



Dawsongroup plc Annual Report & Accounts 2016



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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 over 80 years in business, Dawsongroup now owns over 21,750 high quality premium assets, rented to a broad customer base of large reputable companies.

Dawsongroup has continued to deliver a strong and consistent result despite 2016 presenting challenging market conditions. The majority of divisions have successfully maintained growth in revenue and profit – however the weakness of the used market for vans and tractor units had an effect on the group's overall result.

Chairman's Statement



Peter M Dawson

Underlying performance remains strong and our strategy of maintaining investment in new premium quality equipment has supported this success, driving our goal of a young fleet with high reliability and low running costs – placing Dawsongroup at the forefront of up to date technologies.

During 2016 Dawsongroup terminated seven of its bank interest rate swap obligations, which will have a positive impact on future trading results.

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

Results and dividend

On turnover of £206.0m (2015: £197.4m), profit before tax, fair value adjustments and the termination of seven interest rate swaps, which accounted for a net credit of £20m, decreased by £1.7m to £29.2m (2015: £30.9m).

The dividends for the year amounted to £10.0m (2015: £3.0m).

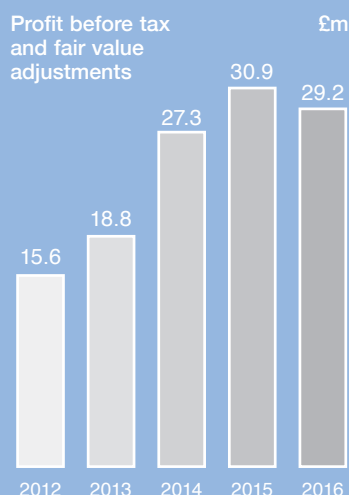
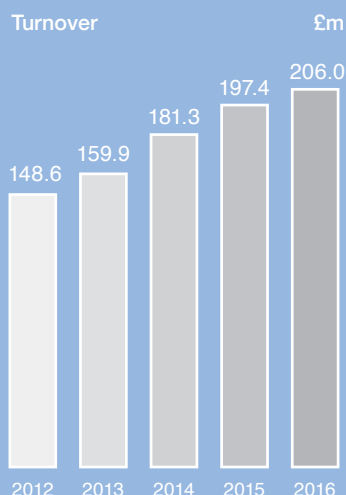
Balance sheet

Capital expenditure for the year amounted to £143.2m compared with £183.0m in the previous year. Asset disposal profits of £5.3m (2015: £6.2m) were achieved from proceeds of £49.3m (2015: £44.9m). These, together with operational cash flows of £118.8m (2015: £122.3m), meant that net debt increased by £3.0m to £215.1m.

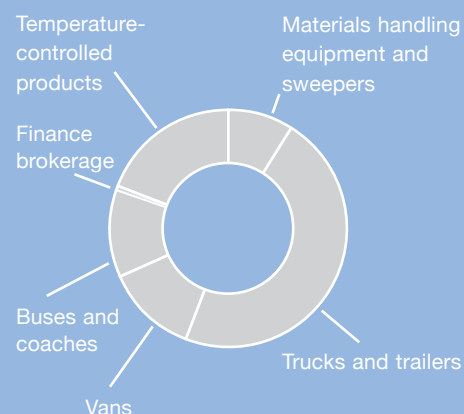
Despite this, gearing reduced to 101% which is exceptionally low for an asset rental business supported by a strong contractual base. Unexpired contract revenue stood at £154.6m compared with £145.1m last year. Interest was covered 2.7 times by operating profit (2015: 2.7 times).

People

2016 saw the retirement of Mike Williams as Dawsongroup CEO after 40 years of loyal service, for which the group expresses its sincere thanks.



Market sectors revenue



He is succeeded by Steve Miller, previously group MD, thereby providing a seamless succession to the group's leadership.

Freya and Charles Dawson continue to develop within the business as the next generation of the Dawson family, ensuring that Dawsongroup remains a family business in the future.

There were no other board or divisional MD changes – indeed the consistency of staff commitment to the company's success is demonstrated by the average length of service of the group's 750 plus staff at over ten years.

Management talent is being developed through a business mastery programme as well as an ongoing and successful graduate recruitment scheme.

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 2017 will be to continue to develop our market advantage in truck and trailer rental, further consolidate our TCS businesses in Europe and continue the expansion of Dawsonrentals Vans and Dawsongroup Finance.

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.

