Dawsongroup plc

Annual Report & Accounts 2017



Dawsongroup



Dawsongroup plc

Operational areas

Dawsongroup is one of Europe's leading asset rental, leasing and contract hire businesses and the UK's largest independent company in this sector, specialising in a wide range of commercial vehicles, buses, coaches, material handling, sweepers, temperature controlled products and portable kitchen units. The group also owns a dedicated finance company supporting all group sales activities, as well as providing direct finance services.

Established for over 80 years, Dawsongroup owns in excess of 21,500 high quality premium assets, rented to a broad customer base of large reputable companies.

The commercial vehicle rental sector has always been considered a good barometer for the UK economy, so it is no surprise that the uncertainties surrounding Brexit and the underlying drop in business confidence, combined with the fall in Sterling created extra challenges to Dawsongroup's business in 2017.

Chairman's Statement

Peter M Dawson

However I am pleased that despite this the key strategic decisions taken by the board have ensured a good result with revenues and profitability improved.

Most notably, while we have reduced the fleet size slightly, utilisation has improved; furthermore we have continued to invest in new quality equipment, that has enabled the group to further diversify its fleet mix to optimise future residual values, as well as driving our goal of a low age fleet with high reliability and low running costs. By the end of the trading year, over 90% of Dawsongroup's vehicle assets were the latest Euro 6 specification, ensuring compliance with both London Ultra Low Emission Zone and emerging regional environmental policies.

It is also of note that despite market conditions, the proportion of Dawsongroup revenue arising from long term contracts has increased, providing an even more secure base for the continued success of the group.

We have decided to remove "rental" from the operating company names to reflect the longer term, solution led consultative nature of the Dawsongroup business today. So after 40 years of tradition, Dawsonrentals Truck and Trailer becomes Dawsongroup Truck and Trailer and the other businesses of vans, material handling, bus and coach, sweepers, temperature control solutions, temporary kitchens, portable cold rooms and finance will each replace Dawsonrentals in their name with the Dawsongroup prefix.

This group approach, together with a strong sales and marketing structure, is helping expand cross group sales activities. This has already had very encouraging results which we are confident will continue.

We have also continued our investment in people, facilities and infrastructure, as well as a range of IT initiatives that will maintain Dawsongroup as an industry leader in customer service. Furthermore, new equipment purchased has led the way in setting industry standards for environmental performance and safety in operation.

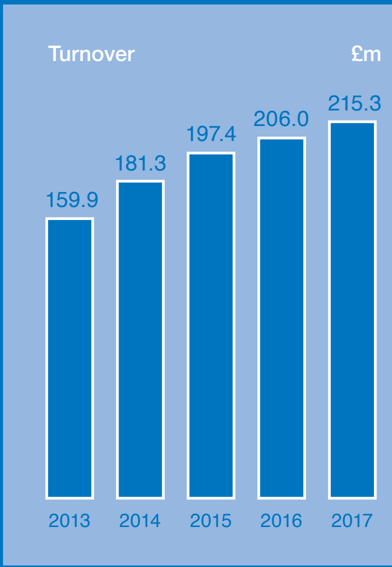
Results and dividend

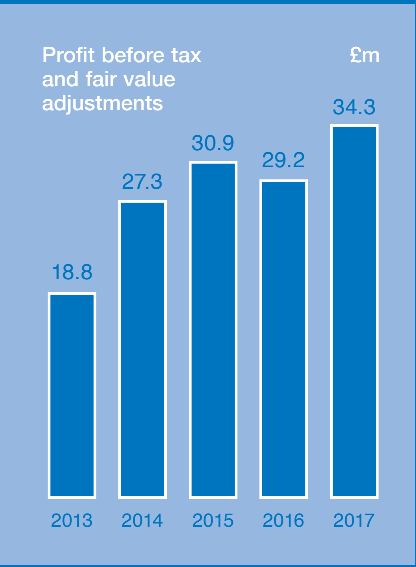
On turnover of £215.3m (2016: £206.0m), profit before tax and fair value adjustments increased by £5.1m to £34.3m (2016: £29.2m, excluding a £20m net credit re the termination of interest rate swaps).

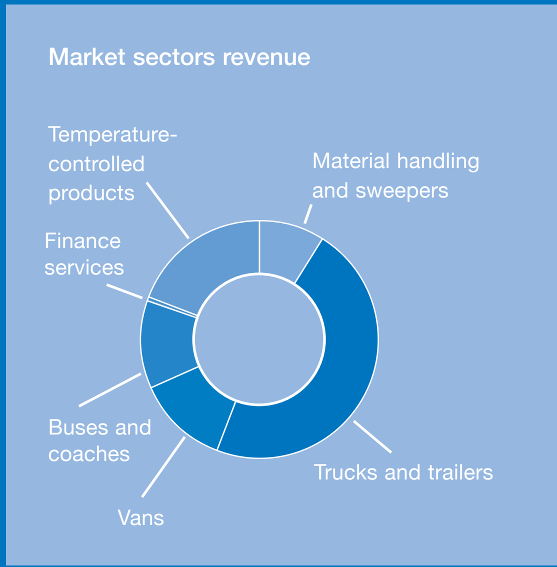
The dividends for the year amounted to £nil (2016: £10.0m).

Balance sheet

Capital expenditure for the year amounted to £151.5m compared with







£143.2m in the previous year. Asset disposal profits of £4.8m (2016: £5.3m) were achieved from proceeds of £58.0m (2016: £49.3m). These, together with operational cash flows of £117.6m (2016: £118.8m), meant that net debt decreased by £12.6m to £202.5m.

Gearing reduced to 83% which is exceptionally low for an asset rental business supported by a strong contractual base. Unexpired contract revenue stood at £183.9m compared with £154.6m last year. Interest was covered 4.2 times by operating profit (2016: 2.7 times).

Outlook

Our focus on renting premium equipment with outstanding customer service will continue and it is very encouraging to see the proportion of business from long term contracts increasing as more customers benefit from the whole range of products and services offered by the group.

Recent investments in customer focused IT and new product offerings show promise, continuing the development of Dawsongroup from an asset rental provider to a full business solutions partner.

Our focus for 2018 will be to continue to develop our market advantage in truck and trailer provision, further consolidate our position in Europe and continue the expansion of Dawsongroup Vans and Dawsongroup Finance. We plan to continue to expand revenues by introducing existing customers to wider group business opportunities as well as improving our web and social media presence.

Market uncertainties will continue to dictate a cautious approach to 2018 and we anticipate significant commercial pressures will restrain business performance for a time. In particular, asset disposal channels are constrained by oversupply in certain sectors and the inflationary effects of Brexit and any arising market confidence issues will require close management.

Peter M Dawson
B Eng, FIMI

Chairman

21 March 2018

Strategic Report

Dawsongroup's strong financial and operating performance is achieved through close management of its diverse portfolio of asset rental, leasing and contract hire products with common engineering or customer profiles. Tight cost control, rigid risk management, professional purchasing and asset disposal are all significant contributors to the group's success.

Stephen J Miller

Anthony Coleman

Strategic Review

	2017 £m	%	2016 £m	%
Trucks and trailers	**97.4**	**45.2**	96.3	46.8
Vans	**25.6**	**11.9**	25.9	12.6
Material handling and sweepers	**20.2**	**9.4**	18.8	9.1
Temperature-controlled products	**43.8**	**20.3**	39.2	19.0
Buses and coaches	**26.2**	**12.2**	24.8	12.0
Finance services	**2.1**	**1.0**	1.0	0.5
Group revenue	**215.3**	**100.0**	206.0	100.0

Previous record levels of investment have ensured a strong ongoing customer commitment to our bus, truck, van and trailer businesses and the low age and high reliability of our asset rental, leasing and contract hire fleet, together with a high level of customer service, has maintained and grown our long term contractual base. Key investment in certain product sectors will further enhance this position.

Revenue has generally been maintained, however asset disposal channels have been constrained by political and economic issues in established export markets; combined with the UK market negatively affected by vehicle manufacturers chasing volume in an over-supplied market. This in turn has depressed used disposal values and sector profitability.

However a weakness in the truck and trailer sectors has been largely offset by stronger performances elsewhere in the group.

Dawsongroup Temperature Control Solutions delivered another strong result in the UK and our European businesses also performed extremely well in a strongly growing market. Exchange rate movement had some positive impact on profitability and Europe will remain a key expansion opportunity for the group long term.

Dawsongroup Finance has also performed well, having achieved significant growth from group introduced finance opportunities, which are expected to grow further.

