

**DIAL CONTRACTS LIMITED**  
**DIRECTORS' REPORT & ACCOUNTS**  
**YEAR ENDED 31 DECEMBER 2002**

Company Registration Number : 707749



**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**CONTENTS**

	<b>Page number</b>
Report of the Directors	2-3
Independent Auditors' Report	4
Profit & Loss Account	5
Balance Sheet	6
Notes to Accounts	7-17

## **DIAL CONTRACTS LIMITED REPORT OF THE DIRECTORS**

The directors present their annual report and the audited accounts of the company for the year ended 31 December 2002.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activities of the company continued to be vehicle leasing and fleet management.

The company operates several labels in niche markets and these enjoy strong positions in their own specific markets. The company remains committed to profitable growth and continues its program of strategic activities to help achieve this objective.

### **RESULTS AND DIVIDENDS**

The company's profit and loss account is shown on page 5.

A dividend of £3,500,000 is proposed (2001: £4,600,000).

### **DIRECTORS**

The directors during the year and subsequent to the year end were :

K McNally (appointed 3rd February 2003)

J D Boon

H M Thomas (resigned 7th May 2003)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### **EMPLOYEES**

The directors recognise the importance of human resources. Practices to promote good communications and relations with employees include the use of teambriefs, quarterly staff meetings and annual publication of a strategy document. The company continues to give full and fair consideration to applications from disabled persons.

(continued on page 3)

**DIAL CONTRACTS LIMITED**  
**REPORT OF THE DIRECTORS (continued)**

**DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS**

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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**AUDITORS**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

*EP Kirkwood*

E P Kirkwood

Secretary

Date: 30.10.03

165 Bath Road

Slough

Berks SL1 4AA

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAL CONTRACTS LIMITED**

We have audited the accounts on pages 5 to 17.

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 auditor's 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 responsibility of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with 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 group'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 the company's affairs as at 31 December 2002 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**

*Chartered Accountants*

*Registered Auditor*

Date: *31 October 2003*

8 Salisbury Square  
London EC4Y 8BB

**DIAL CONTRACTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2002**

	Note	2002 £'000	2001 £'000
Turnover	2a	184,607	195,621
Cost of sales	4	(154,051)	(164,171)
<b>Gross Profit</b>		<u>30,556</u>	<u>31,450</u>
Administrative expenses		<u>(17,951)</u>	<u>(15,568)</u>
<b>Profit on ordinary activities before taxation</b>	5	12,605	15,882
Taxation	7	<u>(3,811)</u>	<u>(4,767)</u>
<b>Profit for the year</b>		8,794	11,115
<b>Dividend</b>	8	<u>(3,500)</u>	<u>(4,600)</u>
<b>Retained profit for the year</b>		5,294	6,515
<b>Retained profit brought forward</b>	14	<u>27,004</u>	<u>20,489</u>
<b>Retained profit carried forward</b>		<u>32,298</u>	<u>27,004</u>

There are no other gains or losses other than those recognised in the profit and loss account.  
The results reflect the continuing operations of the business.  
The notes on pages 7 to 17 form part of these accounts.

**DIAL CONTRACTS LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	2002 £'000	2001 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets:			
Used by the company	9	-	1,589
Leased to customers	10	<u>278,710</u>	<u>327,102</u>
		278,710	328,691
<b>Investments</b>	11	6	6
<b>Current assets</b>			
Stock	12	2,844	3,677
Debtors: Amounts falling due within one year	13	<u>71,341</u>	<u>113,963</u>
Debtors: Amounts falling due after more than one year	13	<u>69,433</u>	<u>47,863</u>
		140,774	161,826
		<u>422,334</u>	<u>494,200</u>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called-up share capital	14	222	222
Share premium	14	4,403	4,403
Profit and loss account		<u>32,298</u>	<u>27,004</u>
<b>Equity shareholders' funds</b>	14	<u>36,923</u>	<u>31,629</u>
<b>Provision for liabilities and charges</b>	15	1,800	2,357
<b>Creditors: Amounts falling due within one year</b>	16	367,856	438,195
<b>Creditors: Amounts falling due after one year</b>	16	15,755	22,019
		<u>422,334</u>	<u>494,200</u>

The notes on pages 7 to 17 form part of these accounts.