The board remains confident for the future of the group, despite the uncertainties that exist around the UK withdrawal from the EU. In particular the extent to which Sterling weakness will place inflationary pressures on future asset purchases and any arising market confidence issues will require close management.

Peter M Dawson

B Eng, FIMI

Chairman

22 March 2017

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.

Strategic Review



Stephen J Miller

	2016 £m	%	2015 £m	%
Trucks and trailers	96.3	46.8	94.3	47.8
Vans	25.9	12.6	21.7	11.0
Materials handling equipment and sweepers	18.8	9.1	17.5	8.9
Temperature-controlled products	39.2	19.0	36.3	18.3
Buses and coaches	24.8	12.0	27.1	13.7
Finance brokerage	1.0	0.5	0.5	0.3
Group revenue	206.0	100.0	197.4	100.0



Anthony Coleman

Record levels of investment undertaken in recent years ensured a strong ongoing customer commitment to our truck, trailer, van and bus businesses throughout 2016.

The low age and high reliability of our rental asset fleet, together with a high level of customer service, has maintained and grown our long term contractual base. Key investment in certain product sectors will further enhance this position.

Revenue growth has generally been maintained, however asset disposal channels have been constrained by political and economic issues in established export markets. This, together with the UK market having been negatively affected by vehicle manufacturers chasing volume in an over-supplied market, depressed

used disposal values and sector profitability.

Temperature Controlled Solutions delivered another strong result, and our European businesses performed well despite significant economic disruption, providing a platform for further growth as the Euro economies recover supported by the investment in a new purpose built site in Dusseldorf. Exchange rate movement had some positive impact on profitability and Europe will remain a key expansion opportunity for the group long term.

Dawsongroup's decision to expand into new specialist product sectors, that utilise established expertise and existing customer relationships – notably in portable auto centres, waste handling vehicles, mobility vans and minibuses, camper vans



Strategic Report *continued*



Buses

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

Business dynamics were broadly neutral, showing slight growth in revenues but with profitability constrained by used vehicle disposal values. Encouragingly, long term contract growth was significant.

The company's decision to lead the market in investing in new trailers and Euro 6 Trucks, together with a high profile marketing campaign, enabled demand for our well defined flexible contract hire and rental product to be maintained.

Sweepers



Changes to the fleet mix will, over time, reduce the division's exposure to short term variations in used vehicle values – as will Dawsongroup's focus on new technologies and safety that will differentiate its downstream product offering. Recent purchases have included significant safety enhancements. We are proud to be the first UK rental fleet to specify autonomous full emergency braking, exceeding any current or proposed legislation. This pioneering first for Dawsonrentals has been well received by operators who recognise the value and peace of mind offered.

Significant investments are 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 continues to position Dawsongroup as market leader in customer care and innovation.

Vans

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

While profitability was held back by a decline in used vehicle values, a dedicated van asset disposal programme, under the unique brand of Van Ninja, has been established to optimise disposal revenues, with promising early results.

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. This is further assisted by having consolidated all business functions into one dedicated location at Dawson Road, Milton Keynes.

With continued investment in new equipment and infrastructure, a fleet age profile of 14 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 material 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 both revenue and profit growth in 2016.

Significant strengthening of the sales and support teams, combined with a strong focus on cost control, should ensure that profitable growth can be sustained.

Recent investment in the divisions' headquarters at Garforth has enhanced the staff working environment and internal communication, which in turn has brought 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 relationship with a number of leading equipment manufacturers.

Sweepers

Dawsonrentals Sweepers strengthened its position as a market leader in the UK self drive sweeper sector with a strong double digit growth performance in 2016. Ongoing investment in new Euro 6 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. The establishment of a fully operational sub depot at Pucklechurch will further support the business development in the South of England.

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. The company ethos that "it's not just about the box, it's how you use it" sums up the approach that has been so successful.

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 6% in 2016, over 60% of units delivered were brand new or new generation, energy efficient equipment. Future prospects remain strong, aided by new products under development.

The temperature controlled solutions businesses in Europe also performed well, considering market conditions; growing group revenue and profit contributions, in addition to positive exchange rate movements.

Buses and coaches

A relatively static public transport sector has not prevented Dawsonrentals Bus and Coach from improving its core performance, diversifying from the traditional bus and coach sectors by expanding in smaller vehicles, targeting staff transportation and patient transfer.

Utilising in house finance facilities, Dawsonrentals Bus and Coach's ability to offer fully supported contract



Temperature Control Solutions



Materials Handling Equipment



Strategic Report continued



Portable cold rooms

hire packages for passenger carrying vehicles, including mini-buses, maintains the company's position as a leader in this sector.

