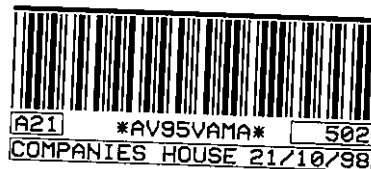


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DIAL CONTRACTS LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**



DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (Company Registration Number: 707749)

The Directors present their report and the audited financial statements for the year ended 31 December 1997.

ACTIVITIES

The principal activity of the company is the provision of vehicle management services including vehicle acquisition, contract hire, leasing and fleet management.

RESULTS FOR THE YEAR

The company's profit for the year from ordinary activities after taxation amounted to £10,484,000 (1996: £14,591,000). After deducting £9,000,000 for dividends proposed, a profit of £1,484,000 has been transferred to reserves. The Directors recommend the payment of a final dividend of £9,000,000 (1996: £11,000,000).

FIXED ASSETS

Changes in fixed assets are set out in notes 7, 8 and 9 to the financial statements.

DIRECTORS

The Directors of the company during the year were:

BF Fowler	
RM Bromage	
SW Clarke	
IMR Goswell	
JN Lewis	resigned 30 November 1997.
MK Betts	
HD Medcraft	
ME Pummell	
MS Brooker	appointed 19 March 1997.

EMPLOYMENT POLICY

The company maintains policies aimed at informing employees of, and involving them in, matters relating to the company's activities and performance, as appropriate to their employment.

The company continues to take steps to provide employment opportunities for disabled people. Should existing employees become disabled, every help is given to ensure their continued employment wherever possible.

Participation in the Barclays PLC profit sharing and profit related pay schemes is open to all eligible employees.

POLICY ON PAYMENT OF CREDITORS

It is the company's policy to negotiate payment terms with its suppliers and to pay in accordance with those terms. The prescribed calculation results in creditor days of 6.

DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS

The Directors holding office at the end of the year and their beneficial interests in relevant shares or debentures as disclosed by the register kept under the provision of Section 325 of the Companies Act 1985 are listed below, except where they were also Directors of the company's immediate holding company:

Ordinary Shares Of £1 Each in Barclays PLC

	Beneficial at 31 December 1997	Options at 31 December 1997	Options Granted	Options Exercised	Options at 1 January 1997*	Beneficial at 1 January 1997*
SW Clarke	10,069	2,530	-	-	2,530	9,383
IMR Goswell	1,638	-	-	-	-	1,102
MK Betts	1,608	1,223	-	-	1,223	1,320
MS Brooker	283	-	-	-	-	283

* or at date of appointment

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditor's report on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 15, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all the accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

The Directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to use the going concern basis in preparing the financial statements.

DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Price Waterhouse as Auditors of the company will be put to the Annual General Meeting.

By Order of the Board



JC Pentland
Secretary

16 March 1998

Dial House
Burston Road
London
SW15 6SD

AUDITORS' REPORT TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of Directors and Auditors

As described on page 2 the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 company'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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

16 March 1998

DIAL CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
Turnover	2	150,484	162,559
Cost of sales		<u>(93,669)</u>	<u>(98,876)</u>
Gross profit		56,815	63,683
Net operating expenses	3	<u>(21,588)</u>	<u>(17,906)</u>
Profit on ordinary activities before interest		35,227	45,777
Interest payable	4	<u>(23,105)</u>	<u>(24,891)</u>
Profit on ordinary activities before taxation	4	12,122	20,886
Tax on profit on ordinary activities	6	<u>(1,638)</u>	<u>(6,295)</u>
Profit on ordinary activities after taxation		10,484	14,591
Dividends paid and proposed	13	<u>(9,000)</u>	<u>(18,500)</u>
Retained profit/(loss) for the financial year transferred to reserves	14	<u>1,484</u>	<u>(3,909)</u>

The results for the year relate exclusively to continuing operations.

There are no recognised gains or losses in the year other than the amounts included in the profit and loss account above.

The notes on pages 7 to 15 form an integral part of these financial statements.