The accounts were approved by the Board of Directors on 30 October 2003 and signed on its behalf by:

  
J D Boon  
Director

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**a) Basis of preparation**

The accounts have been prepared in accordance with the historical cost accounting conventions and applicable accounting standards.

The accounts have been prepared in compliance with the Statement of Recommended Accounting Practice issued by the Finance and Leasing Association.

The company has taken advantage of the exemption permitted under the Companies Act not to prepare consolidated financial statements, as it is a wholly owned subsidiary of Inula Holding UK Limited where group accounts are prepared.

**b) Income recognition**

*Finance lease and lease purchase contracts*

Finance income generated by an asset is the difference between the cost of an asset and the lease rentals received. Finance income is credited to the profit and loss account in proportion to the reducing net investment in the asset. Net investment in an asset is shown as a debtor on the balance sheet.

*Operating leases*

Rentals received are recognised on a straight line basis over the life of the lease.

Management and administration fees charged are also credited to the profit and loss account.

**c) Maintenance income and costs**

Maintenance costs are charged directly to the profit and loss account as they become due together with the corresponding income. The difference between maintenance income earned to date and maintenance rentals received is held on the balance sheet as deferred income. Immediate provision is made where an overall loss is anticipated on the portfolio. With open calculation contracts, at the end of the lease term, the net balance is settled with the client in line with their contractual arrangement or taken to the profit and loss account.

*Estimation techniques*

In order to calculate the required provision for losses on the portfolio, estimations are made in respect of the total contract costs based upon previous maintenance experience and projected maintenance prices.

**d) Depreciation**

*Property and equipment used by the company*

Depreciation of fixed assets is provided at rates calculated to write off the cost to an estimated residual value, by equal annual instalments over their expected useful life, as follows:

Computer equipment	over 3 - 5 years
Furniture, fixtures & fittings	over 5 to 10 years
Leasehold improvements	over the lease term

*Assets leased to customers*

Operating leases are depreciated using the annuity method down to their anticipated residual value over the period of the lease. The annuity method allocates depreciation to each period such that the total value of interest and depreciation in any period is a constant percentage of income, thus resulting in a consistent profit margin over the period of the lease.

*Residual values*

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions.

Any permanent impairment in the residual value of an asset is immediately charged to the profit and loss account.

Future residual values are constantly monitored so as to identify any impairment required, by reference to the company's past history for residual values and industry projections of the likely future market for each group of assets.



**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES, continued**

**e) Leases as lessee**

*Operating leases*

Operating lease rentals payable are charged to the profit and loss account evenly over the length of the lease.

**f) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

**g) Pension costs**

The company operates a defined contribution scheme and a scheme providing benefits based on final pensionable pay.

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund (note 18). The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The assets of the defined benefit scheme are held separately from those of the company (note 18). Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

**h) Stock**

The stock is valued at lower of cost or net realisable value.

**i) Investments**

In the company's financial statements, investments in subsidiary undertakings and associates are stated at cost less amounts written off.

**j) Financial instruments**

The company has commitments under interest rate swaps to hedge against exposure to interest rate risk. Cashflows arising under the hedge contracts are accounted for on an accruals basis so as to match their effect with the amounts payable on the underlying borrowing (see note 17).

**k) Bad debts**

The company has an ongoing policy for monitoring the credit quality of its portfolio and for making provision for losses inherent in credit exposures.

Specific provision is made for bad debts as they arise taking into account possible recoveries from the customer and sale proceeds of the asset. In addition, a general provision is made to cover likely future losses on doubtful debts not specifically identified.