Trucks and trailers

Business dynamics were extremely challenging, showing slight growth in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Thermobil GmbH
WERTZ
REVOTRA Transporte
SCANIA
FASSI

Strategic Report continued

Trucks and Trailers

Sweepers

Material handling

revenues but with profitability constrained by an aggressive competitive environment and reduced used vehicle disposal values. There was, however, an encouraging growth in long term contract commitments that bodes well for the company's future performance.

The company's decision to lead the market in investing in new trailers and Euro 6 trucks, enabled demand for our well defined flexible contract hire and leasing product to be improved. Furthermore, changes to the fleet mix will, over time, reduce the company's exposure to short term variations in used vehicle values – as will Dawsongroup's focus on new technologies and safety that will help to differentiate it from competitor offerings.

During the course of the year the business disposed of a record 1,900 assets through its used disposal functions, further driving down the age profile and reducing the risk of obsolescence. More than 90% of the fleet is now to the Euro 6 emission standard, and the remaining Euro 5 equipment will be disposed of during the course of the coming year.

Continued innovation and enhancement of our fleet focusing on new technologies and safety will help to differentiate us from our competitors. The watchwords of "Safe, Legal and Compliant" resonate with an industry increasingly pressured by regulation and corporate social responsibility and help to position Dawsongroup as market leader in customer care and innovation.

Vans

Following year on year double digit growth in fleet size and turnover, 2017 has been a year of consolidation. However Dawsongroup Vans still achieved double digit profit growth and significantly increased our customer base, particularly those with longer term contracts. The business continued to develop its strategy and introduced three further products in 2017 being option to buy, finance lease and operating lease, blending short, mid and long term rental with a fixed arrangement proposition.

A key step to continued growth is being implemented though the expansion of national van centres, each with their own satellite operations and local management. Additionally the dedicated van asset disposal programme established at the end of 2016, under the unique brand of Van Ninja, has been further developed during the year to optimise disposal revenues and has made a significant contribution to results. The business also finalised plans to strengthen its online offering and to open its first retail outlet in Milton Keynes. This is due to open in March 2018.

With continued investment in new equipment and infrastructure, a fleet age profile of under 17 months and a highly flexible rental offering, the Dawsongroup Vans package is proving highly attractive to established van operators. Combined with the group's customer service ethic and effective support systems, continued strong growth is expected.

Material handling

The material handling market remains challenging, however Dawsongroup's ability to offer customers a flexible range of products with predictable costs has enabled this company to largely maintain both revenue and profit. Significant strengthening of the sales and support teams, combined with a strong focus on cost control, should ensure that profitable growth can be sustained.

Equipment investment has remained high to take advantage of new fuel-efficient technologies and a growing confidence in this sector, which in turn has supported our partnership relationship with a number of leading equipment manufacturers.

The business also established a workshop and office base inside the M25, based at London's Spitalfield Market, to enable expansion in the South East. A similar investment in the South West is under consideration.

Sweepers

Dawsongroup Sweepers strengthened its position as market leader in the UK self drive sweeper sector with another strong double digit growth performance in 2017.

A strong focus on customer service has increased the customer base and secured new long term contracts. Further expansion into the Gully Tanker and Refuse Collection sectors, including the introduction of the first 26t kilowhale product, helped to produce another satisfying year of development.

From January 2018 the sweeper business has been transferred out of Dawsongroup Material Handling and will operate from a new separate legal entity, Dawsongroup Sweepers Limited.

Temperature-controlled products

Dawsongroup Temperature Control Solutions has led the way in innovation and partnering with customers to create optimal solutions for their needs. With this sector facing great uncertainty at present and with many key decisions being postponed, TCS have been able to provide flexible solutions in uncertain market conditions.

In recent years TCS has evolved from an equipment rental provider to become a consultative business partner – Supply Chain Consultants – offering innovative solutions and assisting process change to optimise results for customers. This consultative approach is clearly demonstrated in the pharmaceutical sector, where Dawsongroup Temperature Control Solutions is now identified as the industry preferred supplier.

Investment is concentrated on safety and energy management which, combined with the long product life cycle in this sector, provide significant competitor advantage over time.

This was recognised in 2017 when the company, in partnership with Chemours, won the Cold Chain Project of the Year Award at the RAC Cooling Awards 2017, with an implementation of low-carbon refrigeration to the temperature controlled storage facility of Park Cakes.

The temperature controlled solutions businesses in Europe also performed well, delivering strong revenue and profit growth, in addition to positive exchange rate gains.

Buses and coaches

Dawsongroup Bus and Coach had a successful year with all areas of trading delivering a good performance, having diversified from the traditional bus and coach sectors by expanding in smaller vehicles, targeting staff transportation and patient transfer.

Utilising in-house finance facilities, Dawsongroup Bus and Coach's

Temperature Control Solutions

Vans

Bus and Coach

Strategic Report continued

Portable cold rooms

Temporary kitchens

ability to offer fully supported contract hire packages for passenger carrying vehicles, including mini-buses, maintains the company's position as the 'go to' name for asset supply, finance and management within the industry.

The company maintains strong industry links, and recognises that while recent Government funding has been constrained in this sector, there is pressure on local authorities to favour public transport as part of an obligation to improving city air quality, and the business is well placed to capitalise on any opportunities.

Portable cold rooms and temporary kitchens

Dawsongroup Portable Cold Rooms and Dawsongroup Temporary Kitchens are now making a positive contribution to group results.

Having withdrawn from the chilled display cabinet sector, new modular cold room products and services have been developed, which are now performing well.

The new high capacity inflatable fridge/freezer is opening up new market opportunities, which combined with modular cold rooms and towable fridge units, provide a full range of refrigerated products on offer.

This complements the temporary kitchen business, which is experiencing significant growth, alongside the development of a similar temporary laundry unit.

Finance

Kevin Wills was appointed commercial director of Dawsongroup Finance, succeeding Robert Taylor, and brings a wealth of experience of both retail asset finance and in-house financial services provision.

Having brought fresh energy and direction to this business the board has every confidence that Dawsongroup Finance will be a key profit contributor to the group, as well as facilitating other group sales activities.

Dawsongroup Finance seeks to service internal financing opportunities by expanding away from being largely a finance broker, to provide a spectrum of finance products to support group businesses, using capital market funds backed up by the strength of Dawsongroup's balance sheet and ability to manage assets through life from acquisition to disposal.

Results are very encouraging, with almost £100m of funding transacted in 2017 and a strengthening inter-company relationship developing between the finance company and the operational divisions.

Other

The group has three dedicated asset disposal arms which operate on a national basis: Dawsondirect (previously National Truck and Trailer Sales), Ventura, the bus and coach specialist and Van Ninja. All have built enviable reputations for the quality and condition of the products they sell and the customer service that they provide. The other divisions dispose of their ex-hire fleet assets through their own resources.

These sales and marketing efforts, together with the group's prudent depreciation policies, provided disposal profits of £4.8m (2016: £5.3m) from proceeds of £58.0m (2016: £49.3m).

Employees

We would like to express our gratitude to our workforce, now numbering almost 800, for their continued dedication and hard work which will ensure the continued success and growth of Dawsongroup.

Financial review

The group's trading performance is explained in the strategic report. This review provides further information on other significant financial issues.

Interest

On average net borrowings during the year of £208.8m (2016: £213.6m), net interest payable decreased by £6.7m to £10.6m (2016: £17.3m).

Interest cover is 4.2 times (2016: 2.7 times).

Tax

The 2017 tax charge is £8.1m which is comprised of corporation tax payable of £9.1m less deferred tax of £1m. Corporation tax actually payable in respect of 2017 profits was £5.6m (2016: £7.4m).

Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £117.6m (2016: £118.8m). A further £58.0m (2016: £49.3m) was generated from the disposal of fixed assets. Cash outflow for interest paid, tax and dividends, together amounted to £17.1m (2016: £35.4m).

Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £151.5m (2016: £143.2m).

Borrowings

Net debt decreased to £202.5m (2016: £215.1m), comprising hire fleet asset finance of £243.5m (2016: £246.3m) less net cash of £41.0m (2016: £31.2m). Year end gearing was 83% (2016: 101%).

Risks and uncertainties

Finance and treasury

The group operates a central finance and treasury function which is responsible for arranging and managing all of the group's financial instruments, comprising borrowings, cash and liquid resources and interest rate swaps, in the most appropriate manner, at the lowest cost.

These policies remained unchanged throughout the year and are summarised as follows:

Financing

The group's principal borrowings are in respect of hire fleet investments which are funded, net of suitable deposits, by way of asset finance. The preference for variable rate hire purchase debt continues because it is administratively simple, avoids the issues of fees and covenants which typically arise with bank lending, provides for total flexibility without penalties on early termination and enables capital allowances to be claimed on the assets. Where circumstances so permit in terms of the group's tax position, the group will also consider fixed or variable rate finance leases. All other assets are purchased for cash and are unencumbered.

Asset finance repayments are matched, conservatively, against the revenue stream from the related assets over their income-generating lives. In the case of trucks this policy has been set at 3 years, vans at 2 years and for all other assets between 5 and 7 years.

Asset finance facilities are established with a wide range of lenders primarily on a revolving basis and each subject to different annual review dates. The board considers that there are sufficient credit facilities available to meet all projected requirements.

Short-term flexibility for working capital purposes is achieved through overdraft facilities.

Interest rates

The exposure to variable rate debt is hedged through interest rate swaps. At the year-end these totalled £120.0m (2016: £160.0m), effectively fixing the relevant variable rate asset finance debt at an average base rate of 4.3%.

Foreign currencies

The group has subsidiaries in the Euro currency zone and finances all hire fleet additions and most working capital requirements for these businesses in local currencies in order to partially protect the group's Sterling statement of financial position from exchange rate movements. The group also purchases certain hire fleet assets in the UK from overseas suppliers which are denominated in foreign currencies. This exchange rate exposure is limited through forward currency purchases.

Overview

In 2017 Dawsongroup once again demonstrated its reputation as a successful asset rental company in its markets in the UK and Europe.

The excellent financial performance continues to be built on a platform of:-

- a wide asset portfolio – over 21,500 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2017 represented just 5.4% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – numbering almost 800 across 7 countries; and
- a proven track record in the asset rental and contract hire industry spanning over 40 years.

This report was approved by the board on 21 March 2018 and signed on its behalf by:

Stephen J Miller
Group chief executive

Anthony Coleman
Group finance director

21 March 2018

Directors and Advisers

Peter M Dawson

B Eng, FIMI,

Executive Chairman

Peter joined the family haulage business in 1956 and spearheaded the early growth and development of the group.

AGED 79

Stephen J Miller

Group Chief Executive

Stephen joined the group in 1986 and was appointed managing director of Dawsongroup Truck and Trailer in 2002. In October 2009 he was appointed group managing director. In September 2016 he was appointed group chief executive.

AGED 52

Anthony Coleman

FCA

Group Finance Director

Appointed group finance director in January 2006, Anthony is now in his 18th year with the group having joined as group financial controller and company secretary.

AGED 44

Ian Jones

NON-EXECUTIVE DIRECTOR

Ian was appointed a non-executive director of Dawsongroup plc on 1 August 2012, having spent the previous ten years as managing director of commercial vehicles and vans at Mercedes-Benz UK.

AGED 64

Group headquarters and registered office

Dawsongroup plc
Delaware Drive
Tongwell
Milton Keynes
MK15 8JH
Tel: 01908 218111

Registered number

1902154

Website

www.dawsongroup.co.uk

Secretary

Lucinda Kent, FCA

Auditor

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Principal bankers

Barclays Bank
Barclays Client Services Luton
Regional Service Centre
PO Box No. 729
Luton
LU1 2LJ

The Royal Bank of Scotland
Corporate and Institutional Banking
2nd Floor
152 Silbury Boulevard
Milton Keynes
MK9 1LT

Statutory Directors' Report

Lucinda A Kent

The directors present their report and the audited financial statements of the group for the year ended 31 December 2017.

Activities and business review

The principal activity of the group is the rental, leasing and contract hire of commercial vehicles, buses, coaches, material handling, sweepers, temperature controlled products and portable kitchen units. It also provides finance services. Dawsongroup plc is the holding company.

A detailed review of the group's trading during the year and of its business outlook is contained within the chairman's statement on pages 2 to 3 and the strategic report on pages 4 to 10.

Results and dividends

The consolidated trading results and year end financial position are shown in the financial statements on pages 16 to 39.

The profit after tax for the financial year was £31,637,000 (2016: £32,784,000). No ordinary dividends were paid in the year (2016: £9,991,000). The retained profit of £31,637,000 has been transferred to reserves.

Directors

The current directors of Dawsongroup plc are set out on page 11.

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

Appropriate directors' and officers' indemnity insurance cover is in place in respect of all the company's directors.

Donations

The group made charitable donations during the year amounting to £6,190 (2016: £9,721). No political donations were made in either year.

Employment policies

The group continues to encourage the participation of its employees in the business in which they work. Established communication and consultation procedures exist which aim to ensure that employees are informed about, and involved in, matters which are of interest and concern to them.

The group is an equal opportunities employer and its policies for the recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned. The policies also allow disabled persons to compete on an equal basis. Any existing employee who becomes disabled is given the training required to ensure that, wherever possible, continuity of employment can be maintained.

The group promotes all aspects of health and safety throughout the group in the interest of its employees.

Creditor payment policy

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is group policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions.

At 31 December 2017 the amount for trade creditors in the statement of financial position represented 18 days (2016: 24) of average daily purchases for the company and 19 days (2016: 31) in respect of the group's main UK operating subsidiaries.

Disclosure in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 4 to 9. These matters relate to activities, business and financial review and risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the corporate statement and financial highlights, the chairman's statement, strategic report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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 group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Annual Review and Summary Financial Statements and Annual Report and Financial Statements published on the group's corporate website. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditor

So far as each person who is a director is aware, there is no relevant audit information of which the group's auditor is unaware. Each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

Mazars LLP has expressed its willingness to continue in office and a resolution concerning reappointment will be put to the directors at the board meeting approving these financial statements.

Approved on behalf of the board and signed on its behalf by

By order of the board
Lucinda Kent, FCA
Secretary
21 March 2018

Report of the Auditors

Independent auditor's report to the members of Dawsongroup plc

Opinion

We have audited the financial statements of Dawsongroup plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the corporate statement and financial highlights, the chairman's statement, the strategic report and the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the corporate statement and financial highlights, the chairman's statement, the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the corporate statement and financial highlights, the chairman's statement, the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate statement and financial highlights, chairman's report, strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 12 to 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Stephen Brown
(Senior Statutory Auditor)

For and on behalf of Mazars LLP
Chartered Accountants and
Statutory Auditor

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 21 March 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

Continuing operations	Notes	2017 £'000	2016 £'000
Turnover	1	**215,345**	206,027
Cost of sales		**134,848**	125,583
Gross profit		**80,497**	80,444
Other operating income	1	**788**	836
Administrative expenses		**36,455**	34,758
Operating profit	2	**44,830**	46,522
Gains arising on fair value of investment property	10	**–**	2,603
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		**44,830**	49,125
Interest receivable and similar income	5	**930**	20,697
Interest payable and similar charges	6	**11,507**	18,038
Profit on ordinary activities before fair value of derivative instruments and taxation		**34,253**	51,784
Gains/(losses) arising on fair value of derivative instruments	16	**5,437**	(12,047)
Profit on ordinary activities before tax		**39,690**	39,737
Taxation	7	**8,053**	6,953
Profit for the year attributable to owners		**31,637**	32,784
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**1,505**	3,986
Total comprehensive income attributable to owners		**33,142**	36,770

The notes on pages 22 to 39 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	8		–		–
Tangible assets	9		517,495		514,895
Investment property	10		21,169		21,169
			538,664		536,064
Current assets					
Inventory		1,207		1,035	
Trade and other debtors	12	40,316		33,242	
Investments – short-term deposits	13	42,324		42,161	
Cash at bank and in hand	13	3,405		2,950	
		87,252		79,388	
Creditors due within one year					
Borrowings	14	116,439		129,335	
Trade and other creditors	15	110,122		114,250	
		226,561		243,585	
Net current liabilities			139,309		164,197
Total assets less current liabilities			399,355		371,867
Creditors due after one year					
Borrowings	14	131,739		130,873	
Trade and other creditors	15	7,891		13,157	
			139,630		144,030
Provisions for liabilities and charges			259,725		227,837
Employee benefits	17	3,041		3,393	
Deferred tax	17	10,761		11,820	
Other provisions	17	601		444	
			14,403		15,657
Net assets			245,322		212,180
Capital and reserves					
Called up share capital	18		8,057		8,057
Share premium account			1,285		1,285
Capital reserve			9,980		9,980
Revaluation reserve			3,766		3,766
Profit and loss account			222,234		189,092
Equity shareholders' funds			245,322		212,180

The financial statements on pages 16 to 39 were approved and authorised for issue by the board of directors on 21 March 2018.

Directors: S J Miller
A Coleman

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2016	8,057	1,285	9,980	3,766	162,313	185,401
Profit for the financial year	–	–	–	–	32,784	32,784
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	3,986	3,986
Total comprehensive income	–	–	–	–	36,770	36,770
Dividends paid (note 19)	–	–	–	–	(9,991)	(9,991)
At 31 December 2016	8,057	1,285	9,980	3,766	189,092	212,180
Profit for the financial year	–	–	–	–	31,637	31,637
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	1,505	1,505
Total comprehensive income	–	–	–	–	33,142	33,142
Dividends paid (note 19)	–	–	–	–	–	–
At 31 December 2017	**8,057**	**1,285**	**9,980**	**3,766**	**222,234**	**245,322**

Reserves

Share premium account

The share premium account represents the difference between the proceeds and the nominal value of each share issued.

Capital reserve

The capital reserve represents the nominal value of share capital that has been redeemed and cancelled.

Revaluation reserve

This reserve represents the cumulative revaluation gains and losses on revaluation of land and buildings held as tangible fixed assets.

Profit and loss account

The profit and loss account reserve represents cumulative profits and losses of the group.

The notes on pages 22 to 39 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating activities			
Profit on ordinary activities before tax		**39,690**	39,737
Adjusted for:			
Gains arising on fair value of investment property	*10*	**–**	(2,603)
(Gains)/losses arising on fair value of derivative instruments	*16*	**(5,437)**	12,047
Depreciation of tangible assets	*9*	**97,411**	93,521
Profit on disposal of tangible assets	*2*	**(4,823)**	(5,318)
Interest receivable	*5*	**(930)**	(20,697)
Interest payable	*6*	**11,507**	18,038
Operating cash flows before movement in working capital		**137,418**	134,725
Increase in stock		**(157)**	(139)
Increase in trade and other debtors		**(10,352)**	(5,470)
(Decrease)/increase in trade and other creditors		**(3,848)**	13,262
(Decrease)/increase in provisions		**(213)**	168
Termination fee on cancellation of swap	*5*	**–**	(16,506)
Interest received	*5*	**395**	162
Income tax paid		**(5,638)**	(7,388)
Net cash flows from operating activities		**117,605**	118,814
Investing activities			
Proceeds from disposal of tangible assets		**57,971**	49,251
Purchase of tangible assets	*9*	**(151,543)**	(143,171)
Net cash flows used in investing activities		**(93,572)**	(93,920)
Financing activities			
Decrease in obligations under finance lease	*14*	**(2,884)**	(253)
Dividends paid	*19*	**–**	(9,991)
Interest paid	*6*	**(11,507)**	(18,038)
Collateral deposit		**(330)**	(5,950)
Net cash flows used in financing activities		**(14,721)**	(34,232)
Net increase/(decrease) in cash and cash equivalents		**9,312**	(9,338)
Cash and cash equivalents at the beginning of the year		**(10,643)**	(1,631)
Effect of exchange rates on cash and cash equivalents		**157**	326
Cash and cash equivalents at the end of the year		**(1,174)**	(10,643)
Unrestricted cash and cash equivalents	*13*	**3,539**	3,251
Overdraft	*14*	**(4,713)**	(13,894)
Total cash and cash equivalents at the end of the year		**(1,174)**	(10,643)

The notes on pages 22 to 39 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	*9*		**442**		489
Investment in subsidiary undertakings	*11*		**49,111**		49,111
			49,553		49,600
Current assets					
Inventory		**1**		1	
Trade and other debtors	*12*	**67,950**		68,466	
Investments – short-term deposits	*13*	**42,199**		41,869	
Cash at bank and in hand	*13*	**10**		7	
		110,160		110,343	
Creditors due within one year					
Borrowings	*14*	**6,523**		14,722	
Trade and other creditors	*15*	**58,202**		44,854	
		64,725		59,576	
Net current assets			**45,435**		50,767
Total assets less current liabilities			**94,988**		100,367
Creditors due after one year					
Trade and other creditors	*15*	**7,549**		12,902	
			7,549		12,902
			87,439		87,465
Provisions for liabilities and charges	*17*		**859**		1,243
Net assets			**86,580**		86,222
Capital and reserves					
Called up share capital	*18*		**8,057**		8,057
Share premium account			**1,285**		1,285
Capital reserve			**6,658**		6,658
Profit and loss account			**70,580**		70,222
Equity shareholders' funds			**86,580**		86,222

The company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the company's profit and loss account. The company's profit for the year was £358,000 (2016: £10,522,000).

The financial statements on pages 16 to 39 were approved and authorised for issue by the board of directors on 21 March 2018.

Directors: S J Miller
A Coleman

The notes on pages 22 to 39 are an integral part of these financial statements.

Company Statement of Changes in Equity

as at 31 December 2017

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2016	8,057	1,285	6,658	69,691	85,691
Profit for the financial year	–	–	–	10,522	10,522
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	10,522	10,522
Dividends paid (note 19)	–	–	–	(9,991)	(9,991)
At 31 December 2016	8,057	1,285	6,658	70,222	86,222
Profit for the financial year	–	–	–	358	358
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	358	358
Dividends paid (note 19)	–	–	–	–	–
At 31 December 2017	**8,057**	**1,285**	**6,658**	**70,580**	**86,580**

Reserves

Share premium account

The share premium account represents the difference between the proceeds and the nominal value of each share issued.

Capital reserve

The capital reserve represents the nominal value of share capital that has been redeemed and cancelled.

Profit and loss account

The profit and loss account reserve represents cumulative profits and losses of the company.

The notes on pages 22 to 39 are an integral part of these financial statements.

Accounting Policies

General information

Dawsongroup plc ("the company") is a public limited company incorporated in England and Wales. The address of its registered office and principal place of business is Delaware Drive, Tongwell, Milton Keynes, MK15 8JH. The principal activity of the group is the rental of commercial vehicles, buses, coaches, material handling, sweepers, temperature controlled products and portable kitchen units. It also provides finance services. Dawsongroup plc is the holding company.

The company is a parent undertaking and therefore these consolidated financial statements present the financial information of the company and its subsidiary undertakings (together "the group"), as well as the company's individual financial statements. These consolidated and company financial statements have been presented in Pounds Sterling as this is the company's functional currency, being the primary economic environment in which the company operates. The level of rounding used throughout the financial statements is to the nearest thousand.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention, as modified for the fair value of investment properties and derivative financial instruments.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including the notification of and no objection to, the use of exemptions by the company's shareholders. In preparing the company individual financial statements, the company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of *Section 4 Statement of Financial Position*; and
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated financial statements the company has also taken advantage of the exemption not to provide:

- certain disclosure requirements of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.

Basis of consolidation

The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2017.

Subsidiary undertakings acquired during the year are accounted for under the acquisition method of accounting, and are consolidated from the date the company achieves control over such entities, thereby having the power to govern the financial and operating policies of the entity of acquisition. The financial statements of subsidiary undertakings that are acquired or disposed of within the financial year are included within, or excluded from, the consolidation from the date that the company obtains or loses control.

Transactions and balances between subsidiary undertakings have been eliminated; no profit is taken on sales between subsidiary undertakings until the products are sold to customers outside the group. Where necessary, adjustments are made to the financial statements of group entities to bring the accounting policies used in line with those used by the group.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the group will continue in operational existence for the foreseeable future.

The directors have reviewed cash flow forecasts for a period of not less than 12 months from the date of the audit opinion and are confident that the group will be able to pay its liabilities as they fall due. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts for the provision of services and the sale of goods in the normal course of business, net of discounts and other sales-related taxes.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Income from the sale of vehicles and equipment is recognised when the group has transferred the significant risks and rewards of ownership to the buyer, which is usually the date that delivery of the vehicles and equipment is taken.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Interest income is recognised as interest accrues using the effective interest rate method.

Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. 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 give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place. Income and expense items are translated using an average exchange rate for the year where there are limited fluctuations in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised through other comprehensive income.

Intangible assets

Intangible assets are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less any accumulated amortisation and impairment losses.

Goodwill relates to acquisitions that took place before 1 January 2014 and represents the excess of the consideration payable over the fair value of the separable net assets acquired. Goodwill has been fully amortised.

Intangible assets, including goodwill, are tested for impairment where an indication of impairment exists at the reporting date.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses, with the exception of freehold property which is initially measured at cost, which comprises the purchase price and any directly attributable expenditure and is subsequently remeasured to fair value at each reporting date with changes in fair value recongised in other comprehensive income.

Depreciation is provided to write down the cost of fixed assets by equal instalments to their estimated residual values over the period of their estimated useful lives with the group in accordance with the table below:

	Useful life with the group	Residual value
Hire fleet		
Commercial vehicles	5 years	20% – 25%
Trailers	10-12.5 years	2.5% – 15%
Car transporters and drawbar trailers	9 years	10%
Vans	3-4 years	25% – 30%
Cars	2-3 years	25% – 50%
Purpose built portable cold stores	15 years	25%
Buses and coaches	9-15 years	10% – 15%
Material handling	7-9 years	5% – 15%
Sweepers	5-8 years	5% – 30%
Scissor lifts	10 years	15%
Kitchen units	15 years	10%
Coldrooms, inflatables and kitchen equipment	8 years	Nil
Other	4-12.5 years	Nil – 15%

Accounting Policies continued

	Useful life with the group	Residual value
Non hire fleet		
Freehold buildings	20-50 years	Nil
Long leasehold	Life of lease	Nil
Plant and equipment	5-10 years	Nil
Portable office buildings	7-12.5 years	15%
Computer hardware	4 years	Nil
Cars	4 years	25% – 40%

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

Investment property
The group classifies land and buildings, whether in whole or part, as investment property when it is held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, which comprises the purchase price and any directly attributable expenditure, and are subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses in the company financial statements. Investments are tested for impairment where an indication of impairment exists at the reporting date.

Impairment of assets
At each reporting date, the group reviews the carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

Inventory
Inventory is stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

Financial instruments
Financial assets and liabilities are recognised when the group becomes party to the contractual provisions of the financial instrument. The group holds basic and non-basic financial instruments, which comprise cash at bank and in hand, short-term deposit investments, trade and other debtors, loans and borrowings, trade and other creditors, and derivative financial instruments. The group has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* in full.

Financial assets – classified as basic financial instruments
The company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments*.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand and other short-term highly liquid investments with original maturities of three months or less which are classified as current asset investments.

Trade and other debtors
Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

At the end of each reporting year, the group assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments
Trade and other creditors and loans and borrowings
Short term trade and other creditors and loans and borrowings are initially measured at the transaction price. Other financial liabilities which constitute financing transactions are initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Derivative financial instruments – classified as other financial instruments
Derivative financial instruments comprise interest rate swaps and are initially recognised at fair value at the date the derivative contract is entered into, and are subsequently measured at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

The group as a lessee

Fixed assets obtained under finance leases are treated in the same way as hire purchase contracts, that is as though they were purchased outright and depreciated accordingly. The outstanding capital element of such leases is included within borrowings in the statement of financial position. The interest element of leasing payments is charged to profit and loss over the period of the finance lease in accordance with the "sum of digits" method. Interest costs on fixed rate hire purchase contracts are also accounted for by this method.

The group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Operating leases

The group as a lessee

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease. Any benefits receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

The group as a lessor

Rental income from operating leases are credited to income on a straight-line basis over the terms of the lease.

Asset purchase rebates

Rebates and bonuses from manufacturers and distributors are credited to profit or loss over a three to five year period from the date of installation of the relevant assets to coincide with their expected life within the group.

Future purchase undertakings

As part of its trade the group has undertaken to purchase commercial vehicles and trailers from certain lessors and manufacturers upon the future termination of operating lease agreements or other arrangements with third parties at prices estimated to be not less than realisable value at the time of purchase. Where necessary a provision is made to the extent that such commitments are now estimated to exceed realisable value.

Where the commitment has been notified, the commercial vehicles and trailers are included within fixed assets at the expected cost of repurchase and the related liabilities are recognised in the statement of financial position. Fee income for future purchase undertakings is credited to profit or loss over the respective lives of such leases having regard to future assessment, inspection and other related costs.

Employee benefits

Retirement benefits

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the group in funds administered by insurance companies. Contributions to the defined contribution pension scheme are charged to the profit or loss in the year to which the contributions relate.

Long-term incentive schemes

The group operates a long-term incentive scheme for certain employees. Liabilities for the scheme are recognised when the group has an obligation to make payments as a result of a past event, and are measured at the present value of the obligation at the end of each reporting date. The scheme is an unfunded scheme.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Critical accounting judgements and key sources of estimation uncertainty

In applying the group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Critical judgements in applying the group's accounting policies

The critical judgements that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Accounting Policies continued

(ii) Classifying lease arrangements
The directors classify lease arrangements as finance leases where substantially all of the risks and rewards incidental to ownership pass to the lessee. In making this judgement the directors have considered the substance of the arrangement, taking into account various factors including; legal ownership, options to purchase the asset, the term of the lease, the useful economic life of the asset and the present value of the minimum lease payments. Arrangements which are not classified as a finance lease are classified as an operating lease.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Determining and reassessing useful economic lives and residual values of tangible and intangible assets
The group depreciates tangible assets, and amortises intangible assets, over their estimated useful lives. In determining appropriate useful lives of assets, the directors have considered historic performance as well as future expectations for factors such as the expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal limitations on the usage of the asset such as lease terms. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied to determine the residual values for tangible assets; particularly hire fleet, other vehicles and plant and equipment. When determining the residual values, the directors have assessed the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. At each reporting date, the directors also assess whether there have been any indicators, such as a change in how the asset is used, significant unexpected wear and tear and changes in market prices, which suggest previous estimates may differ from current expectations. Where this is the case, the residual value and/or useful life is amended and accounted for on a prospective basis.

(ii) Establishing fair value of investment properties
When the fair value of investment properties cannot be measured based on the price of a recent transaction for an identical asset or liability, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as market rent, vacancy rate, yield requirement and inflation. Changes in assumptions about these factors could affect the reported fair value of investment properties.

(iii) Establishing fair value of financial instruments
When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets or on the price of a recent transaction for an identical asset or liability, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iv) Recoverability of debtors
A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(v) Employee benefits – long-term incentive schemes
The group operates a long-term incentive scheme in respect of directors and certain senior employees. The group's obligation under this scheme at the reporting date is calculated using a number of assumptions including expected retention rates, achievement of annually set targets and estimated salary increases. The directors have estimated these assumptions based on historical experience and future expectations of market conditions.

Notes to the Financial Statements
for the year ended 31 December 2017

1. Revenue

Analysis by category
An analysis of turnover by category is as follows:

	2017 £'000	2016 £'000
Operating lease rental income	**208,321**	201,687
Sale of vehicles and equipment	**7,024**	4,340
	215,345	206,027

An analysis of other operating income by category is as follows:

	2017 £'000	2016 £'000
Rental income from investment properties	**686**	715
Royalties	**102**	121
	788	836

Geographical analysis
The group operates in two geographic segments – the UK and the rest of Europe. The respective turnover is set out below:

	United Kingdom		Rest of Europe		Group	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Turnover	**195,939**	189,241	**19,406**	16,786	**215,345**	206,027

2. Operating profit

	2017 £'000	2016 £'000
This is stated after charging:		
Repairs and maintenance expenditure	**25,865**	23,626
Depreciation of tangible fixed assets: owned assets	**97,411**	93,521
Operating leases: land and buildings	**2,127**	1,837
Operating leases: hire fleet	**462**	396
Foreign exchange loss	**20**	–
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	**104**	102
Fees payable to the company's auditor for other services to the company:		
Other advisory services	**3**	3
and after crediting:		
Profit on sale of tangible fixed assets	**4,823**	5,318
Manufacturers' rebates	**69**	136
Foreign exchange gain	**–**	194

Notes to the Financial Statements continued

3. Employees

The average monthly number of employees (including executive directors and other key management personnel) was:

	2017 Number	2016 Number
Average number of employees, including executive directors, during the year:		
Management	**44**	45
Sales and administration staff	**471**	454
Drivers, engineers and others	**282**	270
	797	769

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	**27,571**	25,595
Social security costs	**3,140**	2,877
Pension contributions	**1,571**	1,340
	32,282	29,812

The pension contributions above represent amounts payable by the group to the fund. £nil have been prepaid (2016: £nil).

4. Directors' emoluments and interests, including key management personnel

	2017 £'000	2016 £'000
Directors' emoluments		
Executive remuneration and benefits	**1,462**	2,965
Pension contributions	**20**	35
Total	**1,482**	3,000

	2017 £'000	2016 £'000
Highest paid director		
Executive remuneration and benefits	**684**	2,094
Pension contributions	**10**	–
Total	**694**	2,094

The number of directors to whom benefits were accrued under money purchase pension schemes was 2 (2016: 2).