DIAL CONTRACTS LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	7	1,518	1,509
Investments in group undertakings	8	6	6
Operating lease assets	9	<u>255,517</u>	<u>253,558</u>
		<u>257,041</u>	<u>255,073</u>
CURRENT ASSETS			
Debtors: Amounts falling due within one year	10	95,992	104,059
Debtors: Amounts falling due after more than one year	10	78,168	70,428
		<u>174,160</u>	<u>174,487</u>
CREDITORS: Amounts falling due within one year	11	<u>(348,935)</u>	<u>(348,535)</u>
NET CURRENT LIABILITIES		<u>(174,775)</u>	<u>(174,048)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		82,266	81,025
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	6	(11,805)	(9,122)
ACCRUALS AND DEFERRED INCOME	12	<u>(37,567)</u>	<u>(40,493)</u>
NET ASSETS		<u>32,894</u>	<u>31,410</u>
CAPITAL AND RESERVES			
Called up equity share capital			
222,222 authorised, allotted and fully paid ordinary shares of £1 each	14	222	222
Share premium account	14	4,403	4,403
Profit and loss account	14	<u>28,269</u>	<u>26,785</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>32,894</u>	<u>31,410</u>

The notes on pages 7 to 15 form an integral part of these financial statements.

Approved by the Board on
16 March 1998

BF Fowler

BF Fowler
CHAIRMAN

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Income recognition

The profit and loss account is credited with income from:

- a Operating leases and hire purchase agreements, apportioning income after attributable funding costs evenly over the period of the agreements.
- b Finance leases, in proportion to the net cash investment.
- c Other operating income, on an accruals basis.

(3) Depreciation

Depreciation is provided as follows:

- a Operating lease assets - over expected useful lives to estimated residual values on a basis to produce income recognition as described in (2) a above.
- b Plant, equipment and office furniture - 20% per annum on cost.
- c Company motor vehicles - 30% per annum on a reducing balance basis.

(4) Manufacturers' discounts receivable

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

(5) 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 or asset is expected to arise in the foreseeable future.

(6) 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 maintenance rental charged over expenditure incurred on individual vehicles, 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 on vehicles over related rental income is charged against profits as they are incurred.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

(7) Pension costs

In arriving at the profit before taxation the costs of providing pensions are assessed and charged in accordance with the advice of independent professionally qualified actuaries so as to spread the total cost evenly over the average remaining service lives of relevant employees.

(8) Cashflow statement

The company's ultimate holding company has included a cash flow statement in its financial statements for the year ended 31 December 1997. As the company is a wholly owned subsidiary it has not prepared a cash flow statement in accordance with the exemption permitted by Financial Reporting Standard 1.

(9) Accounting for subsidiary undertakings

The company's ultimate holding company has prepared consolidated financial statements for the year ended 31 December 1997. As the company is a wholly owned subsidiary it has not prepared consolidated financial statements in accordance with the exemption permitted by the Companies Act 1985 and Financial Reporting Standard 2.

(10) Financial Instruments

Amortising swaps are taken out with other Group companies solely to hedge against exposure to interest rate risk. Cashflows arising under the hedge contracts are accounted for on an accrual basis so as to match their effect with amounts payable on the underlying borrowings.

2 TURNOVER

Turnover represents the total of the gross earnings for the year on finance leases recognised in accordance with the policy in Note 1(2) and rentals receivable from operating leases after deduction of the maintenance element of rentals in accordance with the policy in Note 1(6). The total rentals receivable from operating leases amounted to £114,962,000 (1996: £116,478,000). The sole market supplied was the United Kingdom.

3 NET OPERATING EXPENSES

	<u>1997</u> £'000	<u>1996</u> £'000
Distribution costs	2,826	3,026
Administrative expenses	18,485	15,755
Waiver of amount due from a fellow subsidiary undertaking	1,522	-
Other operating income	(1,245)	(875)
	<u>21,588</u>	<u>17,906</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u> £'000	<u>1996</u> £'000
This is arrived at after charging:		
(1) Interest		
Interest payable on amounts due to group undertakings	<u>23,105</u>	<u>24,891</u>
(2) Other charges		
Depreciation;		
Operating lease assets	68,864	67,546
Tangible fixed assets	<u>670</u>	<u>657</u>
	<u>69,534</u>	<u>68,203</u>
Auditors' remuneration:		
Audit fees including expenses	48	46
Non audit fees	<u>4</u>	<u>37</u>
	<u>52</u>	<u>83</u>
Staff costs:		
Wages and salaries	9,297	7,743
Social security costs	900	727
Other pension costs	<u>715</u>	<u>660</u>
	<u>10,912</u>	<u>9,121</u>

