Dawsongroup plc

ANNUAL REPORT & ACCOUNTS 2015

Dawsongroup

CELEBRATING
80 years 1935 - 2015

1935
Mr A.E.H Dawson, Peter Dawson's father, started a road haulage business in Leighton Buzzard.

1974
Dawsonrentals established as a truck rental operation.

1980
Between January 1980 and February 1981 the truck rental, commercial vehicle and road haulage business were brought together under one holding company.

1985
The group reorganised to trade as Dawsongroup. A trailer division was introduced.

1988
On 1 December 1988 Dawsongroup plc was floated on the London Stock Exchange.

1991
Operations were transferred to a new head office in Delaware Drive, Milton Keynes.

1994
Bus and Coach division was established.

1995
Materials Handling Equipment division was acquired.

2015
Dawsonrentals Portable Cold Stores and Dawsonrentals Display Refrigeration were rebranded to Dawsonrentals Temperature Control Solutions and Dawsonrentals Portable Cold Rooms respectively to better reflect their current businesses.

The group delivered record financial results with rental assets now totalling almost 21,500.

2013
Rebranded van rental business as Dawsonrentals Vans and used sales as Dawsonrentals Van Sales.

Opened new van dedicated site in Mount Farm, Milton Keynes.

2011
Van rental business established.

2005
Northern Municipal Spares Ltd (NMS) was acquired in July, based in Brighouse with a fleet of 430 sweepers.

2003
LHE Finance Limited and Temporary Kitchens Limited were acquired.

2000
In October the company was delisted from the Stock Exchange.

Rawlings Refrigeration was acquired, expanding the refrigeration products to include display refrigeration.

1999
Entry to Ireland expanded European venture.

1997
Acquired Portable Cold Storage Limited including businesses in Germany (Thermobil) and France (Modulfroid).








Dawsongroup plc

Operational areas

Dawsongroup is one of Europe's leading asset rental businesses and the UK's largest independent company in the sector, specialising in a wide range of commercial vehicles, buses, coaches, materials handling equipment, 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 broker services.

Celebrating 80 years in business, Dawsongroup invested a record £183m in 2015 and now owns almost 21,500 high quality premium assets, rented to a broad customer base of large reputable companies.

Following the economic storm of recent years, Dawsongroup proved well placed to capitalise on the opportunities of the recovering UK economic climate, enjoying a fast start to 2015 that ensured record performances in many parts of the business.

Chairman's Statement

Peter M Dawson

Our strategy of maintaining investment in new premium equipment has supported this success, with our rentable assets increasing by nearly 10%, as well as driving our goal of a young fleet with high reliability and low running costs – placing Dawsongroup at the forefront of technological advances.

We have also continued our investment in new sites, facilities and infrastructure, as well as a range of IT initiatives that will help maintain Dawsongroup as an industry leader in customer service.

The board remains confident of the future for the group, despite the uncertainties that exist pending "Brexit", a wavering world economy and political tensions in key global areas.

Results and dividend

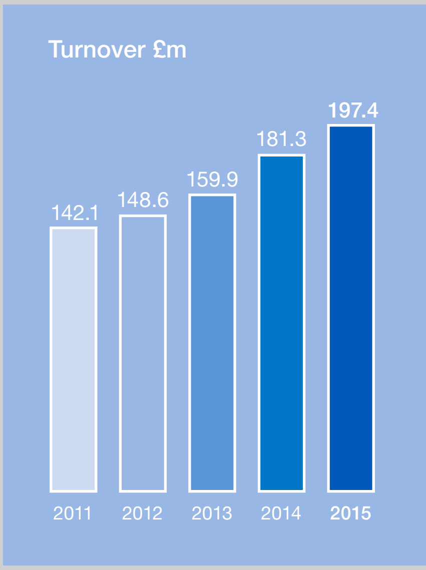
On turnover of £197.4m (2014: £181.3m), profit before tax and fair value adjustments increased by £3.6m to £30.9m (2014: £27.3m).

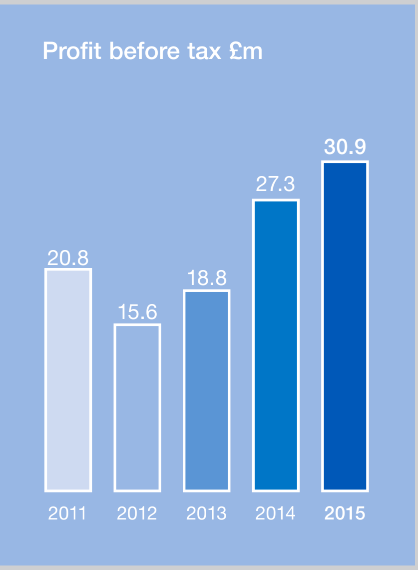
The dividends for the year amounted to £3.0m (2014: £5.0m).

Balance sheet

Capital expenditure for the year amounted to £183.0m compared with £140.9m in the previous year. Asset disposal profits of £6.2m (2014: £5.8m) were achieved from proceeds of £44.9m (2014: £50.0m). These, together with operational cash flows of £122.3m (2014: £108.2m), meant that net debt increased by £28.6m to £212.1m.

Despite this, gearing reduced to 114% which is exceptionally low for an asset rental business supported by a strong contractual base. Unexpired contract revenue stood at £145.1m compared with £154.9m last year. Interest was covered 2.7 times by operating profit (2014: 2.5 times).





People

The most notable feature of 2015 was the consistency of staff commitment to the company's success. There were no board or divisional MD changes, and the average length of service of the group's 700 plus staff was over ten years, even after the recent and rapid growth of Dawsonrentals Vans.

The company also welcomed Charles Dawson, who joins his sister Freya as the next generation of the Dawson family so that Dawsongroup continues as a family business into the future. In addition, management talent is being developed through a business mastery programme as well as a newly introduced graduate recruitment scheme.

Dawsongroup has continued to invest in staff training and development, as well as maintain the new staff rewards programme and "Vision" magazine communication platform.

Outlook

Our focus on renting premium equipment with outstanding customer service will continue – and it is very encouraging to see more customers making long term commitments.

Our focus for 2016 will be to continue to develop our market advantage in truck and trailer rental, further consolidate our TCS business in Europe and continue the expansion of Dawsonrentals Vans.

However, market uncertainties will dictate a more cautious approach to 2016 and we anticipate significant commercial pressures which will restrain business performance for a time. In particular, asset disposal channels are constrained by oversupply in certain sectors, combined with continued political barriers in Africa and Eastern Europe.

