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DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st December 1980.

ACTIVITIES

The principal activity of the company is the rental of motor vehicles on contract hire and on lease.

ACQUISITION OF SUBSIDIARY

On 10th October 1980 the company acquired the whole of the issued share capital of Network Vehicles Limited whose principal activity is the rental of motor vehicles on contract hire.

SHARE ISSUE

On 1st December 1980 the company capitalised £99,900 of retained profits, appropriated in the issue of a further 99,900 shares of £1 each credited as fully paid to shareholders.

PROFIT AND APPROPRIATIONS

The company's profit for the period after taxation was £416,676. The directors recommend a dividend of £216,000.

DIRECTORS

The directors of the company during the period were:-

P. Rodney Pollard - Chairman
H.A. Henderson - Managing
E.W. Dawson
S.G. Errington
P.E. Howroyd
M. Roselman
G.A.L. Faulkner - (Appointed 1st April 1980)

DIRECTORS' INTERESTS

Mr. P. Rodney Pollard and Mr. S.G. Errington are directors of the immediate holding company and are not required to notify their interests to the company. The interests of the other directors in the share and loan capital of the ultimate holding company and its subsidiaries at 1st January 1980 and 31st December 1980 were:-

	<u>Barclays Bank Limited</u>	
	<u>At 31st December 1980</u>	<u>At 1st January 1980</u>
	<u>stock units of £1</u>	<u>stock units of £1</u>
	<u>Ordinary 8½% Loan</u>	<u>Ordinary 8½% Loan</u>
H.A. Henderson	238	466
E.W. Dawson	851	-
P.E. Howroyd	216	-
M. Roselman	270	-
G.A.L. Faulkner	207	-

* At date of appointment

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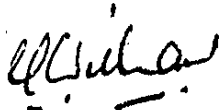
DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

In accordance with Section 14 of the Companies Act 1976, 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



Secretary

7-17, Ansdell Street,
Kensington Square,
London, W.8.

25th February 1981

AUDITORS' REPORT
TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 11 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 1980 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

Robert H. Hines

Chartered Accountants

London

25th February 1981

DIAL CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR TO 31st DECEMBER 1980

	<u>Notes</u>	<u>Year to</u> <u>31st December</u> <u>1980</u> <u>£</u>	<u>Fifteen months</u> <u>to 31st December</u> <u>1979</u> <u>£</u>
TURNOVER	6	£16,191,325	£23,304,476
PROFIT BEFORE TAXATION	7 & 8	725,643	1,362,966
TAXATION	9	308,967	708,966
		416,676	654,000
PROPOSED DIVIDEND		216,000	400,000
RETAINED PROFIT FOR PERIOD		200,676	254,000
RETAINED PROFITS AT 31ST DECEMBER 1979		102,910	(151,090)
		303,586	102,910
CAPITALISATION OF RESERVES	11	(99,900)	-
RETAINED PROFITS AT 31ST DECEMBER 1980		£ 203,686	£ 102,910

DIAL CONTRACTS LIMITED
BALANCE SHEET 31st DECEMBER 1980

	<u>Notes</u>	<u>1980</u> £	<u>1979</u> £
FUNDS EMPLOYED			
SHARE CAPITAL	11	100,000	100
RETAINED PROFITS		203,686	102,910
		<u>303,686</u>	<u>103,010</u>
DEFERRED TAXATION	1 & 10	12,298,191	13,752,028
LOANS AND OVERDRAFTS			
Loan from holding company		17,381,489	18,621,816
Secured loan		18,887	20,100
Unsecured loans		1,107,393	6,000,000
Bank overdraft		<u>18,507,769</u>	<u>583,323</u>
		<u>£31,109,646</u>	<u>£39,080,277</u>
USE OF FUNDS			
FIXED ASSETS	1 & 3	100,957	85,853
MOTOR VEHICLES ON CONTRACT HIRE AND LEASE	1 & 4	30,934,021	32,342,628
INTEREST IN SUBSIDIARIES	5	23,099	5,984
AMOUNTS DUE FROM GROUP COMPANIES		833,414	7,491,325
STOCKS	1	13,903	8,407
DEBTORS AND PREPAYMENTS		1,571,901	1,446,997
CASH		<u>1,543</u>	<u>552</u>
		<u>33,478,838</u>	<u>41,381,746</u>
CURRENT LIABILITIES			
Creditors		656,995	740,766
Deferred maintenance income		718,239	692,322
Rentals received in advance		771,974	388,400
Amount owing to subsidiary		5,984	79,981
Dividends		216,000	400,000
		<u>2,369,192</u>	<u>2,301,469</u>
		<u>£31,109,646</u>	<u>£39,080,277</u>

