

DIAL CONTRACTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988



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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 1988.

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 £5,191,000 and after deduction of a proposed final dividend of £4,000,000 the retained profit of £1,191,000 has been transferred to reserves.

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
G.A. Faulkner - Managing
S.G. Errington
W.A. Gamble
W.J. Hamer
P.E. Howroyd
H.K. Pemberton - (appointed 1st January 1988)

DIRECTORS' INTERESTS

The directors holding office at the end of the year and (except where they were also directors of Mercantile Services Limited of which the Company is a wholly-owned subsidiary) their beneficial interests in relevant Shares or Debentures, 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 1988</u>		<u>At 1st January 1988</u>
	<u>Beneficial</u>		<u>Beneficial</u>
B.C. Morris	2,571		1,715
G.A. Faulkner	2,813		1,705
W.J. Hamer	913		273
P.E. Howroyd	7,924		4,906
H.K. Pemberton	607		28



DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (continued)

HOLDING COMPANY

As part of a reorganisation within the Mercantile Group Plc the immediate holding company of Dial Contracts Limited was changed from Mercantile Credit Company Limited to Mercantile Services Limited on 1st January 1988.

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



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

30 January 1989

REPORT OF THE AUDITORS
TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 13 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 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Deborah Haskins & Selby

Chartered Accountants

London

30 January 1989

DIAL CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>Notes</u>	<u>1988</u> £000	<u>1987</u> £000
TURNOVER	2	48,265	48,905
COST OF SALES		(24,923)	(27,289)
GROSS PROFIT		23,342	21,616
DISTRIBUTION COSTS		(957)	(733)
ADMINISTRATIVE EXPENSES		(3,767)	(3,206)
OTHER OPERATING INCOME		640	545
RELEASE OF PROVISION FOR LOSSES IN SUBSIDIARY COMPANY	7	368	349
INTEREST RECEIVABLE FROM GROUP COMPANIES		1,554	1,173
INTEREST PAYABLE	3	(13,386)	(13,224)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	7,794	6,520
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5(a)	(2,603)	(2,160)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,191	4,360
DIVIDEND		(4,000)	(3,500)
RETAINED PROFIT TRANSFERRED TO RESERVES	13	1,191	860

DIAL CONTRACTS LIMITEDBALANCE SHEET AT 31ST DECEMBER 1988

	<u>Notes</u>	<u>1988</u> £000	<u>1987</u> £000
FIXED ASSETS			
Tangible assets	6	565	999
Investment in group companies	7	723	355
Operating lease assets	8	95,225	95,385
		<u>96,513</u>	<u>96,739</u>
CURRENT ASSETS			
Debtors	9	83,663	63,696
Cash in hand		2	2
		<u>83,665</u>	<u>63,698</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(123,376)	(114,325)
NET CURRENT LIABILITIES		<u>(39,711)</u>	<u>(50,627)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		56,802	46,112
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(39,935)	(31,926)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	5(b)	(3,926)	(3,795)
ACCRUALS AND DEFERRED INCOME	12	(6,863)	(5,504)
NET ASSETS		<u>6,078</u>	<u>4,887</u>
CAPITAL AND RESERVES			
Called up Share Capital - 100,000 authorised, allotted and fully paid ordinary £1 shares		100	100
Profit and Loss Account	13	5,978	4,787
		<u>6,078</u>	<u>4,887</u>

A. C. Mann
M. J. F. H. H. H.

} Directors

Approved by the Board on 30 January 1989

DIAL CONTRACTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit before taxation	7,794	6,520
Adjustment for items not involving the movement of funds:		
Depreciation	22,457	24,561
Release of provision for losses in subsidiary company	(368)	(349)
	<u>29,883</u>	<u>30,732</u>
FUNDS FROM OTHER SOURCES		
Net amount arising from disposal of motor vehicles on contract hire	33,974	24,701
Net amount arising from disposal of fixed assets	41	-
	<u>63,898</u>	<u>55,433</u>
APPLICATION OF FUNDS		
Purchase of assets for contract hire	55,729	42,952
Purchase of fixed assets	149	521
Dividend paid	-	3,500
Payment in respect of group relief	-	1,463
	<u>55,878</u>	<u>48,436</u>
	<u>8,020</u>	<u>6,997</u>
MOVEMENT IN WORKING CAPITAL		
Increase in debtors	12,312	6,893
(Increase) in creditors and overdraft	(2,544)	(111)
(Increase) in net amounts due to group companies	(389)	(560)
(Increase)/Decrease in accruals and deferred income	(1,359)	777
(Decrease) in cash	-	(2)
	<u>8,020</u>	<u>6,997</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

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 which apportions income in relation to the funds invested.

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 31ST DECEMBER 1988 (continued)

1. ACCOUNTING POLICIES (continued)

(g) Deferred maintenance oncome

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 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 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 £46,087,000 (1987 - £47,234,000). The sole market supplied was the United Kingdom.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
This is arrived at after charging:		
(i) Depreciation of operating lease assets	21,915	24,197
Depreciation of fixed assets	542	364
(ii) Interest payable on bank overdraft	158	147
Interest payable on amount due to Mercantile Credit Company Limited	13,190	13,050
Hire purchase finance charges	38	27
(iii) Auditors' remuneration	16	11
(iv) Rentals paid under operating leases (rents of premises)	478	550
(v) Staff costs		
Wages and salaries	2,173	1,722
Social Security costs	176	137
Other pension costs	170	154
	<u>2,519</u>	<u>2,013</u>

Depreciation of operating lease assets includes a depreciation charge of £543,000 (1987 - £312,000) relating to assets acquired under hire purchase contracts, and exceptional depreciation of £100,000 (1987 - £1,860,000) to reflect the reduction in estimated residual values of operating lease assets.