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. Moreover, the expansion of Dawsonrentals Finance to incorporate more of the group's activities alongside a wider portfolio of finance providers will expand the scope of opportunity in the future.

Peter M Dawson
B Eng, FIMI
Chairman

23 March 2016

Strategic Report

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

Michael J Williams

Anthony Coleman

Strategic Review

	2015 £m	%	2014 £m	%
Trucks and trailers	94.3	47.8	89.2	49.2
Vans	21.7	11.0	17.4	9.6
Materials handling equipment and sweepers	17.5	8.9	15.2	8.4
Temperature-controlled products	36.3	18.3	35.0	19.3
Buses and coaches	27.1	13.7	23.9	13.2
Finance brokerage	0.5	0.3	0.6	0.3
Group revenue	197.4	100.0	181.3	100.0

Investment decisions taken in 2014 ensured that 2015 was a record year in many parts of the business, as customers took advantage of Dawsongroup's commitment to new trucks, trailers, vans and buses in particular, which in turn led to high utilisation and revenue growth.

Furthermore, asset disposal channels were reasonably positive despite demand for used equipment from Eastern Europe, Middle East and Africa being constrained by political and economic issues.

Our decision to maintain investment enabled record truck, van and trailer revenues to be achieved in 2015. Despite more recent economic uncertainty, this places Dawsongroup in the favourable position of having a significant low-age, reliable fleet with strong customer appeal and a competitive cost base.

Our European businesses also performed well despite significant economic disruption, providing a platform for further growth once the euro zone economies recover. Exchange rate movement had some negative impact on performance reducing profits by £0.5m, however Europe will remain a key expansion opportunity for the group in the long term.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Strategic Report continued

Vans

Materials handling equipment

Dawsongroup's decision to expand into new specialist product sectors, that utilise established expertise and existing customer relationships – notably in waste handling vehicles, mobility vans and minibuses, camper vans and specialist temperature controlled buildings – have all delivered encouraging results. These developments are supported by a series of strategic partnerships with specialist manufacturers with whom Dawsongroup have exclusive rights to hire their products. Furthermore, a number of innovative products utilising in-vehicle telematics will strengthen customer service and compliance data provision.

Trucks and trailers

All aspects of business dynamics were positive, showing significant growth across the board, despite a general cooling in market conditions as the year progressed. The company's decision to lead the market by investing in new trailers and Euro 6 trucks, together with a high profile marketing campaign, generated high demand for our well-defined flexible contract hire and rental product.

Long lead times from trailer manufacturers increased demand further – and with Dawsongroup now established as the leading source of Euro 6 trucks, with over 50% of its truck fleet meeting this new legislative standard, a number of major contracts were secured during the trading period and many new customers are engaging in future acquisition discussions.

During 2015, the used sales disposal arm was expanded and rebranded to create a more retail oriented offer and to offset the downturn in established export markets.

Significant investment is also being made to assist customers in meeting regulatory and compliance requirements in both truck and trailer operation, as well as systems to provide real time operating data. In particular, provision of customer on-line access to maintenance and compliance data and our iPhone check in/check out App have been well received by customers and continue to position Dawsongroup as a market leader in customer care and innovation.

Vans

The van rental business has continued its strong trading performance with double digit growth in all areas and a significant rise in Dawsonrentals Vans customer base.

Importantly, under the established management team, the business processes and procedures have been overhauled to ensure that profitable growth continues against a background of strong customer satisfaction, with a sound platform for onward development and expansion, now having consolidated all finance and administration functions in one dedicated location.

With continued investment in new equipment and infrastructure, a fleet age profile of 12 months and a highly flexible rental offering, the Dawsonrentals 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.

Materials handling equipment

The materials handling market remains challenging, however Dawsonrentals' ability to offer customers a flexible range of products with predictable costs has enabled the MHE division to achieve 6.6% growth in 2015.

Significant investment has been made in the division's headquarters at Garforth that will enhance the staff's working environment and internal communications, which in turn will bring higher efficiencies and customer satisfaction. Furthermore, 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 with a number of leading equipment manufacturers.

Sweepers

Dawsonrentals Sweepers strengthened its position as market leader in the UK self-drive sweeper sector with a strong performance in 2015, increasing revenue by 18.6% with good profit contribution.

Ongoing investment in new equipment continued to reduce the fleet age profile, ensuring higher levels of reliability and performance for customers.

A strong focus on customer service has increased the customer base and secured new long term contracts, justifying the decision to expand into the gully tanker and refuse collection sectors, with continuing encouraging results.

Temperature-controlled products

Dawsonrentals Temperature Control Solutions has evolved in recent years from an equipment rental provider to become a consultative business partner, offering innovative solutions and assisting process change to bring best results for customers.

This consultative approach is clearly demonstrated in the pharmaceutical sector, where Dawsonrentals Temperature Control Solutions is now identified as the industry preferred supplier.

Investment is concentrated on safety and energy management, which when combined with the long product life cycle in this sector, will provide significant competitor advantage over time. With revenue growth of nearly 5.0% in 2015, half of which included delivery of new, energy efficient equipment, future prospects remain strong, despite the price pressures arising from cost cutting programmes within the food sector.

Sweepers

Temperature-controlled products

Portable cold rooms and temporary kitchens

Buses and coaches

The temperature controlled solutions businesses in Europe also performed well, considering market conditions; maintaining group revenue and profit contributions, despite these being undermined by negative exchange rate movements.

Portable cold rooms and temporary kitchens

We are continuing to reduce certain assets in this sector as returns have been historically weak, however new modular cold room products and services are being developed, together with revised designs of temporary kitchens, that have shown potential and are now making a positive contribution to Dawsongroup.

This division also incorporates a small camper van rental business, utilising and converting nearly new vans sourced from Dawsonrentals Vans.

Buses and coaches

Continued restrictions to Government financial support for the public transport sector have not prevented Dawsonrentals Bus and Coach from improving its performance, with good growth in both revenue and utilisation.

Dawsonrentals Bus and Coach's ability to offer fully supported contract hire packages for passenger carrying vehicles, including mini-buses, maintains the company's position as a leader in this sector.

Finance Brokerage

Following a difficult year in 2014 with the withdrawal of key funders from the market, combined with a growing risk appetite from the UK banks, the pressure on this division to maintain its performance in 2015 was a huge challenge.

The appointment of Robert Taylor early in 2015 brought fresh energy and direction to this business, which the board have every confidence can regain its role as a key profit contributor to the group, as well as facilitating other group sales activities.

The development of Dawsongroup Finance, which started trading in January 2016 will further seek to make the most of internal financing opportunities.