P. Rodney-Jones
M. Henderson } Directors

DIAL CONTRACTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER 1980

	Year to 31st December 1980 £	Fifteen months to 31st December 1979 £
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit before taxation	725,643	1,362,966
Adjustment for item not involving the movement of funds:		
Depreciation	9,316,649	8,195,766
	<u>10,042,292</u>	<u>9,558,732</u>
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of motor vehicles on contract hire and lease	6,852,581	4,299,376
Proceeds from disposal of fixed assets	-	21,354
Increase in loan from holding company	-	11,482,432
Receipts in respect of group relief	4,895,107	1,978,384
	<u>11,747,688</u>	<u>17,781,546</u>
	<u>21,789,980</u>	<u>27,340,278</u>
APPLICATION OF FUNDS		
Decrease in loan from holding company	1,240,327	-
Investment in new subsidiary	17,115	-
Purchase of motor vehicles for contract hire and lease	14,739,857	22,714,803
Purchase of fixed assets	35,870	38,240
Dividend paid	400,000	837,120
Decrease in secured loan	1,213	1,427
Decrease in unsecured loans	6,000,000	4,000,000
	<u>22,434,382</u>	<u>27,591,590</u>
	<u>£ (644,402)</u>	<u>£ (251,312)</u>
DECREASE IN WORKING CAPITAL		
Increase in stocks	5,496	3,214
Increase (1979 Decrease) in debtors	124,904	(99,638)
Decrease (1979 Increase) in creditors	83,771	(254,777)
Increase in deferred maintenance income	(25,917)	(351,793)
Increase in rentals received in advance	(383,574)	(26,453)
Decrease in amounts due to group companies	73,997	24,351
Increase (1979 Decrease) in bank overdraft	(523,079)	453,784
	<u>£ (644,402)</u>	<u>£ (251,312)</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1980

1. ACCOUNTING POLICIES

(a) Basis of Accounting

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

(b) Depreciation of Motor Vehicles on Contract Hire and Lease

(i) on contract hire:

The cost less estimated residual value of motor vehicles on contract hire is depreciated on a straight line basis over the period of hire. The difference between sale proceeds and estimated residual value is taken to profit and loss account in the year of disposal of the vehicle.

(ii) on lease:

The cost less agreed residual value of leased motor vehicles is depreciated over the lease period on a rising scale resulting from net leasing income (total rental income less the excess of vehicle cost over the agreed residual value) being taken to credit in relation approximately to the funds invested in the asset.

(c) Depreciation of Fixed Assets

Leasehold improvements are amortised by equal instalments over the period of the lease. Plant, equipment and office furniture is depreciated at the rate of 15% per annum on the straight line method.

(d) Deferred Taxation

Deferred taxation is provided under the liability method, at the current rate of corporation tax of 52%, in respect of the full amount of timing differences, details of which are given in note 10.

(e) Stocks

Stocks are valued at the lower of invoiced cost to the company and net realisable value.

(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. Any excess of the maintenance rental charged to date, in respect of a vehicle, 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.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1980 (continued)

2. SECURED LOAN

The loan is secured on the leasehold property occupied by the company and is repayable by varying instalments over 43 years. Interest is payable at the rate of 3% per annum on £5,000, the balance of the loan being interest free.

3. FIXED ASSETS

	Leasehold improvements under 50 years £	Plant, equipment and office furniture £	Total £
COST			
At 1st January 1980	27,529	132,728	160,257
Additions during year	-	35,870	35,870
Disposals during year	-	(195)	(195)
At 31st December 1980	27,529	168,403	195,932
DEPRECIATION			
At 1st January 1980	11,059	63,345	74,404
Charge for the year	960	19,806	20,766
Eliminated in respect of disposals	-	(195)	(195)
At 31st December 1980	12,019	82,956	94,975
NET BOOK VALUES			
At 31st December 1980	£15,510	£85,447	£100,957
At 31st December 1979	£16,470	£69,383	£85,853

Capital expenditure in respect of which contracts had been placed at 31st December 1980 amounted to £28,616 (1979 £Nil).