**2. TURNOVER**

**a) Turnover is the aggregate of :**

Finance leases: as disclosed in note 1b)

Operating leases: as disclosed in note 1b)

Fleet services: the total amounts invoiced to customers excluding value added tax

**b) Rentals receivable**

	2002	2001
	£'000	£'000
The aggregate rentals receivable for the year for operating leases	<u>151,996</u>	<u>164,070</u>
All of the group turnover arose in the UK.		

**c) Assets acquired**

	£'000	£'000
The cost of assets acquired in the year for the purpose of finance leasing and lease purchase contracts was	<u>54,201</u>	<u>69,657</u>

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**3. STAFF NUMBERS AND COSTS**

The staff of the company have contracts with Lease Plan UK Limited and their costs are borne by the group. The gross cost allocated to these staff during the year was £7,599,000.

The previous years average number of persons employed by the company and aggregate payroll costs were as follows:

Average staff numbers:	2001
Sales and marketing	51
Operations	133
Finance and administration	93
	<u>277</u>
Aggregate payroll costs:	2001
	£'000
Wages and salaries	6,802
Social security costs	711
Pension costs	586
	<u>8,099</u>

**4. COST OF SALES**

**a) Cost of sales**

In relation to finance leases and hire purchase contracts, cost of sales represents interest and similar costs; in relation to operating leases, cost of sales also reflects running expenses and amortisation of the assets computed in a manner calculated to give effect to the income recognition policy described in note 1. Cost of sales for operating leases also includes provisions arising on the permanent impairment in the residual value of an asset.

**b) Interest payable**

	2002	2001
	£'000	£'000
On bank overdraft and loans repayable within five years:		
to group undertakings	<u>16,826</u>	<u>25,739</u>

As the company's business is mainly concerned with the provision of financial services, interest payable has been included in "Cost of sales" in the profit and loss account.

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2002	2001
	£'000	£'000
This is stated after charging the following:		
Depreciation of tangible fixed assets used by the company	-	305
Depreciation of tangible fixed assets leased to customers	87,408	87,639
Amount charged in the year for rental on operating leases	736	699
Auditors' remuneration and expenses	<u>-</u>	<u>66</u>

From 1 January 2002 the audit fees have been met by LeasePlan UK Limited and included within the group accounts.

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**6. DIRECTORS' EMOLUMENTS**

In the year ended 31 December 2002, the directors received no remuneration for their services to the company.

	2002 £'000	2001 £'000
Remuneration as executives	-	764
Pension contributions	-	32
Compensation for loss of office	-	311
	<u>-</u>	<u>1,107</u>
Highest paid director:		
Emoluments	-	341
Pension cost	-	16
	<u>-</u>	<u>-</u>
	No.	No.
Directors accruing benefits under the defined benefit pension scheme	-	3
Directors accruing benefits under the defined contribution pension scheme	-	-

**7. TAXATION**

**Analysis of charge in the year**

*Corporation tax*

	2002 £'000	2001 £'000
Charge at 30% on the loss for the year	(2,568)	(903)
Prior year adjustment to current tax charge	1,358	(1,780)

*Deferred tax*

Charge arising on timing differences	(1,245)	(3,872)
Prior year adjustment to deferred tax charge	(1,356)	1,788
	<u>(3,811)</u>	<u>(4,767)</u>

**Current tax reconciliation**

Profit on ordinary activities before tax	12,605	15,882
Current tax charge at 30%	(3,781)	(4,765)
Capital allowances for the year in excess of depreciation	1,245	3,872
Expenses not deductible for tax purposes	(32)	(10)
Total current tax charge	<u>(2,568)</u>	<u>(903)</u>

**8. DIVIDEND**

	2002 £'000	2001 £'000
Dividend proposed	<u>3,500</u>	<u>4,600</u>

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**9. TANGIBLE FIXED ASSETS**

