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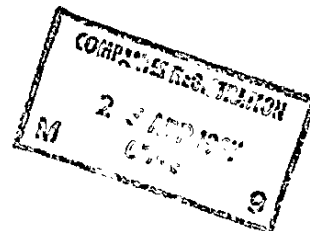
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DIAL CONTRACTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1986



DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st December 1986.

ACTIVITIES

The principal activity of the company is the provision of vehicle management services including vehicle acquisition, contract hire, leasing and fleet management and this is likely to remain so for the foreseeable future.

RESULTS FOR THE YEAR

The profit for the year from ordinary activities after taxation amounted to £1,027,000 which will be transferred to reserves. No dividend is recommended.

DIRECTORS

The directors of the company during the year were:-

B.C. Morris	- Chairman
H.A. Henderson	- Resigned 8th September 1986
G.A. Faulkner	- Managing
W.A. Gamble	
S.G. Errington	
P.E. Howroyd	

DIRECTORS' INTERESTS

The directors holding office at the end of the year and (except where they were also directors of Mercantile Credit Company Limited of which the Company is a wholly-owned subsidiary) their interests in relevant Shares or Debentures, both beneficial and by way of options to purchase, as disclosed by the register kept under the provisions of section 325 of the Companies Act 1985 are listed below.

Ordinary stock units of £1 each in Barclays PLC

	<u>At 31st December 1986</u>		<u>At 1st January 1986</u>	
	<u>Beneficial</u>	<u>Options#</u>	<u>Beneficial</u>	<u>Options#</u>
G.A. Faulkner	1,667	3,580	2,378	3,048
W.A. Gamble	-	2,327	-	2,327
P.E. Howroyd	3,825	2,790	2,244	3,457
B.C. Morris	2,221	-	2,837	-

Option to subscribe for ordinary stock under Barclays Bank Save As You Earn Stock Option Scheme.

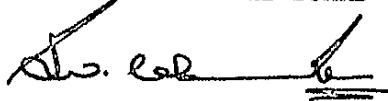
DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the annual general meeting.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to be 'D. L. L.', is written over a horizontal line. The line is underlined.

Secretary
Dial House
2 Burston Road
Upper Richmond Road
London SW15 6SD

2nd February 1987

REPORT OF THE AUDITORS
TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Kelvin Haskins Self

Chartered Accountants

London

2nd February 1987

DIAL CONTRACTS LIMITED

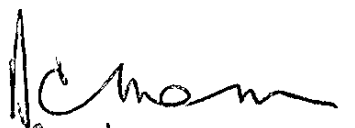
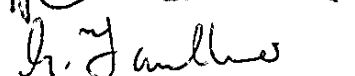
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £000	<u>1985</u> £000
TURNOVER	2	44,638	36,757
COST OF SALES		(26,913)	(21,151)
GROSS PROFIT		17,725	15,606
DISTRIBUTION COSTS		(692)	(613)
ADMINISTRATIVE EXPENSES		(3,137)	(2,361)
OTHER OPERATING INCOME		618	1,339
INCOME FROM SHARES IN GROUP COMPANIES		-	200
INTEREST RECEIVABLE FROM GROUP COMPANIES		1,267	1,202
INTEREST PAYABLE	3	(14,188)	(12,896)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,593	2,477
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5(a)	(566)	(340)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,027	2,137
DIVIDEND PROPOSED		-	(1,400)
RETAINED PROFIT TRANSFERRED TO RESERVES	13	1,027	737

DIAL CONTRACTS LIMITED

BALANCE SHEET AT 31ST DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £000	<u>1985</u> £000
FIXED ASSETS			
Tangible assets	6	842	1,104
Investment in group companies	7	6	6
Operating lease assets	8	101,331	89,023
		<u>102,179</u>	<u>90,133</u>
CURRENT ASSETS			
Debtors	9	53,857	50,942
Cash in hand		4	5
		<u>53,861</u>	<u>50,947</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(140,404)	(126,962)
NET CURRENT LIABILITIES		<u>(86,543)</u>	<u>(76,015)</u>
TOTAL ASSETS LESS NET CURRENT LIABILITIES		15,636	14,118
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(1,277)	(368)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	5(b)	(4,051)	(4,778)
ACCRUALS AND DEFERRED INCOME	12	(6,281)	(5,972)
NET ASSETS		<u>4,027</u>	<u>3,000</u>
CAPITAL AND RESERVES			
Called up Share Capital - Authorised, allotted and fully paid ordinary fl shares		100	100
Profit and Loss Account	13	3,927	2,900
		<u>4,027</u>	<u>3,000</u>