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

Portable cold rooms and temporary kitchens

This division is now making a positive contribution to group results.

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

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

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

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

Finance Brokerage

Following a rebuilding year in 2015, 2016 has brought fresh energy and direction to this business, which the board has 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, seeks to service internal financing opportunities, by expanding away from being largely a finance broker, to provide a spectrum of finance products to support group businesses using capital market funds, backed up by the strength of Dawsongroup's balance sheet and ability to manage assets throughout life – from acquisition to disposal.

First year results are very encouraging, with nearly £80m of funding transacted, and a strengthening inter-company relationship developing between the finance company and the operational divisions.

Other

The group has three dedicated asset disposal arms which operate on a national basis, Dawsondirect (previously National Truck and Trailer Sales), Ventura – the bus and coach specialist and 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 £5.3m (2015: £6.2m) from proceeds of £49.3m (2015: £44.9m).

Employees

We would like to express our gratitude to our workforce, now numbering over 750, for their continued dedication and hard work which will ensure the continued success and growth of Dawsongroup.

Temporary kitchens





Strategic Report continued

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 £213.6m (2015: £197.8m), net interest payable decreased by £1.22m to £17.34m (2015: £18.56m). This excludes a net £20m credit arising on the settling of £138.5m of interest rate swaps during the year.

Interest cover is the same as last year at 2.7 times (2015: 2.7 times).

Tax

The 2016 tax charge is £7.0m which is comprised of corporation tax payable of £4.8m and deferred tax of £2.2m. Corporation tax actually payable in respect of 2016 profits was £7.39m (2015: £7.57m).

Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £118.8m (2015: £122.3m). A further £49.3m (2015: £44.9m) was generated from the disposal of fixed assets. Cash outflow for interest paid, tax and dividends, together amounted to £35.4m (2015: £29.6m).

Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £143.2m (2015: £183.0m).

Borrowings

Net debt increased to £215.1m (2015: £212.1m), comprising hire fleet asset finance of £246.3m (2015: £246.4m) less net cash of £31.2m (2015: £34.3m). Year-end gearing was 101% (2015: 114%).

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, 40% 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 £160.0m (2015: £298.5m), effectively fixing the relevant variable rate asset finance debt at an average base rate of 4.6%.

Foreign currencies

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

Overview

In 2016 Dawsongroup once again demonstrated its reputation as a successful asset rental company in its markets in the UK and Europe.

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

- a wide asset portfolio – over 21,750 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2016 represented just 5.4% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – numbering over 750 across 7 countries; and
- a proven track record in the asset rental and contract hire industry spanning over 40 years.

This report was approved by the board on 22 March 2017 and signed on its behalf by:



Stephen J Miller
Group Chief Executive

22 March 2017



Anthony Coleman
Group Finance Director

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 78



Stephen J Miller

Group Chief Executive

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. In September 2016 he was appointed group chief executive.

AGED 51



Anthony Coleman

FCA

Group Finance Director

Appointed group finance director in January 2006, Anthony is now in his 17th year with the group having joined as group financial controller and company secretary.

AGED 43



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 63

Group headquarters and registered office

Dawsongroup plc
Delaware Drive
Tongwell
Milton Keynes
MK15 8JH
Tel: 01908 218111
Fax: 01908 218444

Registered number

1902154

Website

www.dawsongroup.co.uk

Secretary

Lucinda A Kent
FCA

Auditor

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

Principal bankers

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

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

Statutory Directors' Report



Lucinda A Kent

The directors present their report and the audited financial statements of the group for the year ended 31 December 2016.

Activities and business review

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.

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 11.

Results and dividends

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

The profit after tax for the financial year was £32,784,000 (2015: £34,246,000). Ordinary dividends of £9,991,000 were paid (2015: £3,030,000). The retained profit of £22,793,000 has been transferred to reserves.

Directors

The current directors of Dawsongroup plc are set out on page 12. Mr Michael Williams retired as a director on 15 September 2016.

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 £9,721 (2015: £7,823). 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 2016 the amount for trade creditors in the balance sheet represented 24 days (2015: 23) of average daily purchases for the company and 31 days (2015: 14) 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 11. These matters relate to activities and business review and risks and uncertainties.