**Furniture &  
equipment  
£'000**

**Cost:**

At 1 January 2002	8,453
Inter group transfers	(8,453)
At 31 December 2002	<u>-</u>

**Depreciation:**

At 1 January 2002	6,864
Inter group transfers	(6,864)
At 31 December 2002	<u>-</u>

**Net book value:**

At 31 December 2002	<u>-</u>
At 31 December 2001	<u>1,589</u>

**10. TANGIBLE FIXED ASSETS LEASED TO CUSTOMERS**

**Operating leases  
£'000**

**Cost:**

At 1 January 2002	495,553
Additions	118,047
Disposals	(179,540)
At 31 December 2002	<u>434,060</u>

**Depreciation:**

At 1 January 2002	168,451
Disposals	(100,509)
Charge for the year	87,408
At 31 December 2002	<u>155,350</u>

**Net book value:**

At 31 December 2002	<u>278,710</u>
At 31 December 2001	<u>327,102</u>

Included in the depreciation charge for the year above is a charge of £6,798,400 in respect of the permanent diminution in residual values of the lease portfolio (2001: £771,000).

**Residual value maturity**

The residual value exposure is aged as follows:

	2002	2001
	£'000	£'000
Within one year	78,336	104,326
Within two to five years	116,700	156,234
	<u>195,036</u>	<u>260,560</u>

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**11. FIXED ASSET INVESTMENTS**

Subsidiary  
undertakings  
£'000

**Cost and Net Book Value**

At 1 January 2002 & 31 December 2002

6

**Subsidiary undertakings**

The company has the following subsidiary undertakings at 31 December 2002, all of which are incorporated in Great Britain. All of these undertakings are registered in England. All the shares are wholly owned. The nature of their business, share capital and accounting year end dates are as follows:

Company	Nature of business	Share Capital Ordinary shares of £1 each
Network Vehicles Limited	Dormant	1,000
Dial Vehicle Management Services Limited	Dormant	<u>5,000</u>

**12. STOCK**

2002                      2001  
£'000                      £'000

Motor Vehicles	<u>2,844</u>	<u>3,677</u>
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**13. LEASE RECEIVABLES AND OTHER DEBTORS**

2002                      2001  
£'000                      £'000

**Amounts falling due within one year:**

Trade debtors	11,255	21,795
Finance lease receivables	29,854	32,166
Lease purchase receivables	18,838	46,216
Other debtors	6,645	8,311
Prepayments & accrued income	4,749	5,475
	<u>71,341</u>	<u>113,963</u>

**Amounts falling due after more than one year:**

Finance lease receivables	40,868	19,013
Lease purchase receivables	28,565	28,850
	<u>69,433</u>	<u>47,863</u>

<b>Total</b>	<u>140,774</u>	<u>161,826</u>
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Aggregate rentals received during the year under finance leases was £26,800,000 (2001 - £56,629,000).

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**14. CALLED UP SHARE CAPITAL AND RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS**

<b>Called up share capital</b>	<b>2002</b>	<b>2001</b>		
	<b>£'000</b>	<b>£'000</b>		
Ordinary shares of £1 each:				
Authorised	<u>222</u>	<u>222</u>		
Allotted, called up and fully paid:	<u>222</u>	<u>222</u>		
<b>Reconciliation of movement of equity shareholders' funds</b>				
	Share capital £'000	Share premium £'000	Profit & loss account £'000	Total £'000
Brought forward at 1 January 2002	222	4,403	27,004	31,629
Profit & loss account	-	-	8,794	8,794
Dividends	-	-	(3,500)	(3,500)
Carried forward at 31 December 2002	<u>222</u>	<u>4,403</u>	<u>32,298</u>	<u>36,923</u>