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 Dawsonrentals Van Sales. 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 £6.2m (2014: £5.8m) from proceeds of £44.9m (2014: £50.0m).

Employees

We would like to express our gratitude to our workforce, now numbering over 700, 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 review. This review provides further information on other significant financial issues.

Interest

On average net borrowings during the year of £197.8m (2014: £180.5m), net interest payable increased by £0.17m to £18.56m (2014: £18.39m).

Interest cover has increased to 2.7 times (2014: 2.5 times).

Tax

The 2015 tax charge is £8.19m which is comprised of corporation tax payable of £7.23m and deferred tax of £0.96m. Corporation tax actually payable in respect of 2015 profits was £7.57m (2014: £6.35m).

Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £122.3m (2014: £108.2m). A further £44.9m (2014: £50.0m) was generated from the disposal of fixed assets. Cash outflow for interest paid, tax and dividends, together amounted to £29.6m (2014: £29.8m).

Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £183.0m (2014: £140.9m).

Borrowings

Net debt increased to £212.1m (2014: £183.5m), comprising hire fleet asset finance of £246.4m (2014: £195.1m) less net cash of £34.3m (2014: £11.6m). Year-end gearing was 114% (2014: 118%).

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, at 5 years. As a result, 29% of such borrowings at the year-end were due to mature in more than 2 but less than 5 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 £298.5m, effectively fixing the relevant variable rate asset finance debt at an average base rate of 4.8%.

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 balance sheet 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 2015 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:-

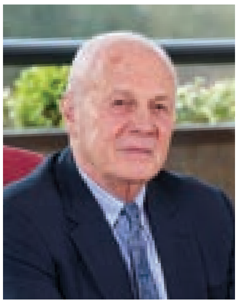
- a wide asset portfolio – almost 21,500 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2015 represented just 6.0% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – numbering over 700 across 7 countries; and
- a proven track record in the asset rental and contract hire industry spanning 40 years.

Michael J Williams
Group Chief Executive

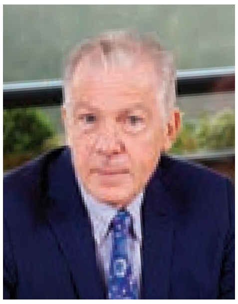
Anthony Coleman
Group Finance Director

23 March 2016

Directors and Advisers



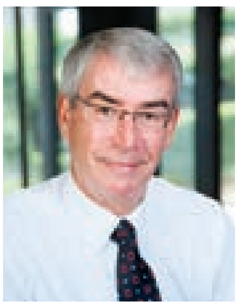
Peter M Dawson
B Eng, FIMI
Executive Chairman
Peter joined the family haulage business in 1956 and spearheaded the early growth and development of the group.
AGED 77



Michael J Williams
Group Chief Executive
Having been managing director of Dawsonrentals since 1979, Michael was appointed group chief executive in 1993 and is now in his 41st year with the group.
AGED 68

Anthony Coleman
FCA
Group Finance Director
Appointed group finance director in January 2006, Anthony is now in his 16th year with the group having joined as group financial controller and company secretary.
AGED 42

Stephen J Miller
Group Managing Director
Stephen joined the group in 1986 and was appointed managing director of Dawsonrentals Truck and Trailer in 2002. In October 2009 he was appointed group managing director.
AGED 50



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 62

Group headquarters and registered office
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Delaware Drive
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Milton Keynes
MK15 8JH
Tel: 01908 218111
Fax: 01908 218444

Registered number
1902154

Website
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Secretary
Lucinda A Kent
FCA

Auditor
Mazars LLP
The Pinnacle
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Principal bankers
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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 2015.

Activities and business review

The principal activity of the group is the rental of commercial vehicles, trailers, vans, buses, coaches, sweepers, materials handling equipment, temperature-controlled products and kitchens. It also provides finance broker 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 and 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 15 to 39.

The profit after tax for the financial year was £34,246,000 (2014: loss £656,000). Ordinary dividends of £3,030,000 were paid (2014: £5,002,000).

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 £7,823 (2014: £3,804). 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 2015 the amount for trade creditors in the balance sheet represented 23 days (2014: 19) of average daily purchases for the company and 14 days (2014: 34) 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 10.

These matters relate to activities and business review and risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the 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

Lucinda A Kent
FCA

Secretary

23 March 2016

Report of the Auditors

Independent auditor's report to the members of Dawsongroup plc

We have audited the financial statements of Dawsongroup plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at *www.frc.org.uk/auditscopeukprivate.*

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Stephen Brown

Stephen Brown
(Senior Statutory Auditor)

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

The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 23 March 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

Continuing operations	Notes	2015 £'000	2014 £'000
Turnover	1	**197,445**	181,331
Cost of sales		**116,429**	106,756
Gross profit		**81,016**	74,575
Other operating income	1	**740**	686
Administrative expenses		**32,266**	29,560
Operating profit	2	**49,490**	45,701
Gains/(losses) arising on fair value of investment property	10	**10**	(3)
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		**49,500**	45,698
Interest receivable and similar income	5	**455**	60
Interest payable and similar charges	6	**19,010**	18,445
Profit on ordinary activities before fair value of derivative instruments and taxation		**30,945**	27,313
Gains/(losses) arising on fair value of derivative instruments	16	**11,488**	(27,066)
Profit on ordinary activities before tax		**42,433**	247
Taxation	7	**8,187**	903
Profit/(loss) for the year attributable to owners		**34,246**	(656)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**(1,055)**	(1,604)
Loss on revaluation of freehold property	9	**(128)**	(34)
Deferred tax on revaluation of freehold property	7	**(6)**	–
Total comprehensive income attributable to owners		**33,057**	(2,294)

The notes on pages 21 to 39 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Intangible assets	*8*		–		–
Tangible assets	*9*		506,202		450,455
Investment property	*10*		16,752		16,742
			522,954		467,197
Current assets					
Stock		854		928	
Trade and other debtors	*12*	24,231		28,905	
Investments – short-term deposits	*13*	36,360		7,318	
Cash at bank and in hand	*13*	1,850		4,252	
		63,295		41,403	
Creditors due within one year					
Borrowings	*14*	108,243		89,244	
Trade and other creditors	*15*	127,910		143,174	
		236,153		232,418	
Net current liabilities			172,858		191,015
Total assets less current liabilities			350,096		276,182
Creditors due after one year					
Borrowings	*14*	142,027		105,872	
Trade and other creditors	*15*	9,503		2,028	
			151,530		107,900
Provisions for liabilities and charges			198,566		168,282
Employee benefits	*17*	3,507		4,168	
Deferred tax	*17*	9,541		8,602	
Other provisions	*17*	117		138	
			13,165		12,908
Net assets			185,401		155,374
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		3,900
Profit and loss account			162,313		132,152
Equity shareholders' funds			185,401		155,374

The financial statements on pages 15 to 39 were approved and authorised for issue by the board of directors on 23 March 2016.