4. MOTOR VEHICLES ON CONTRACT HIRE AND LEASE

	On hire £	On lease £	Total £
COST			
At 1st January 1980	25,754,326	17,113,716	42,868,042
Additions during year	10,082,349	4,657,508	14,739,857
Disposals during year	(9,713,778)	(3,422,917)	(13,136,695)
	26,122,897	18,348,307	44,471,204
DEPRECIATION			
At 1st January 1980	6,822,334	3,702,780	10,525,414
Charge for the year	5,015,126	4,267,757	9,295,883
Eliminated in respect of disposals	(4,580,142)	(1,703,932)	(6,284,114)
At 31st December 1980	7,270,578	6,266,605	13,537,183
NET BOOK VALUES			
At 31st December 1980	£18,852,319	£12,081,702	£30,934,021
At 31st December 1979	£18,931,692	£13,410,936	£32,342,628
Future rentals under current agreements in respect of vehicles on lease		£13,432,732	

At 31st December 1980 commitments for the purchase of additions to the contract hire fleet amounted to £1,221,800 (1979 £2,848,000).

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 1980 (continued)

5. INTEREST IN SUBSIDIARIES

	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
Shares at cost	6,084	5,984
Loan	17,015	-
	<u>23,099</u>	<u>5,984</u>

At 31st December 1980, the company held the entire share capital of Ringwest Motors Limited and Network Vehicles 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.

6. TURNOVER

Turnover represents the total rentals receivable under agreements entered into during the period for the contract hire and lease of motor vehicles before deducting any refund of rentals related to disposal proceeds which becomes payable on the termination of a lease.

7. PROFIT BEFORE TAXATION

This is arrived at after charging:

	<u>Year to</u> <u>31st December</u> <u>1980</u> <u>£</u>	<u>Fifteen months to</u> <u>31st December</u> <u>1979</u> <u>£</u>
Interest payable:	2,638,353	1,531,082
Holding company	64,404	155,079
Bank overdraft	36	188
Secured loan	663,967	1,805,550
Other loans	20,766	25,779
Depreciation of fixed assets	9,295,883	8,169,987
Depreciation of contract and lease fleets	10,469	12,783
Auditors' remuneration		

and after crediting:

Dividend from subsidiary, including in 1980
£117,309 in respect of profits of previous
periods

<u>117,656</u>	<u>5,772</u>
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8. DIRECTORS' EMOLUMENTS

Emoluments as executives

Analysis of directors' emoluments (excluding
pension fund contributions):

Chairman
Highest paid director

<u>£</u>	<u>£</u>
£62,319	£71,918
<u>£</u>	<u>£</u>
NIL	NIL
£24,155	£33,255

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1980 (continued)

8. DIRECTORS' EMOLUMENTS (continued)

Analysis of directors' emoluments (excluding pension fund contributions) continued

Other directors within the range:-

£Nil - £ 5,000
£10,001 - £15,000
£15,001 - £20,000

Year to 31st December 1980 Number	Fifteen months to 31st December 1979 Number
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3	3
1	1
1	1

9. TAXATION

(i) Current year

Transfer from (1979 to) deferred taxation	(1,561,655)	4,117,460
Less: Amount payable (1979 receivable) in respect of tax appropriate to group relief on the company's profit (1979 loss) for taxation purposes	1,881,791	(3,408,494)
	<u>320,136</u>	<u>708,966</u>

(ii) Prior years

Transfer from (1979 to) deferred taxation	(56,018)	56,014
Less: Reduction (1979 increase) in amounts receivable from group companies in respect of tax appropriate to group relief on the company's losses for taxation purposes in previous years.	44,849	(56,014)
	<u>(11,169)</u>	<u>-</u>
	<u>£308,967</u>	<u>£708,966</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1980 (continued)

10. DEFERRED TAXATION

Deferred taxation is accounted for under the liability method in respect of the following:

	<u>1980</u> £	<u>1979</u> £
Excess capital allowances, on fixed assets and motor vehicles on contract hire and lease, over depreciation	12,514,266	15,149,361
Deferred Maintenance income and other timing differences	(216,075)	(391,208)
	<u>12,298,191</u>	<u>14,758,153</u>
Less: Previous years' unrelieved losses equalised	-	(1,006,125)
	<u>£12,298,191</u>	<u>£13,752,028</u>

11. SHARE CAPITAL

	<u>1980</u> £	<u>1979</u> £
Authorised issued and Fully paid 100,000 (1979 100 shares) of £1 each	<u>100,000</u>	<u>100</u>

During the year the authorised share capital of the company was increased by 99,900 shares of £1 each. On 1st December 1980 £99,900 of retained profits were capitalised and appropriated in the issue to shareholders of 99,900 shares of £1 each credited as fully paid.

12. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Barclays Bank Limited, which is incorporated in Great Britain.