# DIAL CONTRACTS LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2009

Company Registration Number 707749

**DIAL CONTRACTS LIMITED**
**YEAR ENDED 31 DECEMBER 2009**
**CONTENTS**

# DIAL CONTRACTS LIMITED
# REPORT OF THE DIRECTORS
# FOR THE YEAR ENDED 31 DECEMBER 2009

The dırectors present theır annual report and the audıted financıal statements of the company for the year ended 31 December 2009

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

*Prıncıpal actıvıtıes*

The prıncıpal actıvıtıes of the company contınued to be vehıcle leasıng and fleet management

The company ıs a subsıdıary of Inula Holdıng UK Lımıted, whıch ıs part of LeasePlan Corporatıon NV, a worldwıde organısatıon employıng over 6,000 people wıth a portfolıo of 1 4 mıllıon vehıcles and a consolıdated lease portfolıo of €14 bıllıon as at 31 December 2009

On 31 December 2008, Dıal Contracts Lımıted entered ınto an agreement wıth one of ıts group companıes, LeasePlan UK Lımıted, to sell theır trade and net assets at theır book value for the consıderatıon of £474m As a result, the company had no tradıng actıvıtıes durıng the year

## RESULTS AND DIVIDENDS

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

A dıvıdend was paıd durıng the year of £263 53 per £1 ordınary share totallıng £58,561,560 (2008 £nıl) The dırectors do not propose any further dıvıdend payments for the year

## DIRECTORS

The Dırectors who served the company durıng the year and up to the date of sıgnıng these financıal statements were

V Daemı
D Brennan
D Stıckland

## EMPLOYEES

The company has no employees (2008 42)

## DIAL CONTRACTS LIMITED
## REPORT OF THE DIRECTORS (continued)
## FOR THE YEAR ENDED 31 DECEMBER 2009

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

2) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office The company has elected to dispense with the annual appointment of auditors and hence the auditors are considered to be re-appointed

By order of the Board

Neill Keartland

N R Keartland
**Company Secretary**
Date 1st September 2010

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

We have audited the financial statements of Dial Contracts Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mike Robinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
Date 1 September 2010

**DIAL CONTRACTS LIMITED**
**PROFIT AND LOSS ACCOUNT**
**YEAR ENDED 31 DECEMBER 2009**

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Turnover** | 2 | - | 125,454 |
| Cost of sales | | - | (112,198) |
| Cost of sales before exceptional item | 3 | - | (99,105) |
| Exceptional item | 3 | - | (13,093) |
| Gross Profit | | - | 13,256 |
| Administrative expenses | | - | (24,234) |
| **Operating loss** | 4 | - | (10,978) |
| Other interest receivable and similar income | 6 | - | 2,234 |
| **Loss on ordinary activities before taxation** | | - | (8,744) |
| Tax on loss on ordinary activities | 7 | - | 2,195 |
| **Loss for the financial year** | 10 | - | (6,549) |

The results reflect the discontinued operations of the business On 31 December 2008, the company transferred its operations to its fellow group company, LeasePlan UK Limited

The company has no recognised gains or losses other than the loss above and therefore no separate Statement of Total Recognised Gains and Losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

# DIAL CONTRACTS LIMITED
## BALANCE SHEET AS AT 31 DECEMBER 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | £'000 | £'000 |
| **ASSETS** | | | |
| **Current assets** | | | |
| Debtors Amounts fallıng due wıthın one year | 8 | 4,625 | 63,187 |
| | | 4,625 | 63,187 |
| **EQUITY** | | | |
| **Capıtal and reserves** | | | |
| Called-up share capıtal | 10 | 222 | 222 |
| Share premıum | 10 | 4,403 | 4,403 |
| Profit and loss account | 10 | - | 58,562 |
| **Total shareholders' funds** | 10 | 4,625 | 63,187 |

The accounts were approved by the Board of Dırectors on 1 September 2010 and sıgned on ıts behalf by