Directors: M J Williams
A Coleman

The notes on pages 21 to 39 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	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 2014	8,057	1,285	9,980	3,934	139,414	162,670
Loss for the financial year	–	–	–	–	(656)	(656)
Other comprehensive income:						
– Loss on fair value of freehold property	–	–	–	(34)	–	(34)
– Exchange differences arising on translation of foreign operations	–	–	–	–	(1,604)	(1,604)
Total comprehensive income	–	–	–	(34)	(2,260)	(2,294)
Dividends paid (note 19)	–	–	–	–	(5,002)	(5,002)
At 31 December 2014	8,057	1,285	9,980	3,900	132,152	155,374
Profit for the financial year	–	–	–	–	34,246	34,246
Other comprehensive income:						
– Loss on fair value of freehold property	–	–	–	(134)	–	(134)
– Exchange differences arising on translation of foreign operations	–	–	–	–	(1,055)	(1,055)
Total comprehensive income	–	–	–	(134)	33,191	33,057
Dividends paid (note 19)	–	–	–	–	(3,030)	(3,030)
At 31 December 2015	**8,057**	**1,285**	**9,980**	**3,766**	**162,313**	**185,401**

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 21 to 39 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Profit on ordinary activities before tax		**42,433**	247
Adjusted for:			
(Gains)/losses arising on fair value of investment property	*10*	**(10)**	3
(Gains)/losses arising on fair value of derivative instruments	*16*	**(11,488)**	27,066
Depreciation of tangible assets	*9*	**86,906**	76,530
Profit on disposal of tangible assets	*2*	**(6,167)**	(5,788)
Amortisation of intangible assets	*8*	**–**	14
Interest receivable	*5*	**(455)**	(60)
Interest payable	*6*	**19,010**	18,445
Operating cash flows before movement in working capital		**130,229**	116,457
Decrease in stock		**60**	72
Decrease/(increase) in trade and other debtors		**4,695**	(6,292)
(Decrease)/increase in trade and other creditors		**(4,567)**	4,477
Decrease in provisions		**(670)**	(262)
Interest received	*5*	**135**	60
Corporation tax paid		**(7,573)**	(6,348)
Net cash flows from operating activities		**122,309**	108,164
Investing activities			
Proceeds from disposal of tangible assets		**44,948**	50,002
Purchase of tangible assets	*9*	**(182,991)**	(140,939)
Net cash flows used in investing activities		**(138,043)**	(90,937)
Financing activities			
Increase in obligations under finance lease	*14*	**51,371**	11,893
Dividends paid	*19*	**(3,030)**	(5,002)
Interest paid	*6*	**(19,010)**	(18,445)
Collateral deposit		**(26,690)**	–
Net cash flows from/(used in) financing activities		**2,641**	(11,554)
Net (decrease)/increase in cash and cash equivalents		**(13,093)**	5,673
Cash and cash equivalents at the beginning of the year		**11,570**	6,022
Effect of exchange rates on cash and cash equivalents		**(108)**	(125)
Cash and cash equivalents at the end of the year		**(1,631)**	11,570
Unrestricted cash and cash equivalents	*13*	**2,300**	11,570
Overdraft	*14*	**(3,931)**	–
Total cash and cash equivalents at the end of the year		**(1,631)**	11,570

The notes on pages 21 to 39 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Tangible assets	9		**390**		393
Investment in subsidiary undertakings	11		**49,111**		24,523
			49,501		24,916
Current assets					
Stock		**1**		1	
Trade and other debtors	12	**55,554**		92,350	
Investments – short-term deposits	13	**35,919**		7,009	
Cash at bank and in hand	13	**264**		336	
		91,738		99,696	
Creditors due within one year					
Borrowings	14	**5,122**		1,083	
Trade and other creditors	15	**39,116**		49,102	
		44,238		50,185	
Net current assets			**47,500**		49,511
Total assets less current liabilities			**97,001**		74,427
Creditors due after one year					
Trade and other creditors	15	**9,365**		2,000	
			9,365		2,000
			87,636		72,427
Provisions for liabilities and charges	17		**1,945**		2,147
Net assets			**85,691**		70,280
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			**69,691**		54,280
Equity shareholders' funds			**85,691**		70,280

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 £15,411,000 (2014: £2,056,000).

The financial statements on pages 15 to 39 were approved and authorised for issue by the board of directors on 23 March 2016.

Directors: M J Williams
A Coleman

The notes on pages 21 to 39 are an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2015

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2014	8,057	1,285	6,658	52,224	68,224
Profit for the financial year	–	–	–	7,058	7,058
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	7,058	7,058
Dividends paid (note 19)	–	–	–	(5,002)	(5,002)
At 31 December 2014	8,057	1,285	6,658	54,280	70,280
Profit for the financial year	–	–	–	18,441	18,441
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	18,441	18,441
Dividends paid (note 19)	–	–	–	(3,030)	(3,030)
At 31 December 2015	**8,057**	**1,285**	**6,658**	**69,691**	**85,691**

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 21 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 the United Kingdom. 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, materials handling equipment, sweepers, temperature controlled products and portable kitchen units. It also provides finance broker 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.

Basis of preparation and transition to FRS 102

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*.

The financial statements for the year ended 31 December 2015 are the group and company's first financial statements that comply with FRS 102; the group and company's date of transition to FRS 102 is 1 January 2014. Note 24 describes the impact on reported profit or loss and equity upon transition to FRS 102.

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 2015.

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

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.

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 expenses 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.

Accounting Policies continued

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 expenses 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 at valuation.

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	10-15 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%
Materials handling equipment	7-9 years	5% – 15%
Sweepers	5-7 years	5% – 30%
Scissor lifts	10 years	15%
Kitchen units	15 years	10%
Display refrigeration and kitchen equipment	8 years	Nil
Other	4-12.5 years	Nil – 15%
Non hire fleet		
Freehold buildings	20-50 years	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, comprising 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.

Stock

Stock 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

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 which 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 is credited to income on a straight-line basis over the terms of the leases.

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.

Accounting Policies continued

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.