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred taxation £'000</b>	<b>Other provisions £'000</b>	<b>Total £'000</b>
The movement comprises:			
Balance at 31 December 2001	271	2,086	2,357
Charge to the profit and loss account	1,245	-	1,245
Prior year adjustment to deferred tax charge	1,356	-	1,356
Utilised/transferred during the year	<u>(1,072)</u>	<u>(2,086)</u>	<u>(3,158)</u>
Balance at 31 December 2002	<u>1,800</u>	<u>-</u>	<u>1,800</u>

	<b>2002 £'000</b>	<b>2001 £'000</b>
The deferred tax balance comprises:		
Excess of capital allowances over depreciation	4,723	5,926
Provisions	(2,943)	(5,655)
Other	20	-
	<u>1,800</u>	<u>271</u>

**16. CREDITORS**

	<b>2002 £'000</b>	<b>2001 £'000</b>
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts - non group	547	393
Trade creditors	2,065	1,297
Other creditors	3,283	18,743
Accruals and deferred income	14,952	18,137
Corporation tax	2,226	1,925
Amounts owed to group undertakings	<u>344,783</u>	<u>397,700</u>
	<u>367,856</u>	<u>438,195</u>
<b>Amounts falling due after one year</b>		
Accruals and deferred income	<u>15,755</u>	<u>22,019</u>
<b>Total</b>	<u>383,611</u>	<u>460,214</u>

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**17. CAPITAL COMMITMENTS**

**Vehicles**

At 31 December 2002 the company had commitments for motor vehicles ordered for future lease agreements but not delivered amounting to £7,183,300 (2001 - £12,679,200).

**Leases**

The company had annual commitments under operating leases in the year to 31 December 2002 as follows:

	Land and Buildings 2002 £'000	Land and Buildings 2001 £'000
in less than one year	20	20
after 5 years	<u>716</u>	<u>716</u>

**Financial instruments**

The company had commitments under interest rate swap agreements entered into for the purpose of hedging its lease portfolio against interest rate risk.

**18. RETIREMENT BENEFITS**

**Open scheme**

The group operates the LeasePlan UK Limited Pension Scheme, a defined contribution scheme in which the assets are held separately from those of the group in an independently administered fund. The pension cost charge for the year represents contributions payable by the group to the pension fund and amounted to £524,000 (2001 - £406,900). Contributions amounting to £95,464 were payable to the fund at 31 December 2002 (2001 - £3,900) and are included in creditors.

**Closed schemes**

The following are former pension schemes operated by Dial Contracts Limited which are now closed to new staff.

*Defined contribution scheme*

The Dial Contracts Limited Barclays Mercantile Pension and Life Assurance Scheme is a contributory money purchase scheme in which the assets are held separately from those of the company in an independently administered fund. The scheme was open to Dial staff to 31 May 2000. The pension cost charge for the year represents contributions payable by the company to the pension fund and amounted to £238,074 (2001 - £327,800). Contributions amounting to £37,103 were payable to the fund at 31 December 2002 (2001 - £nil).

*Defined benefit scheme*

The Dial Contracts Limited Retirement Benefits Plan provides benefits based on final pensionable salary. The scheme is funded by the payment of contributions to a separately administered fund, being invested with an insurance company. The scheme applies to eligible Dial staff in previous years. The pension costs are determined by a qualified actuary on the basis of triennial valuations.

The most recent full actuarial valuation of the scheme was undertaken by an independent qualified actuary as at 31 May 2001. The main assumptions used by the actuary were:

Rate of increase in salaries	4.25%
Rate of pension increases	2.25%
Investment return - in deferment & retirement	6.00%
Investment return - for active member benefits prior to retirement	7.00%

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**18. RETIREMENT BENEFITS, continued**

*Defined benefit scheme*

The method of valuation adopted was the market valuation approach, with assets taken at market value and liabilities projected forward allowing for salary growth based on current inflationary expectations and discounted to give a capitalised value using investment returns implied by market conditions.

The market value of the assets in the scheme as at the date of valuation was £8,436,000. The valuation shows a surplus of £813,000 (when comparing assets and past service liabilities) and a funding level of 111%.