Long-term incentive scheme

The group operates a long-term incentive scheme in respect of its directors. Amounts recognised at the reporting date are as follows:

	2017 £'000	2016 £'000
Provision as at 1 January	**596**	1,501
Charged to profit and loss account	**–**	432
Utilised in the year	**(196)**	(1,337)
Provision as at 31 December	**400**	596

Directors' interests

Throughout the year the group was controlled by trusts, the beneficiaries of which are P M Dawson and his immediate family.

P M Dawson did not receive a dividend during the year (2016: £9,991,000). P M Dawson loaned £3,000,000 to the company in 2014 and a further £3,000,000 in 2016, both loans are repayable on demand. Interest is charged, and being accrued, on this loan at 3.0% per annum. The accrued amount at 31 December 2017 was £42,000 (2016: £42,000). Interest of £180,000 has been charged in the year (2016: £156,000). The amount of capital outstanding at the reporting date was £6,000,000 (2016: £6,000,000).

Key management personnel

The directors of the group are considered to be the key management personnel. Details of their remuneration can be seen above.

5. Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on HP agreements	395	162
Release of fair value provision following settlement of swap contracts	–	36,506
Termination fee on cancellation of swaps	–	(16,506)
Income from collateralised debt agreement (note 16)	535	535
	930	20,697

6. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable on asset finance arrangements	5,227	6,195
Interest payable on loans and borrowings	367	326
Interest payable on derivative instruments: swap arrangements	5,913	11,517
	11,507	18,038

7. Taxation

	2017		2016	
	£'000	£'000	£'000	£'000
Analysis of profit or loss charge				
Tax charge for the year:				
Corporation tax	7,213		3,227	
Overseas tax	1,844		1,598	
Adjustments in respect of prior periods	60		(54)	
Total current tax		9,117		4,771
Deferred tax				
Origination and reversal of timing differences	(1,030)		2,904	
Adjustments in respect of prior periods	(34)		53	
Effect of decreased tax rate on deferred tax balance	–		(775)	
Total deferred tax		(1,064)		2,182
Total tax on profit on ordinary activities		8,053		6,953

Notes to the Financial Statements continued

7. Taxation continued

Reconciliation of tax charge included in profit or loss

The UK standard rate of corporation tax for the year is 19.25% (2016: 20%). The actual charge for the current and the previous year differ from the standard rate for the reasons set out in the following reconciliation:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	**39,690**	39,737
Tax on profit on ordinary activities at standard rate	**7,640**	7,947
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**23**	111
Difference in tax rates	**124**	(1,236)
Adjustments in respect of higher/lower overseas taxes	**353**	339
Indexation allowance	**(113)**	(158)
Losses brought forward utilised in the year	**–**	(49)
Adjustments in respect of prior periods	**26**	(1)
Total tax	**8,053**	6,953

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) was substantively enacted in September 2016 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 17% (2016: 17%).

Deferred tax expected to reverse in 2018 is £nil.

8. Intangible fixed assets

Group	Goodwill £'000
Cost:	
As at 1 January 2017	5,868
As at 31 December 2017	**5,868**
Amortisation and impairment:	
As at 1 January 2017	5,868
Charge for the year	–
As at 31 December 2017	**5,868**
Book value:	
As at 31 December 2017	**–**
As at 31 December 2016	–

Company

The company does not hold any intangible assets.

9. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Group total £'000	Company total £'000
Cost or valuation:						
As at 1 January 2017	8,546	–	849,824	13,375	871,745	1,981
Exchange adjustment	–	–	2,664	104	2,768	–
Revaluation	–	–	(4)	–	(4)	–
Reclassifications	–	–	(24)	24	–	–
Additions	–	767	147,912	2,864	151,543	195
Disposals	–	–	(159,165)	(2,085)	(161,250)	(118)
As at 31 December 2017	**8,546**	**767**	**841,207**	**14,282**	**864,802**	**2,058**
Depreciation:						
As at 1 January 2017	236	–	348,877	7,737	356,850	1,492
Exchange adjustment	–	–	1,087	66	1,153	–
Reclassifications	–	–	(12)	12	–	–
Charge for the year	56	–	95,475	1,880	97,411	183
Disposals	–	–	(106,781)	(1,326)	(108,107)	(59)
As at 31 December 2017	**292**	**–**	**338,646**	**8,369**	**347,307**	**1,616**
Book value:						
As at 31 December 2017	**8,254**	**767**	**502,561**	**5,913**	**517,495**	**442**
As at 31 December 2016	8,310	–	500,947	5,638	514,895	489

Freehold land and buildings

Freehold land and buildings include £590,000 of capitalised interest which arose on completion of the group's Milton Keynes head office in 1991.

Included within freehold property is £8,546,000 (2016: £8,546,000) of property held at valuation. The comparable amounts, as determined using historical cost accounting requirements were: cost of £5,631,000 (2016: £5,631,000) and accumulated depreciation of £2,901,000 (2016: £2,730,000).

Included in freehold land and buildings above is an amount of £1,475,000 which relates to limestone reserves on which depreciation of £56,000 has been charged during the year. (Cumulative depreciation to date is £292,000). The directors do not consider that this requires accounting for as a separate component. The historical cost of this is £650,000.

The fair values of the freehold properties were determined as at 31 December 2016 by an independent external valuer, holding a professional qualification with the Royal Institute of Chartered Surveyors and having experience in the locations and classes of the properties valued. The properties are valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuer's knowledge and experience of the property market. The directors are not aware of any material change in value since this valuation and therefore the fair values of the freehold land and buildings have not been adjusted.

Company

All of the tangible fixed assets of the company comprise other vehicles, plant and equipment.

10. Investment property

Group	**2017 £'000**	2016 £'000
Fair value:		
As at 1 January	**21,169**	16,752
Additions	**–**	1,814
Net gains on fair value adjustments	**–**	2,603
As at 31 December	**21,169**	21,169

The comparable amounts, as determined using historical cost accounting requirements were: cost of £17,959,000 (2016: £17,959,000) and accumulated depreciation of £1,675,000 (2016: £1,610,000). Included in investment property above is £17,812,000 (2016: £17,812,000) relating to investment property in an agricultural estate purchased in 2008. The historic cost of this investment property was £12,077,000.

10. Investment property continued

The fair values of the investment properties were determined as at 31 December 2016 by an independent external valuer, holding a professional qualification with the Royal Institute of Chartered Surveyors and having experience in the locations and classes of the investment properties valued. Investment properties were valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuer's knowledge and experience of the property market. The directors are not aware of any material change in value since this valuation and therefore the fair values of the investment properties have not been adjusted.

There are no restrictions on the realisability of investment property or the remittance of any income or proceeds on disposal. The company does not have any contractual obligations to purchase, construct or develop investment property for repairs, maintenance or enhancements.

Company

The company does not hold any investment property.

11. Investment in subsidiary undertakings

	2017 £'000	2016 £'000
Cost or valuation:		
As at 1 January	**49,111**	49,111
As at 31 December	**49,111**	49,111

This represents the investment by Dawsongroup plc in the entire issued ordinary share capital of its subsidiary undertakings, all of which are incorporated and operate within the United Kingdom:

Subsidiary undertaking	Principal activity
Alexena Limited	Property and investment.
Dawsonrentals Limited	Holding company of United Kingdom trading subsidiary undertakings.
Dawsongroup International Limited	Holding company of overseas subsidiary undertakings.
Praedium Property Limited	Property.

The following companies were the trading subsidiary undertakings of Dawsonrentals Limited, Alexena Limited and Dawsongroup International Limited during the year ended 31 December 2017:

Subsidiary	Country of operation and incorporation	Principal activity
Dawsongroup Truck and Trailer Limited *	United Kingdom	Hire of commercial vehicles and trailers.
Dawsongroup Bus and Coach Limited *	United Kingdom	Hire of buses and coaches.
Dawsongroup Vans Limited *	United Kingdom	Hire of commercial vans.
Dawsongroup Material Handling Limited (formerly Dawsonrentals Materials Handling Equipment Limited)	United Kingdom	Hire of material handling and sweepers.
Dawsongroup Temperature Control Solutions Limited *	United Kingdom	Hire of temperature-controlled products.
Dawsongroup Portable Cold Rooms Limited *	United Kingdom	Hire and sale of commercial refrigeration equipment.
D.G. Finance Limited	United Kingdom	Vehicle finance.
Dawsongroup Temporary Kitchens Limited *	United Kingdom	Hire of kitchen units and equipment.
Dawsongroup Finance Limited (formerly LHE Finance Limited)	United Kingdom	Finance specialists.
Ventura Rental Limited	United Kingdom	Buying and selling of fixed assets.
Dawson Road Limited	United Kingdom	Group property.
Dawsongroup International BV	The Netherlands	Overseas holding company.
Thermobil Mobile Kühllager GmbH	Germany	Hire of temperature-controlled products.
Modulfroid Service SARL	France	Hire of temperature-controlled products.
Dawsonrentals (Nederland) BV	The Netherlands	Hire of temperature-controlled products.
Dawsonrentals Polska Sp. z o.o.	Poland	Hire of temperature-controlled products.
Dawsongroup TCS Ireland Limited *	Ireland	Hire of temperature-controlled products.
Dawsonrentals Iberica S.L	Spain	Hire of temperature-controlled products.