Statutory Directors' Report continued

Directors' responsibilities statement

The directors are responsible for preparing the corporate statement and financial highlights, the chairman's statement, strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

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

Statement as to disclosure of information to auditor

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

Auditor

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

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

Lucinda A Kent
FCA

Secretary

22 March 2017

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, 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 directors' responsibilities statement set out on page 14, 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 of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Matters on which we are required to report by exception

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns;
- 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
(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: 22 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Turnover	1	206,027	197,445
Cost of sales		125,583	116,429
Gross profit		80,444	81,016
Other operating income	1	836	740
Administrative expenses		34,758	32,266
Operating profit	2	46,522	49,490
Gains arising on fair value of investment property	10	2,603	10
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		49,125	49,500
Interest receivable and similar income	5	20,697	455
Interest payable and similar charges	6	18,038	19,010
Profit on ordinary activities before fair value of derivative instruments and taxation		51,784	30,945
(Losses)/gains arising on fair value of derivative instruments	16	(12,047)	11,488
Profit on ordinary activities before tax		39,737	42,433
Taxation	7	6,953	8,187
Profit for the year attributable to owners		32,784	34,246
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		3,986	(1,055)
Loss on revaluation of freehold property		–	(128)
Deferred tax on revaluation of freehold property	7	–	(6)
Total comprehensive income attributable to owners		36,770	33,057

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

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	8	–	–
Tangible assets	9	514,895	506,202
Investment property	10	21,169	16,752
		536,064	522,954
Current assets			
Inventory		1,035	854
Trade and other debtors	12	33,242	24,231
Investments – short-term deposits	13	42,161	36,360
Cash at bank and in hand	13	2,950	1,850
		79,388	63,295
Creditors due within one year			
Borrowings	14	129,335	108,243
Trade and other creditors	15	114,250	127,910
		243,585	236,153
Net current liabilities		164,197	172,858
Total assets less current liabilities		371,867	350,096
Creditors due after one year			
Borrowings	14	130,873	142,027
Trade and other creditors	15	13,157	9,503
		144,030	151,530
Provisions for liabilities and charges		227,837	198,566
Employee benefits	17	3,393	3,507
Deferred tax	17	11,820	9,541
Other provisions	17	444	117
		15,657	13,165
Net assets		212,180	185,401
Capital and reserves			
Called up share capital	18	8,057	8,057
Share premium account		1,285	1,285
Capital reserve		9,980	9,980
Revaluation reserve		3,766	3,766
Profit and loss account		189,092	162,313
Equity shareholders' funds		212,180	185,401

The financial statements on pages 16 to 39 were approved and authorised for issue by the board of directors on 22 March 2017.

Directors: S J Miller
A Coleman

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	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 2015	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
Profit for the financial year	–	–	–	–	32,784	32,784
Other comprehensive income:						
– Profit on fair value of freehold property	–	–	–	–	–	–
– Exchange differences arising on translation of foreign operations	–	–	–	–	3,986	3,986
Total comprehensive income	–	–	–	–	36,770	36,770
Dividends paid (note 19)	–	–	–	–	(9,991)	(9,991)
At 31 December 2016	8,057	1,285	9,980	3,766	189,092	212,180

Reserves

Share premium account

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

Capital reserve

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

Revaluation reserve

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

Profit and loss account

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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Operating activities			
Profit on ordinary activities before tax		39,737	42,433
Adjusted for:			
Gains arising on fair value of investment property	10	(2,603)	(10)
Losses/(gains) arising on fair value of derivative instruments	16	12,047	(11,488)
Depreciation of tangible assets	9	93,521	86,906
Profit on disposal of tangible assets	2	(5,318)	(6,167)
Interest receivable	5	(20,697)	(455)
Interest payable	6	18,038	19,010
Operating cash flows before movement in working capital		134,725	130,229
(Increase)/decrease in stock		(139)	60
(Increase)/decrease in trade and other debtors		(5,470)	4,695
Increase/(decrease) in trade and other creditors		13,262	(4,567)
Increase/(decrease) in provisions		168	(670)
Termination fee on cancellation of swap	5	(16,506)	–
Interest received	5	162	135
Income tax paid		(7,388)	(7,573)
Net cash flows from operating activities		118,814	122,309
Investing activities			
Proceeds from disposal of tangible assets		49,251	44,948
Purchase of tangible assets	9	(143,171)	(182,991)
Net cash flows used in investing activities		(93,920)	(138,043)
Financing activities			
(Decrease)/increase in obligations under finance lease	14	(253)	51,371
Dividends paid	19	(9,991)	(3,030)
Interest paid	6	(18,038)	(19,010)
Collateral deposit		(5,950)	(26,690)
Net cash flows (used in)/from financing activities		(34,232)	2,641
Net decrease in cash and cash equivalents		(9,338)	(13,093)
Cash and cash equivalents at the beginning of the year		(1,631)	11,570
Effect of exchange rates on cash and cash equivalents		326	(108)
Cash and cash equivalents at the end of the year		(10,643)	(1,631)
Unrestricted cash and cash equivalents	13	3,251	2,300
Overdraft	14	(13,894)	(3,931)
Total cash and cash equivalents at the end of the year		(10,643)	(1,631)

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

Company Statement of Financial Position

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	489	390
Investment in subsidiary undertakings	11	49,111	49,111
		49,600	49,501
Current assets			
Inventory		1	1
Trade and other debtors	12	68,466	55,554
Investments - short-term deposits	13	41,869	35,919
Cash at bank and in hand	13	7	264
		110,343	91,738
Creditors due within one year			
Borrowings	14	14,722	5,122
Trade and other creditors	15	44,854	39,116
		59,576	44,238
Net current assets		50,767	47,500
Total assets less current liabilities		100,367	97,001
Creditors due after one year			
Trade and other creditors	15	12,902	9,365
		12,902	9,365
		87,465	87,636
Provisions for liabilities and charges	17	1,243	1,945
Net assets		86,222	85,691
Capital and reserves			
Called up share capital	18	8,057	8,057
Share premium account		1,285	1,285
Capital reserve		6,658	6,658
Profit and loss account		70,222	69,691
Equity shareholders' funds		86,222	85,691

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 £10,522,000 (2015: £18,441,000).

The financial statements on pages 16 to 39 were approved and authorised for issue by the board of directors on 22 March 2017.

Directors: S J Miller
A Coleman

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

Company Statement of Changes in Equity

for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2015	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
Profit for the financial year	–	–	–	10,522	10,522
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	10,522	10,522
Dividends paid (note 19)	–	–	–	(9,991)	(9,991)
At 31 December 2016	8,057	1,285	6,658	70,222	86,222

Reserves

Share premium account

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

Capital reserve

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

Profit and loss account

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

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

Accounting Policies

General information

Dawsongroup plc ("the company") is a public limited company incorporated in 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. The level of rounding used throughout the financial statements is to the nearest thousand.

Basis of preparation

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

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

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

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

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

Basis of consolidation

The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2016.

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

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

Going concern

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

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

Turnover

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

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

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

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

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

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

Intangible assets

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

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

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

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses, with the exception of freehold property which is 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	10-12.5 years	2.5% – 15%
Car transporters and drawbar trailers	9 years	10%
Vans	3-4 years	25% – 30%
Cars	2-3 years	25% – 50%
Purpose built portable cold stores	15 years	25%
Buses and coaches	9-15 years	10% – 15%
Materials handling equipment	7-9 years	5% – 15%
Sweepers	5-8 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%

Accounting Policies continued

	Useful life with the group	Residual value
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, which comprises the purchase price and any directly attributable expenditure, and are subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss.

Investments in subsidiary undertakings

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

Impairment of assets

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

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

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

Inventory

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

Financial instruments

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

Financial assets – classified as basic financial instruments

Cash and cash equivalents

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

Trade and other debtors

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

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

Financial liabilities – classified as basic financial instruments

Trade and other creditors and loans and borrowings

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

Derivative financial instruments – classified as other financial instruments

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

Leases

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

Finance leases

The group as a lessee

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

The group as a lessor

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

Operating leases

The group as a lessee

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

The group as a lessor

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

Asset purchase rebates

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

Future purchase undertakings

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

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

Employee benefits

Retirement benefits

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

Long-term incentive schemes

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

Short-term benefits

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the group's accounting policies

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

(i) Assessing indicators of impairment

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

Accounting Policies continued

(ii) Classifying lease arrangements

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

Key sources of estimation uncertainty

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

(i) Determining and reassessing 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 indicators, such as a change in how the asset is used, significant unexpected wear and tear and changes in market prices, which suggest previous estimates may differ from current expectations. Where this is the case, the residual value and/or useful life is amended and accounted for on a prospective basis.