The employer's contribution rate over the remaining life of the scheme takes account of the surplus disclosed by the valuation.

The pension charge for the year amounted to £264,000 (2001: £258,000).

Whilst the company continues to account for pensions costs in accordance with SSAP 24 'Accounting for Pensions Costs', under FRS 17 'Retirement Benefits', the following transitional disclosures are required:

The valuation of the scheme has been updated to 31 December 2002 by a qualified independent actuary, pursuant to the provisions and requirements of FRS 17.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered may not necessarily be borne out in practice.

**Financial assumptions used**

	31/12/2002	31/12/2001
Rate of increase in salaries	4.25%	4.25%
Rate of pension increases	2.50%	2.25%
Discount rate	5.50%	6.00%
Inflation assumption	2.25%	2.25%

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain, were:

	Value at 31/12/2002 £'000	Long term rate of return expected at 31/12/2002	Value at 31/12/2001 £'000	Long term rate of return expected at 31/12/2001
Equities	6,079	7.50%	5,958	8.00%
Bonds	1,343	5.00%	2,476	5.50%
Total market value of assets	7,422		8,434	
Actuarial value of liability	(10,333)		(8,519)	
Scheme deficit	(2,911)		(85)	
Related deferred tax asset	873		26	
Net pension liability	(2,038)		(59)	



**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**18. RETIREMENT BENEFITS, continued**

*Defined benefit scheme*

Set out below is an analysis of the amounts that would be charged to the profit and loss account and the statement of total recognised gains and losses in respect of the company's defined benefit pension scheme in accordance with the transitional requirements of FRS 17.

**Analysis of the amounts that would be charged to profit & loss account in accordance with FRS 17.**

	2002
	£'000
<i>Components of the defined benefit cost</i>	
Current service cost	231
	2002
	£'000
<i>Other finance costs</i>	
Expected return on assets in the scheme	621
Interest on liabilities in the scheme	(517)
Net finance return	104

**Analysis of the amounts that would be recognised in the statement of total recognised gains and losses in accordance with FRS 17.**

	2002
	£'000
Actual return less expected return on assets	(1,855)
Changes in demographic and financial assumptions	(1,108)
Net actuarial loss	(2,963)

**Movement in net deficit during the year**

	2002
	£'000
Net deficit at 1 January 2002	(85)
Movement in the year:	
Current service cost	(231)
Net finance return	104
Contributions	264
Actuarial loss	(2,963)
Net deficit at 31 December 2002	(2,911)

**19. CASH FLOW STATEMENT**

The company is a subsidiary of another company incorporated in the Netherlands, see note 22, whose consolidated accounts include a cash flow statement and incorporate the cash flows of this Company, which are wholly dependent on the group's overall cash and funding position. In accordance with FRS 1 the directors consider that a cash flow statement is not required.

**20. SEGMENTAL INFORMATION**

The group's sole activity is the provision of vehicle management services including vehicle acquisition, leasing, fleet management and contract hire and the sole market supplied was the United Kingdom.

**DIAL CONTRACTS LIMITED**  
**YEAR ENDED 31 DECEMBER 2002**  
**NOTES TO THE ACCOUNTS**

**21. RELATED PARTY TRANSACTIONS**

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with ABN AMRO group as it is a wholly owned subsidiary undertaking of ABN AMRO Holding NV.

**22. ULTIMATE HOLDING COMPANY**

At 31 December 2002 the directors regarded ABN AMRO Holding NV ( a company incorporated in the Netherlands) as being the company's ultimate parent company and Inula Holding UK Ltd (a company incorporated in England and Wales) as the immediate parent company.

The address of Inula Holding UK Ltd from where a copy of the group accounts may be obtained is 165 Bath Road, Slough, Berks SL1 4AA.

The address of ABN AMRO Holding NV from where a copy of the group accounts may be obtained is Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands.