

107749

Dial Contracts Limited

Report and Financial Statements
for the year ended 31 December 1989

COMPANIES ACT 1985
12 MAY 1990

Coopers
& Lybrand
Deloitte

DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1989.

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 company's profit for the year from ordinary activities after taxation amounted to £2,895,000 and has been transferred to reserves. No dividend is recommended.

FIXED ASSETS

Significant changes in fixed assets are set out in Notes 6, 7 and 8 to the financial statements.

DIRECTORS

The directors of the company during the year were:-

B.C. Morris	- Chairman (resigned 1.05.89)
T.M. Clark	- Chairman (appointed 1.05.89; resigned 4.09.89)
J.E. Yardley	- Chairman (appointed 4.09.89)
G.A. Faulkner	- Managing Director
S.G. Errington	- (resigned 23.06.89)
W.A. Gamble	- (resigned 4.09.89)
W.J. Hamer	- (resigned 20.02.89)
P.E. Howroyd	- (resigned 31.12.89)
R.M. Huet-Gundill	- (appointed 4.09.89)
H.K. Pemberton	- (resigned 21.12.89)

DIRECTORS' INTERESTS

No directors holding office at the end of the year who were not also directors of Mercantile Services Limited, of which the Company is a wholly-owned subsidiary, held a beneficial interest in relevant shares or debentures, as disclosed by the register kept under the provision of section 325 of the Companies Act 1985.

DIAL CONTRACTS LIMITED

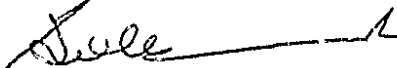
REPORT OF THE DIRECTORS (Continued)

AUDITORS

Our auditors, Deloitte Haskins and Sells, are in the process of merging their practice with Coopers & Lybrand. In the meantime they have adopted Coopers & Lybrand Deloitte as their business name and have signed their audit report in that name.

Special notice having been received pursuant to Sections 379 and 388 of the Companies Act 1985, a resolution proposing the appointment of Price Waterhouse as auditors of the company, in place of the retiring auditors Coopers & Lybrand Deloitte, will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



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

DIAL CONTRACTS LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Chartered Accountants
London

2nd February 1990

DIAL CONTRACTS LIMITED

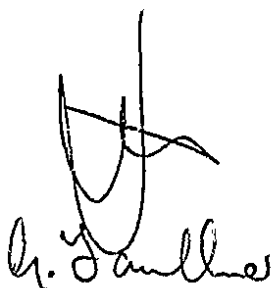
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
TURNOVER	2	49,808	48,265
COST OF SALES		(26,456)	(24,923)
GROSS PROFIT		23,352	23,342
DISTRIBUTION COSTS		(1,165)	(957)
ADMINISTRATIVE EXPENSES		(4,517)	(3,767)
OTHER OPERATING INCOME		1,656	640
INCOME FROM SHARES IN GROUP COMPANIES		460	-
RELEASE OF PROVISION FOR DIMINUTION IN VALUE OF SUBSIDIARY COMPANY	7	283	368
INTEREST RECEIVABLE FROM GROUP COMPANIES		2,773	1,554
INTEREST PAYABLE	3	(18,785)	(13,386)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,057	7,794
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5(a)	(1,162)	(2,603)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,895	5,191
DIVIDEND		-	(4,000)
RETAINED PROFIT TRANSFERRED TO RESERVES	13	2,895	1,191

DIAL CONTRACTS LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
FIXED ASSETS			
Tangible assets	6	420	565
Investment in group companies	7	1,006	723
Operating lease assets	8	97,218	95,225
		<u>98,644</u>	<u>96,513</u>
CURRENT ASSETS			
Debtors	9	110,934	83,663
Cash in hand		4	2
		<u>110,938</u>	<u>83,665</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(115,378)	(123,376)
NET CURRENT LIABILITIES		<u>(4,440)</u>	<u>(39,711)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		94,204	56,802
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(73,668)	(39,935)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	5(b)	(4,469)	(3,926)
ACCRUALS AND DEFERRED INCOME	12	(7,094)	(6,863)
NET ASSETS		<u>8,973</u>	<u>6,078</u>
CAPITAL AND RESERVES			
Called up Share Capital - 100,000 authorised, allotted and fully paid ordinary fl shares		100	100
Profit and Loss Account	13	8,873	5,978
		<u>8,973</u>	<u>6,078</u>



)
) Directors
)

Approved by the Board on
2 February 1990

DIAL CONTRACTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>1989</u> £'000	<u>1988</u> £'000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit before taxation	4,057	7,194
Adjustment for items not involving the movement of funds:		
Depreciation	24,488	22,457
Release of provision for losses in subsidiary company	(283)	(368)
	<u>28,262</u>	<u>29,883</u>
FUNDS FROM OTHER SOURCES		
Net amount arising from disposal of motor vehicles on contract hire	36,318	33,974
Net amount arising from disposal of fixed assets	-	41
	<u>64,580</u>	<u>63,898</u>
APPLICATION OF FUNDS		
Purchase of assets for contract hire	62,340	55,729
Purchase of fixed assets	314	149
Taxation paid	2,159	-
Dividend paid	4,000	-
	<u>68,813</u>	<u>55,878</u>
	<u>(4,233)</u>	<u>8,020</u>
MOVEMENT IN WORKING CAPITAL		
Increase in debtors	23,637	12,312
(Increase) in creditors and overdraft	(2,216)	(2,544)
(Increase) in net amounts due to group companies	(25,425)	(389)
(Increase) in accruals and deferred income	(231)	(1,359)
Increase in cash	2	-
	<u>(4,233)</u>	<u>8,020</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989

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 and hire purchase agreements, using the actuarial method to give a constant periodic rate of return on the net cash investment.

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 - 20% per annum on cost

Computer equipment - 20% per annum on cost

(d) Assets acquired under hire purchase contracts

Assets acquired under hire purchase contracts are capitalised at the total amount of rentals payable under the hire purchase agreement (excluding finance charges) and depreciated in accordance with note (c) above. Finance charges are written off over the period of the agreement in reducing amounts in relation to the capital outstanding.

(e) Manufacturers discounts receivable

Discounts receivable from manufacturers on the purchase of motor vehicles are deducted from the cost of acquisition of the vehicles.

(f) 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.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

1 ACCOUNTING POLICIES (Continued)

(g) 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 periods 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 31 December over the estimate of costs to be incurred by that date is written off.

(h) Pension Cost

With effect from 1989 the Group has implemented the requirements of Statement of Standard Accounting Practice 24 in respect of pension cost reporting.

The Group's main pension scheme covers 55% of the Group's employees and is a funded defined benefit scheme. Staff do not make contributions for basic pensions. The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the average remaining service lives of current employees.

2 TURNOVER

Turnover represents the total of the gross earnings for the year on finance leases in accordance with the policy in Note 1 (b) and rentals receivable from operating leases after deduction of the maintenance element of rentals in accordance with the policy in Note 1 (g). The total rentals receivable from operating leases amounted to £46,216,000 (1988 - £46,087,000). The sole market supplied was the United Kingdom.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u>	<u>1988</u>
	£'000	£'000
This is arrived at after charging:		
(i) Depreciation of operating lease assets	24,029	21,915
Depreciation of fixed assets	459	542
	<u>24,488</u>	<u>22,457</u>
	<u>24,488</u>	<u>22,457</u>
Depreciation of operating lease assets includes a depreciation charge of £341,000 (1988 - £543,000) relating to assets acquired under hire purchase contracts.		
(ii) Interest payable on bank overdraft	129	158
Interest payable on amount due to Mercantile Group Plc	18,632	13,190
Hire purchase finance charges	24	38
	<u>18,785</u>	<u>13,386</u>
(iii) Auditors' remuneration	<u>17</u>	<u>16</u>
(iv) Rentals paid under operating leases (rents of premises)	558	478
(v) Staff costs		
Wages and salaries	2,641	2,173
Social Security costs	227	176
Other pension costs	199	170
	<u>3,067</u>	<u>2,519</u>
	<u>3,067</u>	<u>2,519</u>
	<u>1989</u>	<u>1988</u>
	Number	Number
Average number of employees	192	170
	<u>192</u>	<u>170</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

4 DIRECTORS' EMOLUMENTS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Emoluments as executives	207	211
Compensation for loss of office	42	-
	<u> </u>	<u> </u>

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

Chairman - B. C. Morris	£3,683	£5,825
T. M. Clark	Nil	Nil
J. E. Yardley	Nil	Nil

Highest paid director	<u>£67,757</u>	<u>£56,338</u>
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	<u>1989</u>	<u>1988</u>
	Number	Number
Other directors within the range:-		
£ Nil - £ 5,000	3	2
£15,001 - £20,000	1	-
£40,001 - £45,000	-	3
£45,001 - £50,000	1	-
£50,001 - £55,000	1	-

Analysis of employee emoluments exceeding £30,000

	<u>1989</u>	<u>1988</u>
	Number	Number
(excluding pension fund contributions):		
£30,001 - £35,000	1	5
£35,001 - £40,000	2	1
£40,001 - £45,000	3	1
£50,001 - £55,000	1	-

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

5 TAXATION

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Taxation is based on U.K. Corporation Tax at 35%		
(a) The charge in the profit and loss account represents:		
Amount payable in respect of corporation tax	668	2,725
Adjustment in respect of prior years	(49)	(253)
	<u>619</u>	<u>2,472</u>
Transfer to deferred taxation	543	131
	<u>1,162</u>	<u>2,603</u>
	<u>1989</u>	<u>1988</u>
	£'000	£'000
(b) Deferred Taxation		
At 1 January 1989	3,926	3,795
Transfer from Profit and Loss Account	543	131
At 31 December 1989	<u>4,469</u>	<u>3,926</u>
Analysis of timing differences:		
Accelerated tax depreciation	5,874	5,293
Less other timing differences	(1,405)	(1,367)
	<u>4,469</u>	<u>3,926</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