D Stıckland
**Director**

## DIAL CONTRACTS LIMITED
## YEAR ENDED 31 DECEMBER 2009
## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

**a) Basis of preparation**

The accounts have been prepared on a going concern basis and in accordance with the historical cost accounting conventions, the Companies Act 2006 and applicable accounting standards in the United Kingdom

The accounts have been prepared in compliance with the Statement of Recommended Accounting Practice issued by the Finance and Leasing Association A summary of the accounting policies which have been consistently applied are set out below

**b) Turnover**

*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 on a straight line basis over the lease term

Fleet services rentals received are recognised as the service is provided, based on the amount invoiced to the customer excluding Value Added Tax

**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 For closed calculation contracts the net maintenance income is recognised over the life of the contract using a prudent estimate of the expected maintenance results per vehicle 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 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

*Estimation techniques*

In order to calculate the required provision for losses on the portfolio and the maintenance income expected to arise over the life of the closed calculation contracts, estimations are made in respect of the total contract costs and the net maintenance surplus by vehicle based upon the most recent maintenance experience and projected maintenance prices

**d) Tangible fixed assets and depreciation**

*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*

Future residual values are constantly monitored by the directors and any permanent impairment in the residual value of an asset is immediately charged to the profit and loss

**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

**1. ACCOUNTING POLICIES, continued**

**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 in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

**g) Stocks**

Stocks relates to returned vehicles awaiting resale and new vehicle waiting to be leased It is valued at lower of cost or net realisable value

**h) Investments**

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment The directors assess the investments for impairment on an annual basis

**i) Bad debts**

The company has an ongoing policy for monitoring the credit quality of its portfolio and for making provisions 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 losses on doubtful debts not specifically identified but known, from experience, to exist at the balance sheet date

**j) Commissions**

Commissions and similar costs incurred in arranging new contracts are capitalised and charged to the profit and loss account over the estimated average life of the lease contracts

*Estimation techniques*

The estimated average life of these contracts is based on historical data and the average length of the contracts

**k) Initial costs**

These are costs directly associated with negotiating and consummating a lease transaction These are capitalised and amortised on a straight line basis over the term of the lease

*Estimation techniques*

The cost is estimated using the average incremental costs that are associated with arranging contracts

**2. TURNOVER**

Turnover is the aggregate of income from finance leases, operating leases and fleet services as disclosed in note 1(b)

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| The aggregate rentals receivable for the year for operating leases | - | 101,249 |
| Other income received during the year | - | 24,205 |
| | - | 125,454 |

All of the company's turnover arose in the UK

# DIAL CONTRACTS LIMITED
# YEAR ENDED 31 DECEMBER 2009
# NOTES TO THE ACCOUNTS, continued

## 3 . 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

In 2008, costs of sales includes an exceptional item relating to a £13 1m increase in impairment provision on leased assets due to a downturn in the used car market

### b) Interest payable

| | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| On loans from group undertakings repayable within five years | - | 24,876 |

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

## 4. OPERATING LOSS

| This is stated after charging the following | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| Depreciation of tangible fixed assets leased to customers | - | 78,520 |
| Amount charged in the year for rental on operating leases - buildings | - | 795 |

## 5 DIRECTORS' EMOLUMENTS

During the year ended 31 December 2009 and 31 December 2008, the directors received no remuneration for their services to the company

## 6 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

In 2008, the company received from HM Revenue and Customs interest payments of £2,234,000 on overpaid value added tax

## 7 TAX ON LOSS ON ORDINARY ACTIVITIES

| **Analysis of charge in the year** | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| ***Current tax*** | | |
| UK corporation tax on loss for the year | - | (1,575) |
| Adjustment in respect of prior years | - | (3,327) |
| Total current tax | - | (4,902) |
| ***Deferred tax*** | | |
| Origination and reversal of timing differences | - | 4,067 |
| Change in tax rate | - | (72) |
| Adjustment in respect of prior years | - | 3,102 |
| Tax on loss on ordinary activities | - | 2,195 |