(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 residual values and useful economic lives 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 indictors, 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 2015

1. Revenue

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

	2015 £'000	2014 £'000
Operating lease rental income	193,652	178,767
Sale of vehicles and equipment	3,793	2,564
	197,445	181,331

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

	2015 £'000	2014 £'000
Rental income from investment properties	683	615
Royalties	57	71
	740	686

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Turnover	183,277	167,543	14,168	13,788	197,445	181,331

2. Operating profit

	2015 £'000	2014 £'000
This is stated after charging:		
Repairs and maintenance expenditure	23,493	23,221
Depreciation of tangible fixed assets: owned assets	86,906	76,530
Amortisation of intangible assets	–	14
Operating leases: land and buildings	2,020	1,713
Operating leases: hire fleet	396	379
Foreign exchange loss	98	31
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	98	98
Fees payable to the company's auditor for other services to the company:		
Other advisory services	4	–
and after crediting:		
Profit on sale of tangible fixed assets	6,167	5,788
Manufacturers' rebates	176	140

Notes to the Financial Statements continued

3. Employees

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

	2015 Number	2014 Number
Average number of employees, including executive directors, during the year:		
Management	44	43
Sales and administration staff	401	386
Drivers, engineers and others	266	247
	711	676

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	24,384	22,257
Social security costs	2,758	2,509
Pension contributions	1,553	1,180
	28,695	25,946

The pension contributions above represent amounts payable by the group to the fund. £nil have been prepaid (2014: £nil).

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

	2015 £'000	2014 £'000
Directors' emoluments		
Executive remuneration and benefits	2,445	1,589
Pension contributions	168	74
Total	2,613	1,663

	2015 £'000	2014 £'000
Highest paid director		
Executive remuneration and benefits	822	823
Total	822	823

The number of directors to whom benefits were accrued under money purchase pension schemes was 2 (2014: 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:

	2015 £'000	2014 £'000
Provision as at 1 January	1,984	1,874
Charged to profit and loss account	452	110
Utilised in the year	(935)	–
Provision as at 31 December	1,501	1,984

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

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 received dividends of £3,030,000 during the year (2014: £5,002,000). P M Dawson loaned £3,000,000 back to the company in 2014 which is being repaid over 3 years. Interest is charged, and being accrued, on this loan at 3.0% per annum. The accrued amount at 31 December 2015 was £60,000 (2014: £60,000). Interest of £90,000 has been charged in the year (2014: £60,000). The amount of capital outstanding at the reporting date was £3,000,000 (2014: £3,000,000).

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

	2015 £'000	2014 £'000
Interest receivable on cash and cash equivalents	135	60
Income from collateralised debt agreement (note 16)	320	–
	455	60

6. Interest payable and similar charges

	2015 £'000	2014 £'000
Interest payable on asset finance arrangements	6,122	5,097
Interest payable on loans and borrowings	152	13
Interest payable on derivative instruments: swap arrangements	12,736	13,275
Other interest payable	–	60
	19,010	18,445

Notes to the Financial Statements continued

7. Taxation

	2015		2014	
	£'000	£'000	£'000	£'000
Analysis of profit or loss charge				
Tax charge for the year:				
Corporation tax	5,886		6,421	
Overseas tax	1,363		1,316	
Adjustments in respect of prior periods	(22)		(4)	
Total current tax		7,227		7,733
Deferred tax				
Origination and reversal of timing differences	1,618		(6,838)	
Adjustments in respect of prior periods	(2)		8	
Effect of decreased tax on deferred tax balance	(656)		–	
Total deferred tax (note 17)		960		(6,830)
Total tax on profit on ordinary activities		8,187		903
Tax included in statement of total other comprehensive income				
Deferred tax				
Revaluation of freehold property		6		–
Total tax on other comprehensive income (note 17)		6		–

Reconciliation of tax charge included in profit or loss

The UK standard rate of corporation tax for the year is 20.25% (2014: 21.5%). The actual charge for the current and the previous year differ from the standard rate for the reasons set out in the following reconciliation:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	42,433	247
Tax on profit on ordinary activities at standard rate	8,593	53
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	115	104
Difference in tax rates	(770)	528
Adjustments in respect of higher/lower overseas taxes	273	214
Adjustments in respect of prior periods	(24)	4
Total tax	8,187	903

Factors that may affect future tax charges

During the year the UK corporation tax rate was changed from 21% to 20%, effective from 1 April 2015.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted in October 2015 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 18.5%, with the exception of deferred tax on the fair value of properties which is measured at 18.0%. (2014: 20.0%).

Deferred tax expected to reverse in 2016 is £nil.

8. Intangible fixed assets

	Goodwill £'000
Group	
Cost:	
As at 1 January 2015	5,868
As at 31 December 2015	**5,868**
Amortisation and impairment:	
As at 1 January 2015	5,868
Charge for the year	–
As at 31 December 2015	**5,868**
Book value:	
As at 31 December 2015	**–**
As at 31 December 2014	–

Company

The company does not hold any intangible assets.

9. Tangible fixed assets

	Freehold 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 2015	8,536	751,034	10,851	770,421	1,633
Exchange adjustment	–	(2,388)	(84)	(2,472)	–
Reclassifications	–	9	(9)	–	–
Net losses on fair value adjustments	(128)	–	–	(128)	–
Additions	138	180,656	2,197	182,991	151
Disposals	–	(109,872)	(1,253)	(111,125)	(9)
As at 31 December 2015	**8,546**	**819,439**	**11,702**	**839,687**	**1,775**
Depreciation:					
As at 1 January 2015	122	313,557	6,287	319,966	1,240
Exchange adjustment	–	(994)	(49)	(1,043)	–
Reclassifications	–	(10)	10	–	–
Charge for the year	57	85,325	1,524	86,906	154
Disposals	–	(71,536)	(808)	(72,344)	(9)
As at 31 December 2015	**179**	**326,342**	**6,964**	**333,485**	**1,385**
Book value:					
As at 31 December 2015	**8,367**	**493,097**	**4,738**	**506,202**	**390**
As at 31 December 2014	8,414	437,477	4,564	450,455	393

9. Tangible fixed assets continued

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 in freehold land and buildings above is £14,870,000 (2014: £14,870,000) relating to investment property in an agricultural estate purchased in 2008. The historic cost of this investment property was £12,727,000. In the opinion of the directors the open market value at the year-end is not materially different from the prior year. Included within this investment property is an amount of £1,475,000 which relates to limestone reserves on which depreciation of £57,000 has been charged during the year. (Cumulative depreciation to date is £179,000). The directors do not consider that this requires accounting for as a separate component.

Included within freehold property is £8,546,000 (2014: £8,536,000) of property held at valuation. The comparable amounts, as determined using historical cost accounting requirements were: cost of £5,631,000 (2014: £5,582,000) and accumulated depreciation of £2,560,000 (2014: £2,389,000).

The fair values of the freehold properties have been determined as at the reporting dates by an independent external valuer, who holds a professional qualification with the Royal Institute of Chartered Surveyors and has 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 valuers knowledge and experience of the property market.

Company

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

10. Investment property

	2015 £'000	2014 £'000
Group		
Fair value:		
As at 1 January	16,742	16,745
Net gains/(losses) on fair value adjustments	10	(3)
As at 31 December	16,752	16,742

The comparable amounts, as determined using historical cost accounting requirements were: cost of £15,323,000 (2014: £15,323,000) and accumulated depreciation of £1,545,000 (2014: £1,483,000).

The fair values of the investment properties have been determined as at the reporting dates by an independent external valuer, who holds a professional qualification with the Royal Institute of Chartered Surveyors and has experience in the locations and classes of the investment properties valued.

Investment properties are valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuers knowledge and experience of the property market.

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

	2015 £'000	2014 £'000
Cost or valuation:		
As at 1 January	**24,523**	24,655
Impairment loss recognised in profit or loss	**–**	(132)
Capital contributions – addition in the year	**24,588**	–
As at 31 December	**49,111**	24,523

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 2015:

Subsidiary	Country of operation and incorporation	Principal activity
Dawsonrentals Truck and Trailer Limited	United Kingdom	Hire of commercial vehicles and trailers.
Dawsonrentals Bus and Coach Limited	United Kingdom	Hire of buses and coaches.
Dawsonrentals Vans Limited	United Kingdom	Hire of commercial vans.
Dawsonrentals Materials Handling Equipment Limited	United Kingdom	Hire of materials handling equipment and sweepers.
Dawsonrentals Temperature Control Solutions Limited	United Kingdom	Hire of temperature-controlled products.
Dawsonrentals Portable Cold Rooms Limited	United Kingdom	Hire and sale of commercial refrigeration equipment.
D.G. Finance Limited	United Kingdom	Vehicle finance.
Dawsonrentals Temporary Kitchens Limited	United Kingdom	Hire of kitchen units and equipment.
LHE Finance Limited	United Kingdom	Finance broking and fleet/contract hire financing.
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.
Dawsonrentals (Ireland) Limited	Ireland	Hire of temperature-controlled products.
Dawsonrentals Iberica S.L	Spain	Hire of temperature-controlled products.

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.

Notes to the Financial Statements continued

12. Trade and other debtors

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year				
Trade debtors	18,837	62	24,245	36
Amounts receivable under finance lease	425	–	514	–
Other debtors	580	1,124	498	1,060
Prepayments	4,113	244	3,634	205
Tax recoverable	103	3,132	–	3,179
Loans receivable from subsidiary undertakings	–	41,165	–	79,555
Amounts owed by subsidiary undertakings	–	9,827	–	8,315
	24,058	55,554	28,891	92,350
Due after one year				
Amounts receivable under finance leases	173	–	14	–
	24,231	55,554	28,905	92,350

Loans receivable from subsidiary undertakings are unsecured and repayable within one year. All other amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

13. Cash and cash equivalents

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments – short-term deposits				
Unrestricted	450	9	7,318	7,009
Restricted	35,910	35,910	–	–
Cash at bank and in hand	1,850	264	4,252	336
Total cash and cash equivalents	38,210	36,183	11,570	7,345
Less: restricted	(35,910)	(35,910)	–	–
Total unrestricted cash and cash equivalents	2,300	273	11,570	7,345

Amounts available for use by the group

At the reporting date, £35,910,000 (2014: nil) 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% (2014: 0.4%).

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% (2014: nil%).

14. Borrowings

Group

	Due within one year £'000	Due after more than one year £'000	2015 Total £'000	Due within one year £'000	Due after more than one year £'000	2014 Total £'000
Bank overdrafts	3,931	–	3,931	–	–	–
Asset finance arrangements	104,312	142,027	246,339	89,244	105,872	195,116
	108,243	142,027	250,270	89,244	105,872	195,116

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:

	2015 Total £'000	2014 Total £'000
Within one year	104,312	89,244
Between one and two years	71,517	52,612
Between two and five years	67,786	53,260
After more than five years	2,724	–
	246,339	195,116

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2015 Total £'000	2014 Total £'000
Variable rate	244,597	191,935
Fixed rate	1,742	3,181
	246,339	195,116

Company

	Due within one year £'000	Due after more than one year £'000	2015 Total £'000	Due within one year £'000	Due after more than one year £'000	2014 Total £'000
Bank overdrafts	5,122	–	5,122	1,083	–	1,083
	5,122	–	5,122	1,083	–	1,083

Bank overdrafts attract interest at a rate of 2.5% and are repayable on demand.

Notes to the Financial Statements continued

15. Trade and other creditors

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Due within one year				
Trade creditors	29,550	47	33,465	22
Accruals	13,406	3,516	12,823	2,503
Other creditors	2,000	2,000	2,000	2,000
Tax payable	3,347	–	3,616	–
Deferred income	535	535	–	–
Other tax and social security	1,412	130	2,122	123
Deposits payable to subsidiary undertakings	–	32,888	–	44,452
Amounts owed to subsidiary undertakings	–	–	–	2
Derivative financial instruments (note 16)	77,660	–	89,148	–
	127,910	39,116	143,174	49,102
Due after one year				
Deferred income	8,365	8,365	–	–
Other creditors	1,138	1,000	2,028	2,000
	9,503	9,365	2,028	2,000

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.

	2015 Total £'000	2015 Average rate %	2014 Total £'000	2014 Average rate %
Period to expiry:				
Within one year	268,500	4.6	278,500	4.6
Between one and two years	–	–	–	–
Between two and five years	–	–	–	–
After more than five years	30,000	7.0	30,000	7.0
	298,500	4.8	308,500	4.8

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

	2015 Fair value – financial liability £'000	2014 Fair value – financial liability £'000
Interest rate swaps	77,660	89,148
	77,660	89,148

During the year, the company 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 company 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.

17. Provisions for liabilities and charges

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Employee benefits	3,507	1,945	4,168	2,147
Deferred tax	9,541	–	8,602	–
Other provisions	117	–	138	–
	13,165	1,945	12,908	2,147

Employee benefits	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Long-term incentive schemes	3,507	1,945	4,168	2,147
	3,507	1,945	4,168	2,147

The provision for long-term incentive schemes at 31 December 2015 included £1,501,000 (2014: £1,984,000) in respect of the director's long-term service bonus scheme (note 4) and £2,006,000 (2014: £2,184,000) relating to schemes in place for other employees.