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Average number of employees	<u>170</u>	<u>161</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (continued)

4. DIRECTORS' EMOLUMENTS

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Emoluments as executives	211	119
Analysis of directors' emoluments (excluding pension fund contributions):		
Chairman - B. C. Morris	£5,825	£6,000
Highest paid director	£56,338	£42,986
	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Other directors within the range:-		
£ Nil ~ £ 5,000	2	2
£20,001 ~ £25,000	-	1
£30,001 ~ £35,000	-	1
£40,001 ~ £45,000	3	-
Analysis of employee emoluments exceeding £30,000 (excluding pension fund contributions):	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
£30,001 ~ £35,000	5	1
£35,001 ~ £40,000	1	-

5. TAXATION

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
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	2,725	2,412
Adjustment in respect of prior years	(253)	4
	<u>2,472</u>	<u>2,416</u>
Transfer to/(from) deferred taxation	131	(256)
	<u>2,603</u>	<u>2,160</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (continued)

5. TAXATION (continued)

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
(b) Deferred Taxation		
At 1st January 1988	3,795	4,051
Transfer from/(to) Profit and Loss Account	. 131	(256)
At 31st December 1988	<u>3,926</u>	<u>3,795</u>
Analysis of timing differences:		
Accelerated tax depreciation	5,293	4,916
Other timing differences	<u>1,367</u>	<u>(1,121)</u>
	<u>3,926</u>	<u>3,795</u>

6. TANGIBLE FIXED ASSETS

	<u>Plant, equipment and office furniture</u>
	<u>£000</u>
COST	0
At 1st January 1988	2,259
Additions during year	149
Disposals	(44)
At 31st December 1988	<u>2,364</u>
DEPRECIATION	
At 1st January 1988	1,260
Charge for the year	542
Disposals	(3)
At 31st December 1988	<u>1,799</u>
NET BOOK VALUES	
At 31st December 1988	<u>565</u>
At 31st December 1987	<u>999</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (continued)

7. INVESTMENT IN GROUP COMPANIES

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Shares at cost	956	956
Loan to subsidiary	50	50
	<hr/>	<hr/>
	1,006	1,006
Provision for diminution in value	(283)	(651)
	<hr/>	<hr/>
	723	355
	<hr/>	<hr/>

At 31st December 1988, 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.

8. OPERATING LEASE ASSETS

	<u>Motor vehicles</u> <u>£000</u>
COST	
At 1st January 1988	132,791
Additions	55,729
Disposals	(61,602)
	<hr/>
At 31st December 1988	126,918
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DEPRECIATION	
At 1st January 1988	37,406
Charge for the year	21,915
Eliminated in respect of disposals	(27,628)
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At 31st December 1988	31,693
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NET BOOK VALUES	
At 31st December 1988	95,225
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At 31st December 1987	95,385
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The net book value of operating leasing assets includes an amount of £2,166,000 (1987 - £1,612,000) in respect of assets held under hire purchase contracts.

DIAL CONTRACTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (continued)

9. DEBTORS	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Amount receivable within one year		
Finance lease receivables	14,412	12,767
Hire purchase receivables	312	259
Trade debtors	6,942	2,083
Amounts owed by group companies	19,918	11,175
Prepayments and accrued income	7,639	6,027
	<u>49,223</u>	<u>32,311</u>
Amounts receivable after one year		
Finance lease receivables	30,624	27,131
Hire purchase receivables	1,127	477
Amounts owed by group companies	2,689	3,777
	<u>83,663</u>	<u>63,696</u>

The total rentals receivable under finance leases and hire purchase agreements during the year amounted to £17,534,000 (1987 £16,264,000).

The cost of assets acquired during the year for letting under finance leases and hire purchase agreements amounted to £24,705,000 (1987 £23,528,000).

10. CREDITORS	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Amounts falling due within one year:		
Bank overdraft	2,205	1,261
Obligations under hire purchase contracts	456	406
Trade creditors	2,026	647
Amounts due to group companies	109,722	14 496
Corporation tax	2,159	-
Other creditors including taxation and social security	2,808	2,515
Dividend payable	4,000	-
	<u>123,376</u>	<u>114,325</u>

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

11. CREDITORS	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Amounts falling due after more than one year:		
Obligations under hire purchase contracts	-	122
Amounts due to group companies	37,210	29,392
Corporation tax	2,725	2,412
	<u>39,935</u>	<u>31,926</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (continued)

12. ACCRUALS AND DEFERRED INCOME

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Deferred maintenance income (Note 1(g))	3,631	2,942
Rentals received in advance	2,253	2,085
Other accruals	979	477
	<u>6,863</u>	<u>5,504</u>

13. PROFIT AND LOSS ACCOUNT

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
At 1st January 1988	4,787	3,927
Retained profit for the year	1,191	860
At 31st December 1988	<u>5,978</u>	<u>4,787</u>

14. CAPITAL COMMITMENTS

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Commitments under hire purchase contracts entered into but not yet provided for in the financial statements	-	26
Expenditure on motor vehicles authorised but not contracted for	<u>6,452</u>	<u>5,436</u>

15. COMMITMENTS

	<u>Buildings</u> <u>£000</u>
At 31st December 1988 the company had commitments under operating leases to make payments in 1989 as follows:-	
For leases expiring	
In 1989	4
Between 1989 and 1993	43
Thereafter	367
	<u>414</u>

16. ULTIMATE HOLDING COMPANY

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

DCL1A/05