The current tax charge is the same as (2008 higher than) the UK Corporation tax rate at 28% (2008 28 5%) and the differences are explained below

| | | |
|---|---|---|
| **Loss on ordinary activities before tax** | - | (8,744) |
| Loss on ordinary activities multiplied by the standard rate of tax at 28% (2008 28 5%) | - | 2,492 |
| Capital allowances for the year less than depreciation | - | (4,067) |
| Adjustment in respect of prior years | - | (3,327) |
| **Total current tax** | - | (4,902) |

## 8 DEBTORS

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Amounts owed by group undertakings | 4,625 | 63,187 |

These amounts are interest free, unsecured and repayable on demand

## 9. DIVIDEND

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Dividend paid during the year of £263 53 per £1 ordinary share (2008 £nil) | 58,562 | - |

## 10. CALLED UP SHARE CAPITAL AND RECONCILIATION OF SHAREHOLDERS' FUNDS

**Called up share capital**

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Authorised 222,000 ordinary shares of £1 each | 222 | 222 |
| Allotted and fully paid 222,000 ordinary shares of £1 each | 222 | 222 |

**Consolidated statement of movements of reserves and reconciliation of movement in shareholders' funds**

| | Share capital £'000 | Share premium £'000 | Profit and loss account £'000 | 2009 Total £'000 | 2008 Total £'000 |
|---|---|---|---|---|---|
| At 1 January | 222 | 4,403 | 58,562 | 63,187 | 69,736 |
| Loss for the financial year | - | - | - | - | (6,549) |
| Dividends | - | - | (58,562) | (58,562) | - |
| At 31 December | 222 | 4,403 | - | 4,625 | 63,187 |

## 11. PENSION COMMITMENTS

**Defined Contribution Scheme**

The company participates in a Group scheme operated by LeasePlan UK Limited which is 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 and contributions payable to the fund at 31 December 2008 are paid by LeasePlan UK Limited included in note 27 of the LeasePlan UK Limited financial statements

**Defined Benefit Scheme**

The assets and liabilities of the former Dial Contracts Limited pension schemes have been assigned to LeasePlan UK Limited The scheme is now closed to new entrants

## DIAL CONTRACTS LIMITED
## YEAR ENDED 31 DECEMBER 2009
## NOTES TO THE ACCOUNTS, continued

### 12. CASH FLOW STATEMENT

The company is a wholly owned subsidiary of LeasePlan Corporation NV incorporated in the Netherlands (see note 14) whose consolidated financial statements are publicly available and include a cash flow statement which incorporate the cash flows of this company In accordance with Financial Reporting Standard 1 'cash flow statements' (revised 1996), the directors consider that a cash flow statement is not required

### 13. SEGMENTAL INFORMATION

The company'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

### 14 ULTIMATE HOLDING COMPANY

At 31 December 2009, the directors regarded the consortium consisting of the Volkswagen Group (50%), Olyan Group (25%) and Mubadala Development Company (25%) as being the company's ultimate parent undertakings and Inula Holding UK Limited (a company incorporated in England and Wales) as the immediate parent company The consortium of Volkswagen Group, Olyan Group and Mubadala Development Company all own shares in the company Global Mobility Holding BV that owns the shares in LeasePlan Corporation NV The largest and the smallest group in which the results of the company are consolidated is that headed by LeasePlan Corporation NV, the smallest is that headed by Inula Holdings UK Limited

On 1 February 2010, Fleet Investments B V , an investment company of the German banker Friedrich von Metzler, acquired a 50% stake in LeasePlan Corporation N V , following the decision by Olayan Company and Mubadala Development Company to divest their 25% individual stakes by exercising a put option Volkswagen will continue to maintain a 50% shareholding in LeasePlan

On 31 December 2008, the company transferred its operations to its fellow group company, LeasePlan UK Ltd whose financial statements may be obtained from 165, Bath Road, Slough, SL1 4AA

The address of LeasePlan Corporation NV from where a copy of the consolidated accounts may be obtained is P J Oudweg 41,1314 CJ Almere-Stad, PO Box 1085, 1300 BB Almere- Stad, Netherlands