Number Number

Average number of employees 353 340

5 DIRECTORS' EMOLUMENTS

	<u>1997</u> £'000	<u>1996</u> £'000
Emoluments and benefits in kind	879	555
Pension contributions	93	271
Compensation for loss of office	<u>100</u>	<u>170</u>
Chairman and highest paid Director (1996 emoluments include £26,000 relating to incoming Chairman appointed on 14 October 1996)		
Emoluments and benefits in kind	134	152
Pension contribution	<u>2</u>	<u>218</u>
Number of Directors remaining at the year end to whom retirement benefits are accruing ; Defined Benefit Schemes	<u>8</u>	<u>8</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

6 TAXATION

- (1) Taxation is based on UK Corporation Tax at a rate of 31.5% (1996 - 33%)

	<u>1997</u> £'000	<u>1996</u> £'000
Corporation tax	1,134	7,199
Deferred taxation	2,683	(705)
Adjustments in respect of prior years	<u>(2,179)</u>	<u>(199)</u>
	<u>1,638</u>	<u>6,295</u>

- (2) The deferred tax movement above includes a credit of £553,000 in respect of a corporation tax rate change from 33% to 31% effected by the 1997 Finance Act.

- (3) Deferred taxation is provided in full as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
At 1 January	9,122	9,827
Transfer from/(to) profit and loss account	<u>2,683</u>	<u>(705)</u>
At 31 December	<u>11,805</u>	<u>9,122</u>
Analysis of timing differences:		
Accelerated capital allowances	16,207	13,533
Other timing differences	<u>(4,402)</u>	<u>(4,411)</u>
	<u>11,805</u>	<u>9,122</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

7 TANGIBLE FIXED ASSETS

	Plant, equipment & office furniture £'000	Company motor vehicles £'000	Total £'000
<u>Cost</u>			
At 1 January 1997	6,684	127	6,811
Additions during year	721	-	721
Disposals during year	<u>(4)</u>	<u>(78)</u>	<u>(82)</u>
At 31 December 1997	<u>7,401</u>	<u>49</u>	<u>7,450</u>
<u>Depreciation</u>			
At 1 January 1997	5,260	42	5,302
Charge for year	657	13	670
Eliminated in respect of disposals	<u>(3)</u>	<u>(37)</u>	<u>(40)</u>
At 31 December 1997	<u>5,914</u>	<u>18</u>	<u>5,932</u>
<u>Net Book Value</u>			
At 31 December 1997	<u>1,487</u>	<u>31</u>	<u>1,518</u>
At 31 December 1996	<u>1,424</u>	<u>85</u>	<u>1,509</u>

8 INVESTMENTS IN GROUP UNDERTAKINGS

	1997 £'000	1996 £'000
Shares at cost	<u>6</u>	<u>6</u>

At 31 December the company held directly the entire share capital of Network Vehicles Limited and Barclays Vehicle Management Services Limited, both of which are registered in England.

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 interests 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 1997 (Continued)

9 OPERATING LEASE ASSETS

	<u>Motor Vehicles</u> £'000
<u>Cost</u>	
At 1 January 1997	377,417
Additions	134,294
Disposals	<u>(132,099)</u>
At 31 December 1997	<u>379,612</u>
<u>Depreciation</u>	
At 1 January 1997	123,859
Charge for year	68,864
Eliminated in respect of disposals	<u>(68,628)</u>
At 31 December 1997	<u>124,095</u>
<u>Net Book Value</u>	
At 31 December 1997	<u>255,517</u>
At 31 December 1996	<u>253,558</u>

10 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts falling due within one year:		
Finance lease receivables	19,018	18,609
Hire purchase receivables	29,388	36,349
Trade debtors	10,077	10,764
Amounts owed by parent and fellow subsidiary undertakings	29,885	31,041
Other debtors	908	-
Prepayments and accrued income	<u>6,716</u>	<u>7,296</u>
	<u>95,992</u>	<u>104,059</u>
Amounts receivable after one year:		
Finance lease receivables	37,417	29,107
Hire purchase receivables	<u>40,751</u>	<u>41,321</u>
	<u>78,168</u>	<u>70,428</u>

The cost of assets purchased for leasing under finance and hire purchase agreements amounted to £45,479,000 (1996 - £32,640,000) and £34,342,000 (1996 - £27,428,000) respectively.