 } Directors

Approved by the Board on 2nd February 1987

DIAL CONTRACTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>1986</u>	<u>1985</u>
	£000	£000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit before taxation	1,593	2,477
Adjustment for items not involving the movement of funds:		
Depreciation	24,775	18,813
	<u>26,368</u>	<u>21,290</u>
FUNDS FROM OTHER SOURCES		
Net amount arising from disposal of motor vehicles on contract hire	19,786	14,887
Net amount arising from disposal of fixed assets	125	37
	<u>46,279</u>	<u>36,214</u>
APPLICATION OF FUNDS		
Purchase of assets for contract hire	56,444	60,283
Purchase of fixed assets	288	290
Dividend paid	1,400	1,200
Payment in respect of group relief	540	2,098
	<u>58,672</u>	<u>63,871</u>
	<u>(12,393)</u>	<u>(27,657)</u>
DECREASE IN WORKING CAPITAL		
Increase in debtors	1,937	2,749
Decrease/increase in creditors	63	(1,720)
Increase in amounts due to group companies	(14,083)	(27,185)
Increase in deferred income	(309)	(1,504)
Decrease/increase in cash	(1)	3
	<u>(12,393)</u>	<u>(27,657)</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986

1. ACCOUNTING POLICIES

(a) Basis of accounting

The company prepares its accounts on the historical cost basis of accounting.

(b) Income recognition

The profit and loss account is credited with income from:-

Operating leases, using the straight line basis which apportions income evenly over the period of the leases.

Finance leases, using the actuarial method which apportions income in relation to the funds invested. In 1985 the investment period method was used to recognise income. The comparative figures have been restated to take account of the change in accounting policy and a prior year adjustment has been recorded. The financial effects of the change in policy are disclosed in Note 14.

Other operating income, on an accruals basis.

(c) Depreciation

The straight line basis of calculation is used to provide depreciation as follows:

Operating lease assets - over expected useful lives to estimated residual values

Plant, equipment and office furniture - 15% per annum on cost

Computer equipment - 20% per annum on cost

(d) Manufacturers discounts receivable

Discounts receivable from manufacturers on the purchase of motor vehicles are deducted from the cost of acquisition of the vehicles. In 1985 discounts were included in profit on an accruals basis. The comparative figures have been restated to take account of the change in accounting policy and a prior year adjustment has been recorded. The financial effects of the change in policy are disclosed in Note 14.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

1. ACCOUNTING POLICIES (continued)

(e) Deferred taxation

Deferred taxation is provided at the estimated rates at which future taxation will become payable on the timing differences which exist between the treatment of certain items for accounts purposes and their treatment for taxation purposes except where, in the opinion of the directors, no liability to taxation is expected to arise in the foreseeable future.

(f) Deferred Maintenance Income

In the case of hire contracts inclusive of vehicle maintenance, part of the rental charged to customers is in respect of maintenance costs to be incurred during the contract period. The excess of maintenance rental charged to date over expenditure incurred to date, is carried forward to the subsequent accounting period to offset the increased maintenance costs likely to arise in the remainder of the contract period. Any excess of maintenance costs incurred on a vehicle at 31st December over the estimate of costs to be incurred by that date is written off.

2. TURNOVER

Turnover represents the total of the gross earnings for the year on finance leases and rentals receivable on operating leases. The total rentals receivable under operating leases amounted to £44,445,000 (1985 - £36,004,000).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
This is arrived at after charging:		
(i) Depreciation of operating lease assets	24,350	18,540
Depreciation of fixed assets	425	273
(ii) Interest payable on bank overdraft	151	119
Interest payable on amount due to Mercantile Credit Company Limited	14,037	12,777
(iii) Auditors' remuneration	20	18
(iv) Rentals paid under operating leases	514	374
(v) Staff costs		
Wages and salaries	1,645	1,421
Social Security costs	119	100
Other pension costs	121	131
	<u>1,885</u>	<u>1,652</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

Depreciation of operating lease assets includes exceptional depreciation of £2,662,000 (1985 £744,000) to reflect the reduction in estimated residual values of operating lease assets.

	<u>1986</u> Number	<u>1985</u> Number
Average number of employees	<u>144</u>	<u>139</u>
4. DIRECTORS' EMOLUMENTS		
	<u>1986</u> £000	<u>1985</u> £000
Emoluments as executives	109	178
Compensation for loss of office	-	25
	<u>109</u>	<u>203</u>
Analysis of directors' emoluments (excluding pension fund contributions):		
Chairmen - B. C. Morris	£5,687	£ 2,521
P. Rodney Pollard	-	£ 1,827
(resigned 24th June 1985)	£36,104	£59,126
Highest paid director	<u>£36,104</u>	<u>£59,126</u>
	<u>1986</u> Number	<u>1985</u> Number
Other directors within the range:-		
£ Nil - £ 5,000	2	4
£10,001 - £15,000	-	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	1
Analysis of employee emoluments exceeding £30,000 (excluding pension fund contributions):		
	<u>1986</u> Number	<u>1985</u> Number
£30,001 - £35,000	1	-

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

5. TAXATION

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Taxation is based on U.K. Corporation tax at an average rate of 36 1/4% (1985 41 1/4%)		
(a) The charge in the profit and loss account represents:		
Amount payable in respect of corporation tax (1985 - group relief)	1,271	250
Adjustment in respect of prior years	22	(73)
	<u>1,293</u>	<u>177</u>
Transfer from/to deferred taxation	(727)	86
Adjustment in respect of prior years	-	77
	<u>566</u>	<u>340</u>

The transfer to deferred taxation in 1985 includes a credit of £570,000 arising from the effect of the decline in the tax rate on the gross timing differences.