Deferred tax	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Accelerated capital allowances	24,727	–	27,403	–
Other timing differences	(458)	–	(588)	–
Investment and freehold property held at fair value	(361)	–	(383)	–
Derivative instruments held at fair value	(14,367)	–	(17,830)	–
Provision for deferred tax	9,541	–	8,602	–
Deferred tax asset	(15,186)	–	(18,801)	–
Deferred tax liability	24,727	–	27,403	–
Net deferred tax liability	9,541	–	8,602	–

The net deferred tax asset/liability expected to reverse in 2016 is £nil.

Other provisions	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Future contractual liabilities	117	–	138	–
	117	–	138	–

Notes to the Financial Statements continued

17. Provisions for liabilities and charges continued

Reconciliation of movements in the year

Group	Employee benefits £'000	Deferred tax £'000	Other provisions £'000	Total £ '000
As at 1 January 2015	4,168	8,602	138	12,908
Charged/(credited) to profit or loss	1,304	960	(13)	2,251
Charged to statement of comprehensive income	–	6	–	6
Utilised in the year	(1,952)	–	(8)	(1,960)
Exchange adjustment	(13)	(27)	–	(40)
As at 31 December 2015	**3,507**	**9,541**	**117**	**13,165**

Company	Employee benefits £'000
As at 1 January 2015	2,147
Charged to profit or loss	651
Utilised in the year	(853)
As at 31 December 2015	**1,945**

18. Called up share capital

	2015 Number	**2015** £'000	2014 Number	2014 £'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

Ordinary shares:	**2015** p per share	2014 p per share	**2015** £'000	2014 £'000
First interim paid	**9.4**	21.9	**3,030**	5,002
	9.4	21.9	**3,030**	5,002

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:

	2015 Hire fleet £'000	2015 Land and buildings £'000	2014 Hire fleet £'000	2014 Land and buildings £'000
Not later than one year	**27**	**1,089**	369	1,128
Later than one year not later than five years	**81**	**2,514**	–	1,671
Later than five years	**–**	**305**	–	51
Total future minimum lease payments	**108**	**3,908**	369	2,850

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:

	2015 Hire fleet £'000	2015 Land and buildings £'000	2014 Hire fleet £'000	2014 Land and buildings £'000
Not later than one year	**68,219**	**473**	70,603	471
Later than one year not later than five years	**75,432**	**897**	82,483	959
Later than five years	**1,472**	**2,121**	1,856	2,243
Total future minimum lease payments	**145,123**	**3,491**	154,942	3,673

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:

	2015 Land and buildings £'000	2014 Land and buildings £'000
Not later than one year	**327**	–
Later than one year not later than five years	**1,309**	–
Later than five years	**3,163**	–
Total future minimum lease payments	**4,799**	–

21. Capital commitments

Future capital expenditure	2015 £'000	2014 £'000
Outstanding contracts for capital expenditure	**48,498**	45,562

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 2015 the maturity periods and maximum amount of these undertakings were:

	2015 £'000	2014 £'000
Between two and five years	**2,125**	2,125

Notes to the Financial Statements continued

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 2015 these obligations amounted to £249,950,000 (2014: £194,033,000).

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. Transition to FRS 102

This is the first financial year that the group and company have presented their financial statements in accordance with FRS 102 *The Financial Reporting Framework Applicable in the UK and Republic of Ireland* ("FRS 102"). For financial years up to and including the year ending 31 December 2014, the group and company prepared their financial statements in accordance with previously extant UK GAAP.

The date of transition to FRS 102 is therefore 1 January 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The group and company's opening equity position as at the 1 January 2014 and their previously published financial statements for the year ended 31 December 2014 have been restated from previously extant UK GAAP.

In carrying out the transition to FRS 102, the group has applied the following exemptions as permitted by Section 35 *Transition to this FRS*:

Business combinations

Section 19 *Business Combinations and Goodwill* requires the recognition of separately identifiable intangible assets on a business combination; which under previously extant UK GAAP would be subsumed within goodwill. The group has taken advantage of the exemption on transition not to restate business combinations which were effected prior to the date of transition.

Dormant companies

Section 35 *Transition to this FRS* allows that a company within the Companies Act definition of a dormant company may elect to retain its accounting policies for reported assets, liabilities and equity at the date of transition to this FRS until there is any change to those balances or the company undertakes any new transactions. This exemption has been applied to the dormant companies within the group.

There has been no impact on the equity position of the company as at 1 January 2014 or 31 December 2015 as a result of the transition to FRS 102.

Set out below are the transition tables for the group:

Reconciliation of equity at 1 January 2014 and 31 December 2014

	Note	As at 1 January 2014 £'000	As at 31 December 2014 £'000
Equity as reported under previously extant UK GAAP		209,710	223,833
– Investment properties held at fair value through profit or loss	*a*	674	671
– Revaluation of freehold property through other comprehensive income	*c*	1,569	1,535
– Reversal of depreciation on property		–	271
– Derivative financial instruments at fair value through profit or loss	*b*	(62,082)	(89,148)
– Deferred taxation	*a-b*	12,799	18,212
Equity as restated under FRS 102		162,670	155,374

24. Transition to FRS 102 continued

Reconciliation of profit or loss for the year ended 31 December 2014

	Note	As at 31 December 2014 £'000
Profit as reported under previously extant UK GAAP		20,729
– Investment properties held at fair value through profit or loss	*a*	(3)
– Reversal of depreciation on property		271
– Derivative financial instruments at fair value through profit or loss	*b*	(27,066)
– Deferred taxation	*a-b*	5,413
Loss as restated under FRS 102		(656)

Explanation of the transitional adjustments

Note a: Investment properties held at fair value through profit or loss

This transitional adjustment relates to the reclassification of certain properties from tangible fixed assets to investment properties and the remeasurement of those properties to fair value through profit or loss.

The adjustment has resulted in the recognition of certain properties as investment properties of £3,350,000 at 1 January 2014 and £3,347,000 at 31 December 2014, which has resulted in an increase to the opening retained earnings position of £674,000, and an increase to the retained earnings position at 31 December 2014 of £671,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £3,000.

The associated tax impact has led to an increase to deferred tax assets of £161,000 at 1 January 2014 and £161,000 at 31 December 2014. This has also resulted in an increase to the opening retained earnings position of £161,000, and an increase to the retained earnings position as at 31 December 2014 of £161,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £nil recognised within the taxation line.

