634
	30,000	30,634
	40,650	44,650

8. Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Amounts owed to subsidiary undertakings	125	120
Other creditors	20	345
Accruals and deferred income	5	10
	150	475

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

	2002 £'000	2001 £'000
Amounts owed to group undertakings	30,000	30,000
	30,000	30,000

Notes to the Financial Statements

at 31 December 2002

10. Provisions for liabilities and charges

Deferred tax comprises

	Provided 2002 £'000	Restated Provided 2001 £'000
Unremitted foreign earnings	-	743
Accelerated capital allowances	-	-
Short term timing differences	-	-
	-	743
Provision at 1 January 2002	743	705
Deferred tax charge in profit and loss account	(743)	38
Provision at 31 December 2002	-	743

11. Called-up share capital

	2002 £'000	2001 £'000
Authorised		
672,000,000 ordinary shares of 5p each	33,600	33,600
Allotted, called-up and fully-paid:		
649,238,158 ordinary shares of 5p each	32,462	32,462

12. Share premium account

	£'000
At 1 January 2002 and 31 December 2002	33,686

13. Profit and loss account

	£'000
At 1 January 2002	14,869
Prior year adjustment in respect of deferred tax	(743)
As restated	14,126
Retained loss for the year	(2,932)
At 31 December 2002	11,194

Notes to the Financial Statements

at 31 December 2002

14. Reconciliation of movements in shareholders' funds

	2002 £'000	Restated 2001 £'000
(Loss) / profit for the year	(2,932)	2,448
Net (decrease) / increase in shareholders' funds	(2,932)	2,448
Opening shareholders' funds as previously stated	81,017	78,531
Prior year adjustment in respect of deferred tax	(743)	(705)
Opening shareholders' funds as restated	80,274	77,826
Closing shareholders' funds	77,342	80,274

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

15. Financial commitments

The company had no capital commitments at 31 December 2002 (2001 - £nil).

The company had no annual commitments under non-cancellable operating leases at 31 December 2002 or 31 December 2001.

16. 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 2002.

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 deficit of £2,916,000 (2001 – surplus of £2,446,000). Further details of this valuation can be found in the financial statements of the parent undertaking.

Notes to the Financial Statements

at 31 December 2002

17. 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 during the year.

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.

18. 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 2002 are available from The Secretary, ANC Rental Corporation (Holdings) Limited, James House, 55 Welford Road, Leicester, LE2 7AR.