

DIAL CONTRACTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the fifteen months ended 31st December 1979.

ACTIVITIES

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

PROFIT AND APPROPRIATIONS

The company's profit for the period after taxation was £654,000. The directors recommend a dividend of £400,000.

DIRECTORS

The directors of the company during the period were:-

P. Rodney Pollard - Chairman
H.A. Henderson - Managing
E.W. Dawson - (Appointed 3rd September 1979)
S.G. Errington
P.E. Howroyd
M. Roselman - (Appointed 30th October 1978)
P.J. Moore - (Resigned 26th September 1979)

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 October 1978 and 31st December 1979 were:-

	<u>Barclays Bank Limited</u>	
	<u>At 31st December 1979</u>	<u>At 1st October 1978</u>
	<u>stock units of £1</u> <u>Ordinary 8½% Loan</u>	<u>stock units of £1</u> <u>Ordinary 8½% Loan</u>
H.A. Henderson	-	-
E.W. Dawson	466	466*
P.E. Howroyd	-	-
M. Roselman	-	-
*At date of appointment		

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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF DIAL CONTRACTS LIMITED

We have examined the accounts set out on pages 3 to 10 which have been prepared on the basis of the accounting policies set out on page 6.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st December 1979 and of its profit and source and application of funds for the fifteen months ended on that date and comply with the Companies Acts 1943 and 1967.

W. Little & Partners
Chartered Accountants

London

5th Nov 1980

DIAL CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE FIFTEEN MONTHS TO 31st DECEMBER 1979

	<u>Notes</u>	<u>1979</u> <u>£</u>	<u>Year to</u> <u>30th September</u> <u>1978</u> <u>£</u>
TURNOVER	6	£23,304,476	£18,593,461
PROFIT BEFORE TAXATION	7 & 8	1,362,966	1,496,076
TAXATION	9	708,966	774,029
		654,000	722,047
PROPOSED DIVIDEND		400,000	600,000
RETAINED PROFIT FOR PERIOD		254,000	122,047
RETAINED PROFITS AT 1ST OCTOBER 1978			
AS PREVIOUSLY REPORTED		197,613	75,566
PRIOR YEAR ADJUSTMENT		(348,703)	(348,702)
AS RESTATED		(151,090)	(273,137)
RETAINED PROFITS AT 31ST DECEMBER 1979		£102,910	£(151,090)

DIAL CONTRACTS LIMITED

BALANCE SHEET 31st DECEMBER 1979

	<u>Notes</u>	<u>1979</u> £	<u>30th September</u> <u>1978</u> £
FUNDS EMPLOYED			
SHARE CAPITAL			
Authorised, issued and fully paid 100 shares of £1 each		100	100
RETAINED PROFITS		102,910	151,090
		103,010	(150,990)
DEFERRED TAXATION	1 & 10	13,752,028	9,578,554
LOANS AND OVERDRAFTS			
Loan from holding company		18,621,816	7,139,384
Secured loan		20,100	21,527
Unsecured loans		6,000,000	10,000,000
Bank overdraft		583,323	1,037,104
		25,225,239	18,198,015
		<u>£39,080,277</u>	<u>£27,625,579</u>
USE OF FUNDS			
FIXED ASSETS	1 & 3	85,853	94,746
MOTOR VEHICLES ON CONTRACT HIRE AND LEASE	1 & 4	32,342,628	22,097,188
INTEREST IN SUBSIDIARY	5	5,984	5,984
AMOUNTS DUE FROM GROUP COMPANIES		7,491,325	6,005,201
STOCKS	1	8,407	5,193
DEBTORS AND PREPAYMENTS		1,446,997	1,546,635
CASH		552	549
		<u>41,381,746</u>	<u>29,755,496</u>
CURRENT LIABILITIES			
Creditors		740,766	485,989
Deferred maintenance income	1	692,322	340,529
Rentals received in advance		388,400	361,947
Amount owing to subsidiary		79,981	104,332
Dividends		400,000	837,120
		2,301,469	2,129,917
		<u>£39,080,277</u>	<u>£27,625,579</u>

M. J. [Signature]
M. J. [Signature]
 Directors

DIAL CONTRACTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979

SOURCE OF FUNDS

FUNDS GENERATED FROM OPERATIONS

Profit before taxation
Adjustment for item not involving
the movement of funds:
Depreciation

1979	Year to 30th September 1978
£	£
1,362,956	1,496,076
8,195,766	3,196,234
<u>9,558,732</u>	<u>4,692,310</u>

FUNDS FROM OTHER SOURCES

Proceeds from disposal of motor vehicles
on contract hire
Proceeds from disposal of fixed assets
Increase in loan from holding company
Receipt in respect of group relief

4,299,376	3,118,118
21,354	-
11,482,432	175,272
1,970,384	873,663
<u>17,781,546</u>	<u>4,167,053</u>
<u>27,340,278</u>	<u>9,159,363</u>

APPLICATION OF FUNDS

Purchase of motor vehicles for contract hire
Purchase of fixed assets
Dividend paid
Decrease in secured loan
Decrease (1978 Increase) in unsecured loans

22,714,303	18,707,116
38,240	38,386
837,110	791,025
1,427	125
4,000,000	(10,000,000)
<u>27,591,590</u>	<u>9,536,652</u>
<u>£(251,312)</u>	<u>£(377,289)</u>

DECREASE IN WORKING CAPITAL

Increase in stocks
Decrease (1978 Increase) in debtors
Increase in creditors
Increase in deferred maintenance income
Increase (1978 Decrease) in rentals received
in advance
Decrease in amounts due to group companies
Decrease (1978 Increase) in bank overdraft

3,214	1,811
(99,638)	825,073
(251,777)	(225,420)
(351,793)	(231,742)
(26,453)	154,584
21,354	540
453,784	(905,165)
<u>£(251,312)</u>	<u>£(377,289)</u>

DIAL CONTRACTS LIMITED

NOTES TO THE ACCOUNTS FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979

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. In previous years the deferral method was used and the effect of this change of accounting policy is dealt with as a prior year adjustment to retained profits at 30th September 1977 and 1978.