Note b: Derivative financial instruments at fair value through profit or loss

This transitional adjustment relates to the recognition of interest rate swap liabilities at fair value through profit or loss.

The adjustment has resulted in the recognition of a derivative financial liability of £62,082,000 at 1 January 2014 and £89,148,000 at 31 December 2014, which has resulted in a decrease to the opening retained earnings position of £62,082,000, and a decrease to the retained earnings position at 31 December 2014 of £89,148,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £27,066,000.

The associated tax impact has led to an increase to deferred tax assets of £12,416,000 at 1 January 2014 and £17,829,000 at 31 December 2014. This has also resulted in an increase to the opening retained earnings position of £12,416,000, and an increase to the retained earnings position as at 31 December 2014 of £17,829,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £5,413,000 recognised within the taxation line.

Note c: Freehold properties held at fair value through other comprehensive income

This transitional adjustment relates to the revaluation of freehold properties to fair value through other comprehensive income.

The revaluation of freehold property has resulted in an increase to the retained earnings position at 1 January 2014 of £1,569,000, and an increase to the retained earnings position at 31 December 2014 of £1,535,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £34,000.

The associated tax impact has led to an increase to deferred tax assets of £222,000 at 1 January 2014 and £222,000 at 31 December 2014. This has also resulted in an increase to the opening retained earnings position of £222,000, and an increase to the retained earnings position as at 31 December 2014 of £222,000, with a consequential profit or loss movement during the year ended 31 December 2014 of £nil recognised within the taxation line.

Five Year Record

	FRS 102 2015 £'000	FRS 102 2014 £'000	Old UK GAAP 2013 £'000	Old UK GAAP 2012 £'000	Old UK GAAP 2011 £'000
Turnover	**197,445**	181,331	159,867	148,556	142,095
Operating profit before exceptional items	**49,490**	45,701	36,007	27,334	30,936
Gains/(losses) on revaluation of investment properties	**10**	(3)	–	–	–
Exceptional items	**–**	–	–	–	–
Profit on ordinary activities before interest and fair value of derivatives	**49,500**	45,698	36,007	27,334	30,936
Net interest payable	**18,555**	18,385	17,162	11,736	10,154
Profit before tax and fair value of derivatives	**30,945**	27,313	18,845	15,598	20,782
Gains/(losses) on fair value of derivatives	**11,488**	(27,066)	–	–	–
Profit before tax	**42,433**	247	18,845	15,598	20,782
Intangible fixed assets	**–**	–	14	389	1,678
Tangible fixed assets	**506,202**	450,455	446,805	418,369	393,054
Investment property	**16,752**	16,742	–	–	–
Net liabilities (excluding cash and borrowings)	**(34,668)**	(26,221)	(27,393)	(17,767)	(18,453)
Provisions for liabilities and charges	**(13,165)**	(12,908)	(32,334)	(37,593)	(42,300)
Net assets employed	**475,121**	428,068	387,092	363,398	333,979
Share capital	**8,057**	8,057	8,057	8,057	8,057
Reserves	**177,344**	147,317	201,653	187,947	174,301
Shareholders' funds	**185,401**	155,374	209,710	196,004	182,358
Net borrowings	**212,060**	183,546	177,382	167,394	151,621
Derivatives	**77,660**	89,148	–	–	–
Capital employed	**475,121**	428,068	387,092	363,398	333,979
Operating profit before exceptional items as a percentage of:					
Turnover	**25.1%**	25.2%	22.5%	18.4%	21.8%
Average capital employed	**11.0%**	11.2%	9.6%	7.8%	9.4%
Borrowing ratio	**114%**	118%	85%	85%	83%
Average number of employees	**711**	676	642	601	582
Turnover per employee (£)	**277,700**	268,241	249,014	247,181	244,149
Operating profit per employee (£)	**69,606**	67,605	56,086	45,481	53,155

Business Directory

UK business centres

(Supported by a branch network of 30 locations)

Dawsonrentals Truck and Trailer Limited
Delaware Drive, Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Fax: 01908 218444
Email:
contactus@dawsongroup.co.uk

Used Vehicle Disposals Division
Dawsondirect
Delaware Drive, Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Fax: 01908 218444
Email:
contactus@dawsongroup.co.uk

Dawsonrentals Bus and Coach Limited
Delaware Drive, Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Fax: 01908 218444
Email:
contactus@dawsongroup.co.uk

Used Bus and Coach Disposals Division
Ventura
Unit 39, Hobbs Industrial Estate
Newchapel, Lingfield RH7 6HN
Tel: 01342 835206
Fax: 01342 835813
Email:
contactus@venturasales.co.uk

Dawsonrentals Materials Handling Equipment Limited
Aberford Road, Garforth
Leeds LS25 2ET
Tel: 01132 874874
Fax: 01132 869158
Email:
contactus@dawsongroup.co.uk

Dawsonrentals Sweepers
Municipal House
Armytage Road
Brighouse HD6 1PT
Tel: 01484 400111
Fax: 01484 400063
Email:
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Dawsonrentals Temperature Control Solutions Limited
Fulwood Industrial Estate
Sutton-in-Ashfield
Nottinghamshire NG17 6AF
Tel: 01623 516666
Fax: 01623 516819
Email:
info@drtcs.co.uk

Dawsonrentals Vans Limited
Dawson Road
Mount Farm, Milton Keynes
Buckinghamshire MK1 1JN
Tel: 01908 335177
Fax: 01908 335174
Email:
contactus@dawsongroup.co.uk

Used Van Disposals Division
Dawsonrentals Van Sales
Kelberg House
Middleton Stoney Road
Weston on the Green, Bicester
Oxfordshire OX25 3TH
Tel: 0844 8003004
Fax: 01869 343557
Email:
contactus@dawsongroup.co.uk

Dawsonrentals Portable Cold Rooms Limited
Units 15 & 16
Pucklechurch Trading Estate
Pucklechurch, Bristol BS16 9QH
Tel: 01179 373310
Fax: 01179 373316
Email:
contactus@dawsongroup.co.uk

Dawsonrentals Temporary Kitchens Limited
Units 15 & 16
Pucklechurch Trading Estate
Pucklechurch, Bristol BS16 9QH
Tel: 01179 373310
Fax: 01179 373316
Email:
contactus@dawsongroup.co.uk

LHE Finance Limited
21 Headlands Business Park
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Fax: 01425 474090
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contactus@dawsongroup.co.uk

Overseas business centres

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