*The UK and Irish trading subsidiaries have been renamed after the year end from Dawsonrentals to Dawsongroup as reflected above e.g. Dawsonrentals Truck and Trailer Limited is now Dawsongroup Truck and Trailer Limited.

The registered office address for all UK entities is Delaware Drive, Tongwell, Milton Keynes MK15 8JH. The overseas registered offices are the same as their place of business as shown in the business directory.

All investments represent 100% of the issued ordinary share capital. 100% of the voting rights in each subsidiary undertaking are held ultimately by Dawsongroup plc.

12. Trade and other debtors

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year				
Trade debtors	24,968	55	21,238	82
Amounts receivable under finance lease	2,570	–	1,080	–
Other debtors	4,831	1,400	1,421	1,078
Prepayments	4,478	277	4,190	209
Tax recoverable	116	3,618	3,452	3,077
Loans receivable from subsidiary undertakings	–	56,860	–	54,396
Amounts owed by subsidiary undertakings	–	5,740	–	9,624
	36,963	67,950	31,381	68,466
Due after one year				
Amounts receivable under finance leases	3,353	–	1,861	–
	40,316	67,950	33,242	68,466

Loans receivable from subsidiary undertakings are unsecured, repayable on demand and earn interest at 0.25% below base rate. All other amounts owed to subsidiary undertakings are unsecured and repayable on demand.

13. Cash and cash equivalents

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments – short-term deposits				
Unrestricted	134	9	301	9
Restricted	42,190	42,190	41,860	41,860
Cash at bank and in hand	3,405	10	2,950	7
Total cash and cash equivalents	45,729	42,209	45,111	41,876
Less: restricted	(42,190)	(42,190)	(41,860)	(41,860)
Total unrestricted cash and cash equivalents	3,539	19	3,251	16

Amounts available for use by the group

At the reporting date, £42,190,000 (2016: £41,860,000) of short-term deposit investments is not available for use by the group as it is held on deposit as collateral in respect of the collateralised debt agreement (note 16).

Short-term deposit investments are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was 0.5% (2016: 0.5%).

Cash at bank and in hand are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was nil% (2016: nil%).

Notes to the Financial Statements continued

14. Borrowings

Group

	Due within one year £'000	Due after more than one year £'000	2017 Total £'000	Due within one year £'000	Due after more than one year £'000	2016 Total £'000
Bank overdrafts	4,713	–	4,713	13,894	–	13,894
Asset finance arrangements	111,726	131,739	243,465	115,441	130,873	246,314
	116,439	131,739	248,178	129,335	130,873	260,208

The group has no committed borrowing facilities.

Asset finance arrangements

Asset finance arrangements comprise hire purchase, finance lease and other similar funding effectively secured on specific underlying hire fleet assets. These are all repayable by instalments as follows:

	2017 Total £'000	2016 Total £'000
Within one year	111,726	115,441
Between one and two years	64,189	73,830
Between two and five years	61,327	52,833
After more than five years	6,223	4,210
	243,465	246,314

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2017 Total £'000	2016 Total £'000
Variable rate	242,920	245,226
Fixed rate	545	1,088
	243,465	246,314

Company

	Due within one year £'000	Due after more than one year £'000	2017 Total £'000	Due within one year £'000	Due after more than one year £'000	2016 Total £'000
Bank overdrafts	6,523	–	6,523	14,722	–	14,722
	6,523	–	6,523	14,722	–	14,722

Bank overdrafts attract interest at a rate of 1.9% (2016: 1.9%) and are repayable on demand.

15. Trade and other creditors

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Due within one year				
Trade creditors	**29,830**	**27**	35,209	81
Accruals	**16,346**	**4,006**	15,917	4,297
Other creditors	**5,750**	**5,750**	1,500	1,500
Tax payable	**4,323**	**–**	4,136	–
Deferred income	**533**	**533**	533	533
Other tax and social security	**5,576**	**131**	3,754	110
Deposits payable to subsidiary undertakings	**–**	**47,755**	–	38,333
Derivative financial instruments (note 16)	**47,764**	**–**	53,201	–
	110,122	**58,202**	114,250	44,854
Due after one year				
Deferred income	**7,299**	**7,299**	7,832	7,832
Other creditors	**592**	**250**	5,325	5,070
	7,891	**7,549**	13,157	12,902

Deposits payable to subsidiary undertakings are unsecured, repayable on demand and incur interest at 1% (2016: 1%) above base rate.

16. Derivative financial instruments

The group's exposure to variable rate borrowings is hedged by the use of interest rate swaps under which the group pays interest at the following average fixed rates and receives interest at the prevailing relevant 3 and 6 month LIBOR rates.

	2017 Total £'000	2017 Average rate %	2016 Total £'000	2016 Average rate %
Period to expiry:				
Within one year	**120,000**	**4.3**	160,000	4.6
Between one and two years	**–**	**–**	–	–
Between two and five years	**–**	**–**	–	–
After more than five years	**–**	**–**	–	–
	120,000	**4.3**	160,000	4.6

The fair value of the interest rate swaps are as follows:

	2017 £'000
Fair value at 1 January 2017	**53,201**
Gain arising on fair value of interest rate swaps	**(5,437)**
Fair value at 31 December 2017	**47,764**

The fair value of the interest rate swaps has been estimated using valuation techniques that use market and non-market inputs to estimate the expected discounted cash flows as determined by the issuer of the derivative contract.

In 2015, the group entered into a collateralised debt agreement with the Royal Bank of Scotland ("RBS"), the interest rate swap counterparty, to partially offset the group's liability payable upon settlement of certain derivative contracts. As part of this agreement, RBS has deposited £9,220,000 to the group which is subject to certain conditions over the remaining term of the derivative contracts. The deposit has been recognised within deferred income (note 15) and is being recognised as income over the remaining term of the agreement.

Notes to the Financial Statements continued

17. Provisions for liabilities and charges

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Employee benefits	3,041	859	3,393	1,243
Deferred tax	10,761	–	11,820	–
Other provisions	601	–	444	–
	14,403	859	15,657	1,243

Employee benefits	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Long-term incentive schemes	3,041	859	3,393	1,243
	3,041	859	3,393	1,243

The provision for long-term incentive schemes at 31 December 2017 included £400,000 (2016: £596,000) in respect of the directors' long-term service bonus scheme (note 4) and £2,641,000 (2016: £2,797,000) relating to schemes in place for other employees.

Deferred tax	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Accelerated capital allowances	19,352	–	21,304	–
Other timing differences	(325)	–	(407)	–
Investment and freehold property held at fair value	(146)	–	(33)	–
Derivative instruments held at fair value	(8,120)	–	(9,044)	–
Provision for deferred tax	10,761	–	11,820	–
Deferred tax asset	(8,591)	–	(9,484)	–
Deferred tax liability	19,352	–	21,304	–
Net deferred tax liability	10,761	–	11,820	–

The net deferred tax asset/liability expected to reverse in 2018 is £nil.

Other provisions	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Future contractual liabilities	601	–	444	–
	601	–	444	–

17. Provisions for liabilities and charges continued

Reconciliation of movements in the year

	Employee benefits £'000	Deferred tax £'000	Other provisions £'000	Total £ '000
Group				
As at 1 January 2017	3,393	11,820	444	15,657
Charged/(credited) to profit or loss	1,040	(1,064)	258	234
Utilised in the year	(1,410)	–	(101)	(1,511)
Exchange adjustment	18	5	–	23
As at 31 December 2017	**3,041**	**10,761**	**601**	**14,403**

	Employee benefits £'000
Company	
As at 1 January 2017	1,243
Charged to profit or loss	157
Utilised in the year	(541)
As at 31 December 2017	**859**

18. Called up share capital

	2017		2016	
	Number	**£'000**	Number	£'000
Authorised				
Ordinary shares of 25p each	**51,000,000**	**12,750**	51,000,000	12,750
Allotted, issued and fully paid				
Ordinary shares of 25p each	**32,228,962**	**8,057**	32,228,962	8,057

The ordinary shares carry one voting right per share and no right to fixed income.