(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 cost incurred on a vehicle at 31st December over the estimate of costs to be incurred by that date is written off.

DIAL CONTRACTS LIMITED

NOTED TO THE ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979 (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 October 1978	27,529	120,903	148,432
Additions during period	-	38,240	38,240
Disposals during period	-	(26,415)	(26,415)
At 31st December 1979	27,529	132,728	160,257
DEPRECIATION			
At 1st October 1978	9,866	43,820	53,686
Charge for the period	1,193	24,586	25,779
Eliminated in respect of disposals	-	(5,051)	(5,051)
At 31st December 1979	11,059	63,345	74,404
NET BOOK VALUES			
At 31st December 1979	£16,470	£69,383	£85,853
At 30th September 1978	£17,663	£77,083	£94,746

Capital expenditure in respect of which contracts had been placed at 31st December 1979 amounted to £Nil (1978 £Nil).

4. MOTOR VEHICLES ON CONTRAC. HIRE AND LEASE

	On hire £	On lease £	Total £
COST			
At 1st October 1978	19,295,358	7,641,355	26,936,713
Additions during period	12,487,983	10,226,820	22,714,803
Disposals during period	(6,029,015)	(754,459)	(6,783,474)
At 31st December 1979	25,754,326	17,113,716	42,868,042
DEPRECIATION			
At 1st October 1978	4,254,847	594,678	4,849,525
Charge for the period	4,534,240	1,293,747	5,827,987
Eliminated in respect of disposals	(2,316,453)	(167,645)	(2,484,098)
At 31st December 1979	6,472,113	1,720,780	8,192,893
NET BOOK VALUES			
At 31st December 1979	£19,282,213	£15,392,936	£34,675,149
At 30th September 1978	£15,040,511	£7,856,677	£22,897,188
Future rentals under current agreements in respect of vehicles on lease		£15,372,384	
At 31st December 1979 commitments for the purchase of additions to the contract hire and lease fleets amounted to £2,548,000 (1978-£1,110,762).			

DIAL CONTRACTS LIMITED

NOTES TO THE ACCOUNTS FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979 (continued)

5. INTEREST IN SUBSIDIARY

Shares at cost

	<u>1979</u>	<u>30th September</u> <u>1978</u>
	£	£
	15,984	15,984

At 31st December 1979, the company held 5,000 shares of £1 each in Ringwest Motors Limited, being the whole of the issued share capital of that company. 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 subsidiary, Ringwest Motors Limited, 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 become payable on the termination of a lease.

7. PROFIT BEFORE TAXATION

This is arrived at after charging:

	<u>Fifteen months to</u> <u>31st December</u> <u>1979</u>	<u>Year to</u> <u>30th September</u> <u>1978</u>
	£	£
Interest payable:		
Holding company	1,531,082	760,401
Bank overdraft	155,079	35,890
Secured loan	188	150
Other loans	1,305,550	116,702
Depreciation of fixed assets	25,770	13,251
Depreciation of contract hire and lease fleets	3,169,987	3,182,963
Auditors' remuneration	12,793	5,421

and after crediting:

Dividend from subsidiary

3,772	10,510
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8. DIRECTORS' EMOLUMENTS

Emoluments as executives

	£	£
	171,413	143,159

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

Chairman

Highest paid director

	£	£
	Nil	Nil
	136,255	122,016

DIAL CONTRACTS LIMITED

NOTES TO THE ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979 (continued)

8. DIRECTORS' EMOLUMENTS (continued)

	Fifteen months to 31st December 1979 Number	Year to 30th September 1978 Number
Analysis of directors' emoluments (excluding pension fund contributions) continued		

Other directors with the range:

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

3	1
Nil	1
1	1
1	Nil

9. TAXATION

(i) Current year

	£	£
Transfer to deferred taxation	4,117,460	6,203,617
Less: Amount receivable in respect of tax appropriate to group relief on the company's loss for the year for taxation purposes	(3,408,494)	(5,429,588)
	<u>708,966</u>	<u>774,029</u>

(ii) Prior years

Transfer to (1978 from) deferred taxation	56,014	(56,564)
Less: Increase (1978 reduction) 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.	(56,014)	56,564
	<u>-</u>	<u>-</u>
	<u>708,966</u>	<u>774,029</u>

DIAL CONTRACTS LIMITED

NOTES TO THE ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED 31st DECEMBER 1979 (continued)

10. DEFERRED TAXATION

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

	<u>1979</u> <u>£</u>	<u>30th September</u> <u>1978</u> <u>£</u>
Excess capital allowances, on fixed assets and motor vehicles on contract hire and lease, over depreciation	15,149,361	11,530,620
General bad debt and maintenance provisions	(391,208)	(195,275)
	<u>14,758,153</u>	<u>11,335,345</u>
Less: Previous years' unrelieved losses equalised	(1,006,125)	(1,756,791)
	<u>£13,752,028</u>	<u>£9,578,554</u>

11. ULTIMATE HOLDING COMPANY

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