Total gross rentals receivable under finance leases and hire purchase agreements during the year amounted to £54,593,000 (1996 - £57,843,000).

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

11 CREDITORS : Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts falling due within one year:		
Trade creditors	5,042	7,427
Amounts owed to parent and fellow subsidiary undertakings	334,374	320,943
Other creditors including taxation and social security	519	9,165
Dividends proposed	<u>9,000</u>	<u>11,000</u>
	<u>348,935</u>	<u>348,535</u>

12 ACCRUALS AND DEFERRED INCOME

	<u>1997</u> £'000	<u>1996</u> £'000
Deferred maintenance income	12,238	11,487
Rentals receivable in advance	16,822	18,951
Other accruals	<u>8,507</u>	<u>10,055</u>
	<u>37,567</u>	<u>40,493</u>

13 DIVIDENDS

	<u>1997</u> £'000	<u>1996</u> £'000
Ordinary interim dividend paid	-	7,500
Ordinary final dividend proposed	<u>9,000</u>	<u>11,000</u>
	<u>9,000</u>	<u>18,500</u>

14 SHARE CAPITAL AND RESERVES

	<u>Share Capital</u> £'000	<u>Share Premium</u> £'000	<u>Profit and Loss</u> <u>Account</u> £'000
At 1 January 1997	222	4,403	26,785
Retained profit for the year	<u>-</u>	<u>-</u>	<u>1,484</u>
At 31 December 1997	<u>222</u>	<u>4,403</u>	<u>28,269</u>

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the financial year	10,484	14,591
Dividend	<u>(9,000)</u>	<u>(18,500)</u>
	1,484	(3,909)
Opening shareholders' funds	<u>31,410</u>	<u>35,319</u>
Closing shareholders' funds	<u>32,894</u>	<u>31,410</u>
All shareholders' funds are attributable to equity interests		

16 CAPITAL COMMITMENTS

	<u>1997</u> £'000	<u>1996</u> £'000
Motor vehicles for future hire under hire purchase agreements and operating and finance leases ordered but not delivered	<u>6,394</u>	<u>10,303</u>

17 OTHER FINANCIAL COMMITMENTS

	<u>1997</u> £'000	<u>1996</u> £'000
Annual rentals in respect of Leasehold Property Expiry in over five years	<u>659</u>	<u>685</u>

18 PENSIONS

The company operates a non-contributory pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recently completed valuation was at 1 June 1996.

The principal actuarial assumptions adopted at the last valuation were that, over the long term, the average rate of interest credited to the scheme would be 1.5% higher than the annual increase in total pensionable remuneration. The actuarial value of the scheme at the date of valuation was £5.7 million and the actuarial valuation reflected a surplus being sufficient to cover 107% of the benefits that had accrued to members, after allowing for expected future increase in earnings. The employer's contribution rate has been increased in accordance with the actuarial recommendations with effect from 1 June 1996, this increase being intended to cover anticipated increases in costs due to legislation requirements.

DIAL CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

18 PENSIONS (Continued)

The company is also a participating employer under the Barclays Mercantile Pension and Life Assurance scheme and all eligible employees of the company have been offered membership of that scheme which is a contributory money purchase scheme.

The total pension charge for the period was £715,000 (1996 - £660,000).

19 ULTIMATE PARENT COMPANY

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Secretary, 54 Lombard Street, London EC3P 3AH.

20 RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8 "Related Party Disclosures", the company has not disclosed details of transactions with entities that are part of the Barclays Group or investees of the Group qualifying as related parties since 100% of its voting rights are controlled within the Group and the company is included as a subsidiary undertaking in the consolidated financial statements of its ultimate parent undertaking, Barclays PLC.