19. Dividends

	2017 p per share	2016 p per share	**2017 £'000**	2016 £'000
Ordinary shares:				
First interim paid	**–**	31.0	**–**	9,991
	–	31.0	**–**	9,991

Notes to the Financial Statements continued

20. Operating lease commitments

The group as lessee

The group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	2017		2016	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	33	1,342	33	1,078
Later than one year not later than five years	33	2,332	72	2,394
Later than five years	–	485	–	568
Total future minimum lease payments	66	4,159	105	4,040

The group as lessor

The group leases hire fleet, other vehicles, plant and equipment and land and buildings to third parties. The future minimum lease payments receivable under those non-cancellable leases are as follows:

	2017		2016	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	81,574	486	73,448	505
Later than one year not later than five years	100,490	1,524	79,025	1,259
Later than five years	1,811	3,987	2,101	4,331
Total future minimum lease payments	183,875	5,997	154,574	6,095

The above table excludes expired contracts and those contracts that are transient in nature. These are all for less than one year.

The company as lessee

The company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	2017 Land and buildings £'000	2016 Land and buildings £'000
Not later than one year	327	327
Later than one year not later than five years	1,309	1,309
Later than five years	2,510	2,837
Total future minimum lease payments	4,146	4,473

21. Capital commitments

Future capital expenditure	2017 £'000	2016 £'000
Outstanding contracts for capital expenditure	64,221	43,131

Future purchase undertakings

As part of its trade, the group has undertaken to purchase commercial vehicles and trailers from certain lessors and manufacturers upon the future termination of operating lease agreements or other arrangements with third parties at prices estimated to be not less than realisable value at the time of purchase. At 31 December 2017 the maturity periods and maximum amount of these undertakings were:

	2017 £'000	2016 £'000
Between two and five years	1,535	2,730

22. Contingent liabilities

Group

The group entered into a collateralised debt agreement with the Royal Bank of Scotland ("RBS") to reduce the group's liability payable upon settlement of certain derivative contracts (note 16). The deposit of £9,220,000 provided by RBS is subject to certain conditions during the remaining term of the derivative contracts. The group consider that these conditions will be met.

Company

The company has given guarantees in respect of certain financial obligations of its subsidiary undertakings in the normal course of business. At 31 December 2017 these obligations amounted to £243,880,000 (2016: £245,485,000).

The company has entered into a cross guarantee with various other group companies to secure their banking facilities.

23. Related party transactions

Advantage has been taken of the exemption conferred by Section 33 *Related Party Disclosures* not to disclose transactions with subsidiary undertakings 100% of whose voting rights are controlled within the group.

24. Post balance sheet event

As per the investments note (note 11) various subsidiary companies changed their names on 19 March 2018.

Five Year Record

	FRS 102 2017 £'000	FRS 102 2016 £'000	FRS 102 2015 £'000	FRS 102 2014 £'000	Old UK GAAP 2013 £'000
Turnover	**215,345**	206,027	197,445	181,331	159,867
Operating profit before exceptional items	**44,830**	46,522	49,490	45,701	36,007
Gains/(losses) on revaluation of investment properties	**–**	2,603	10	(3)	–
Exceptional items	**–**	–	–	–	–
Profit on ordinary activities before interest and fair value of derivatives	**44,830**	49,125	49,500	45,698	36,007
Net interest payable	**10,577**	17,341	18,555	18,385	17,162
Profit before tax and fair value of derivatives	**34,253**	31,784	30,945	27,313	18,845
Release of fair value provision on settlement of swaps	**–**	36,506	–	–	–
Termination fee on cancellation of swaps	**–**	(16,506)	–	–	–
Gains/(losses) on fair value of derivatives	**5,437**	(12,047)	11,488	(27,066)	–
Profit before tax	**39,690**	39,737	42,433	247	18,845
Intangible fixed assets	**–**	–	–	–	14
Tangible fixed assets	**517,495**	514,895	506,202	450,455	446,805
Investment property	**21,169**	21,169	16,752	16,742	–
Net liabilities (excluding cash and borrowings)	**(28,726)**	(39,929)	(34,668)	(26,221)	(27,393)
Provisions for liabilities and charges	**(14,403)**	(15,657)	(13,165)	(12,908)	(32,334)
Net assets employed	**495,535**	480,478	475,121	428,068	387,092
Share capital	**8,057**	8,057	8,057	8,057	8,057
Reserves	**237,265**	204,123	177,344	147,317	201,653
Shareholders' funds	**245,322**	212,180	185,401	155,374	209,710
Net borrowings	**202,449**	215,097	212,060	183,546	177,382
Derivatives	**47,764**	53,201	77,660	89,148	–
Capital employed	**495,535**	480,478	475,121	428,068	387,092
Operating profit before exceptional items as a percentage of:					
Turnover	**20.8%**	22.6%	25.1%	25.2%	22.5%
Average capital employed	**9.2%**	9.7%	11.0%	11.2%	9.6%
Borrowing ratio	**83%**	101%	114%	118%	85%
Average number of employees	**797**	769	711	676	642
Turnover per employee (£)	**270,195**	267,916	277,700	268,241	249,014
Operating profit per employee (£)	**56,249**	60,496	69,606	67,605	56,086

Business Directory

UK business centres

(Supported by a branch network of 33 locations)

Dawsongroup Truck and Trailer Limited
Delaware Drive
Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Used vehicle disposals division

Dawsondirect
Delaware Drive
Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Dawsongroup Bus and Coach Limited
Delaware Drive
Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Used bus and coach disposals division

Ventura
Wharley Road
Cranfield
Milton Keynes MK43 0AW
Tel: 01908 218111
Email:
contactus@venturasales.co.uk

Dawsongroup Material Handling Limited
Aberford Road
Garforth
Leeds LS25 2ET
Tel: 01132 874874
Email:
contactus@dawsongroup.co.uk

Dawsongroup Sweepers
Municipal House
Armytage Road
Brighouse HD6 1PT
Tel: 01484 400111
Email:
contactus@dawsongroup.co.uk

Dawsongroup Temperature Control Solutions Limited
Fulwood Industrial Estate
Sutton-in-Ashfield
Nottinghamshire NG17 6AF
Tel: 01623 516666
Email: info@dgtcs.co.uk

Dawsongroup Vans Limited
Dawson Road
Mount Farm
Milton Keynes
MK1 1JN
Tel: 01908 335177
Email:
contactus@dawsongroup.co.uk

Used van disposals division

Van Ninja
Dawson Road
Mount Farm
Milton Keynes
MK1 1JN
Tel: 01908 335183
Email: info@vanninja.co.uk

Dawsongroup Portable Cold Rooms Limited
Units 15 & 16
Pucklechurch Trading Estate
Pucklechurch
Bristol BS16 9QH
Tel: 01179 373310
Email:
contactus@dawsongroup.co.uk

Dawsongroup Temporary Kitchens Limited
Units 15 & 16
Pucklechurch Trading Estate
Pucklechurch
Bristol BS16 9QH
Tel: 01179 373310
Email:
contactus@dawsongroup.co.uk

Dawsongroup Finance Limited
21 Headlands Business Park
Ringwood BH24 3PB
Tel: 01425 474070
Email:
contactus@dawsongroup.co.uk

Overseas business centres

France

Modulfroid Service SARL
1 rue Lenôtre
BP 636
95196 Goussainville Cedex
Paris
France
Tel: 00 33 1 39 88 63 00
Email: info@modulfroid.fr

Germany

Thermobil Mobile Kühllager GmbH
Otto-Schott Str. 30
D-41542 Dormagen
Germany
Tel: 00 49 2133 50640
Email: info@thermobil.de

The Netherlands

Dawsonrentals (Nederland) BV
Conradstraat 18
Unit E6.179
3013 AP Rotterdam
Nederland
Tel: 00 31 10 495 2955
Email: info@dawsonrentals.nl

Ireland

Dawsongroup TCS Ireland Limited
Unit 20, Toughers Business Park
Newhall, Naas
County Kildare
Ireland
Tel: 00 353 45 44 88 10
Email: contactus@dawsongroup.ie

Poland

Dawsonrentals Polska Sp. z o.o.
ul. Marywilska 34 A
03-228
Warszawa
Poland
Tel: 00 48 22 877 4115
Email: info@dawsonrentals.pl

Spain

Dawsonrentals Ibérica S.L.
Passeig del Rengle 5,7ma Mar
08302 Mataró
Barcelona
Spain
Tel: 0034 93 015 35 14
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