6 TANGIBLE FIXED ASSETS

	Plant, equipment and office furniture
	£'000
COST	
At 1 January 1989	2,364
Additions during year	314
At 31 December 1989	<u>2,678</u>
DEPRECIATION	
At 1 January 1989	1,799
Charge for the year	459
At 31 December 1989	<u>2,258</u>
NET BOOK VALUES	
At 31 December 1989	<u>420</u>
At 31 December 1988	<u>565</u>

7 INVESTMENT IN GROUP ACTIVITIES

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Shares at cost	956	956
Loan to subsidiary	50	50
	<u>1,006</u>	<u>1,006</u>
Provision for diminution in value	-	(283)
	<u>1,006</u>	<u>723</u>

At 31st December 1989, the company held directly the entire share capitals of Ringwest Motors Limited, Network Vehicles Limited and Dialcard Limited, all of which companies are incorporated in Great Britain.

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 31 DECEMBER 1989 (Continued)

8 OPERATING LEASE ASSETS

	Motor vehicles
	£'000
COST	
At 1 January 1989	126,918
Additions	62,340
Disposals	(56,698)
	<hr/>
At 31 December 1989	132,560
DEPRECIATION	
At 1 January 1989	31,693
Charge for the year	24,029
Eliminated in respect of disposals	(20,380)
	<hr/>
At 31 December 1989	35,342
NET BOOK VALUES	
At 31 December 1989	<hr/> 97,218 <hr/>
	<hr/>
At 31 December 1988	<hr/> 95,225 <hr/>

The net book value of operating leasing assets includes an amount of £2,852,000 (1988 - £2,166,000) in respect of assets held under hire purchase contracts.

The cost of assets acquired during the year for letting under finance leases and hire purchase agreements amounted to £45,393,000 (1988 £24,705,000).

9 DEBTORS

	1989	1988
	£'000	£'000
Amount receivable within one year:		
Finance lease receivables	31,631	14,412
Hire purchase receivables	1,890	312
Trade debtors	7,775	6,942
Amounts owed by group companies	14,491	19,918
Prepayments and accrued income	7,652	7,639
	<hr/>	<hr/>
	63,439	49,223
Amounts receivable after one year:		
Finance lease receivables	32,922	30,624
Hire purchase receivables	2,823	1,127
Amounts owed by group companies	11,750	2,689
	<hr/>	<hr/>
	110,934	83,663
	<hr/>	<hr/>

The total rentals receivable under finance leases and hire purchase agreements during the year amounted to £23,254,000 (1988 £17,534,000).

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

10 CREDITORS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Amounts falling due within one year:		
Bank overdraft	855	2,205
Obligations under hire purchase contracts	1,444	456
Trade creditors	4,369	2,026
Amounts due to group companies	102,991	109,722
Corporation tax	2,676	2,159
Other creditors including taxation and social security	3,043	2,808
Dividend payable	-	4,000
	<u>115,378</u>	<u>123,376</u>

The amounts owing under the hire purchase contracts are secured on the assets financed by the contract.

11 CREDITORS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Amounts falling due after more than one year:		
Amounts due to group companies	73,000	37,210
Corporation tax	668	2,725
	<u>73,668</u>	<u>39,935</u>

The amounts due to group companies represents unsecured fixed rate loans at interest rates varying between 9.44% and 15% and repayable otherwise than by instalments;

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Over one and under two years	49,500	37,210
Over two and under five years	23,500	-
	<u>73,000</u>	<u>37,210</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

12 ACCRUALS AND DEFERRED INCOME

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Deferred maintenance income (Note 1(g))	2,855	3,631
Rentals received in advance	2,762	2,253
Other accruals	1,477	979
	<u>7,094</u>	<u>6,863</u>

13 PROFIT AND LOSS ACCOUNT

	<u>1989</u>	<u>1988</u>
	£'000	£'000
At 1 January	5,978	4,787
Retained profit for the year	2,895	1,191
At 31 December	<u>8,873</u>	<u>5,978</u>

14 CAPITAL COMMITMENTS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Expenditure on motor vehicles authorised but not contracted for	<u>2,011</u>	<u>6,452</u>

15 COMMITMENTS

	<u>Buildings</u>
	£'000
At 31st December 1989 the company had commitments under operating leases to make payments in 1990 as follows:-	
For leases expiring	
In 1990	-
Between 1991 and 1994	43
Thereafter	550
	<u>593</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

16 PENSIONS

The total pension cost for the Group was £7.5m (1988 £7.8m) of which £5.4m (1988 £5.5m) related to the Group's main UK pension scheme, £2.1m (1988 £2.3m) to other UK schemes. Formal actuarial valuations of the main scheme are carried out triennially, the latest being as at 31 March 1987. The principal actuarial assumptions adopted at that valuation were that, over the long term, the annual rate of return on new investments would be 1% higher than the annual increase in total pensionable remuneration, 4% higher than the annual increase in present and future pensions in payment and 4.5% higher than the annual increase in dividends receivable. The market value of the scheme at the date of the valuation was £56.1m and the actuarial value of the assets was sufficient to cover 87% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the disclosed valuation.

17 ULTIMATE HOLDING COMPANY

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