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
(b) Deferred Taxation		
At 1st January 1986 (as restated)	4,778	4,615
Transfer to/from Profit and Loss Account	(727)	163
At 31st December 1986	<u>4,051</u>	<u>4,778</u>
Analysis of timing differences:		
Accelerated tax depreciation	5,069	5,612
Other timing differences	(1,018)	(834)
	<u>4,051</u>	<u>4,778</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

6. TANGIBLE FIXED ASSETS

	Plant, . machinery and office furniture
	£000
COST	
At 1st January 1986	
Additions during year	1,769
Disposals	288 (294)
At 31st December 1986	<u>1,763</u>
DEPRECIATION	
At 1st January 1986	665
Charge for the year	425
Disposals	(169)
At 31st December 1986	<u>921</u>
NET BOOK VALUES	
At 31st December 1986	<u>842</u>
At 31st December 1985	<u>1,104</u>

7. INVESTMENT IN GROUP COMPANIES

	<u>1986</u> £000	<u>1985</u> £000
Shares at cost	956	956
Loan to subsidiary	50	50
	<u>1,006</u>	<u>1,006</u>
Provision for diminution in value	(1,000)	(1,000)
	<u>6</u>	<u>6</u>

At 31st December 1986, the company held the entire share capitals of Ringwest Motors Limited, Network Vehicles Limited and Dialcard Limited.

Group accounts are not presented since the company is a wholly-owned subsidiary of another company incorporated in Great Britain.

In the opinion of the directors the value of the company's interest in its subsidiaries is not less than the amount at which it is stated in the balance sheet.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

8. OPERATING LEASE ASSETS

	<u>Motor vehicles</u> £000
COST	
At 1st January 1986 (as restated)	
Additions	113,581
Disposals	56,444 (36,902)
At 31st December 1986	<u>133,123</u>
DEPRECIATION	
At 1st January 1986 (as restated)	
Charge for the year	24,558
Eliminated in respect of disposals	24,350 (17,116)
At 31st December 1986	<u>31,792</u>
NET BOOK VALUES	
At 31st December 1986	<u>101,331</u>
At 31st December 1985 (as restated)	<u><u>89,023</u></u>

9. DEBTORS

	<u>1986</u> £000	<u>1985</u> £000
Amount receivable within one year		
Finance Lease Receivables	10,743	11,668
Trade Debtors	1,259	3,208
Amounts owed by group companies	12,006	10,832
Prepayments and accrued income	7,019	5,793
	<u>31,027</u>	<u>31,501</u>
Amounts receivable after one year		
Finance Lease Receivables	22,830	19,245
Amounts owed by group companies in respect of group relief	-	196
	<u>53,857</u>	<u>50,942</u>

The total rental receivables under finance leases amounted to £16,097,000 (1985 £15,040,000).

The cost of assets acquired for letting under finance leases amounted to £17,613,000 (1985 £15,142,000).

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

10. CREDITORS

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Amounts falling due within one year:		
Bank overdraft		
Trade creditors	1,587	1,988
Amounts due to group companies in respect of group relief	817	739
Other amounts due to group companies	188	540
Other creditors including taxation and social security	135,376	120,119
Dividend proposed	2,436	2,176
	-	1,400
	<u>140,404</u>	<u>126,962</u>

11. CREDITORS

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£0000</u>
Amounts falling due after more than one year:		
Corporation tax (1985 - amounts due to group companies in respect of group relief)	1,271	362
Other amounts due to group companies	6	6
	<u>1,277</u>	<u>368</u>

12. ACCRUALS AND DEFERRED INCOME

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Deferred maintenance income (Note 1(f))	2,754	2,232
Rentals received in advance	2,793	3,416
Other accruals	734	324
	<u>6,281</u>	<u>5,972</u>

13. PROFIT AND LOSS ACCOUNT

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
At 1st January 1986		
as previously reported	4,634	3,370
prior year adjustment	(1,734)	(1,207)
as restated	<u>2,900</u>	<u>2,163</u>
Retained profit for the year	1,027	737
At 31st December 1986	<u>3,927</u>	<u>2,900</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1986 (continued)

14. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the effect of a change in the accounting policy for manufacturers discounts receivable on the purchase of motor vehicles and finance lease income recognition. Comparative figures for the cost and depreciation of operating lease assets, finance lease receivables and deferred taxation have been restated to take account of the changes in accounting policy (Notes 1(d) and 1(b)).

The 1985 profit and loss account has been restated as follows:

	As previously reported	As restated
	£'000	£'000
Profit before taxation	3,221	2,477
Taxation	(557)	(340)
Profit after taxation	<u>2,664</u>	<u>2,137</u>

15. COMMITMENTS .

	1986 £000	1985 £000
Operating lease rentals payable in 1987 where lease period ends:- within 1 year	30	-
between 2 and 5 years inclusive	3	92
over 5 years	<u>522</u>	<u>474</u>
	<u>555</u>	<u>566</u>

16. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Barclays PLC, a company incorporated in Great Britain.