(ii) Establishing fair value of investment properties

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

(iii) Establishing fair value of financial instruments

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

(iv) Recoverability of debtors

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

(v) Employee benefits – long-term incentive schemes

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

Notes to the Financial Statements

for the year ended 31 December 2016

1. Revenue

Analysis by category

An analysis of turnover by category is as follows:

	2016 £'000	2015 £'000
Operating lease rental income	201,687	193,652
Sale of vehicles and equipment	4,340	3,793
	<u>206,027</u>	<u>197,445</u>

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

	2016 £'000	2015 £'000
Rental income from investment properties	715	683
Royalties	121	57
	<u>836</u>	<u>740</u>

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Turnover	<u>189,241</u>	<u>183,277</u>	<u>16,786</u>	<u>14,168</u>	<u>206,027</u>	<u>197,445</u>

2. Operating profit

	2016 £'000	2015 £'000
This is stated after charging:		
Repairs and maintenance expenditure	23,626	23,493
Depreciation of tangible fixed assets: owned assets	93,521	86,906
Operating leases: land and buildings	1,837	2,020
Operating leases: hire fleet	396	396
Foreign exchange loss	–	98
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	102	98
Fees payable to the company's auditor for other services to the company:		
Other advisory services	<u>3</u>	<u>4</u>
and after crediting:		
Profit on sale of tangible fixed assets	5,318	6,167
Manufacturers' rebates	136	176
Foreign exchange gain	<u>194</u>	<u>–</u>

Notes to the Financial Statements continued

3. Employees

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

	2016 Number	2015 Number
Average number of employees, including executive directors, during the year:		
Management	45	44
Sales and administration staff	454	401
Drivers, engineers and others	270	266
	769	711

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	25,595	24,384
Social security costs	2,877	2,758
Pension contributions	1,340	1,553
	29,812	28,695

The pension contributions above represent amounts payable by the group to the fund. £nil have been prepaid (2015: £nil).

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

	2016 £'000	2015 £'000
Directors' emoluments		
Executive remuneration and benefits	2,965	2,445
Pension contributions	35	168
Total	3,000	2,613

	2016 £'000	2015 £'000
Highest paid director		
Executive remuneration and benefits	2,094	822
Total	2,094	822

The number of directors to whom benefits were accrued under money purchase pension schemes was 2 (2015: 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:

	2016 £'000	2015 £'000
Provision as at 1 January	1,501	1,984
Charged to profit and loss account	432	452
Utilised in the year	(1,337)	(935)
Provision as at 31 December	596	1,501

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 £9,991,000 during the year (2015: £3,030,000). P M Dawson loaned £3,000,000 back to the company in 2014 which is being repaid over 3 years and a further £3,000,000 in 2016 which is also 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 2016 was £42,000 (2015: £60,000). Interest of £156,000 has been charged in the year (2015: £90,000). The amount of capital outstanding at the reporting date was £6,000,000 (2015: £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

	2016 £'000	2015 £'000
Interest receivable on cash and cash equivalents	–	135
Interest receivable on HP agreements	162	–
Release of fair value provision following settlement of swap contracts	36,506	–
Termination fee on cancellation of swaps	(16,506)	–
Income from collateralised debt agreement (note 16)	535	320
	<u>20,697</u>	<u>455</u>

6. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable on asset finance arrangements	6,195	6,122
Interest payable on loans and borrowings	326	152
Interest payable on derivative instruments: swap arrangements	11,517	12,736
Other interest payable	–	–
	<u>18,038</u>	<u>19,010</u>

7. Taxation

	2016 £'000		2015 £'000	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Analysis of profit or loss charge				
Tax charge for the year:				
Corporation tax	3,227		5,886	
Overseas tax	1,598		1,363	
Adjustments in respect of prior periods	(54)		(22)	
Total current tax		4,771		7,227
<i>Deferred tax</i>				
Origination and reversal of timing differences	2,904		1,618	
Adjustments in respect of prior periods	53		(2)	
Effect of decreased tax rate on deferred tax balance	(775)		(656)	
Total deferred tax		2,182		960
Total tax on profit on ordinary activities		<u>6,953</u>		<u>8,187</u>
Tax included in statement of total other comprehensive income				
<i>Deferred tax</i>				
Revaluation of freehold property		–		6
Total tax on other comprehensive income		<u>–</u>		<u>6</u>

Notes to the Financial Statements continued

7. Taxation continued

Reconciliation of tax charge included in profit or loss

The UK standard rate of corporation tax for the year is 20% (2015: 20.25%). The actual charge for the current and the previous year differ from the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	<u>39,737</u>	<u>42,433</u>
Tax on profit on ordinary activities at standard rate	7,947	8,593
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	111	115
Difference in tax rates	(1,236)	(770)
Adjustments in respect of higher/lower overseas taxes	339	273
Indexation allowance	(158)	–
Losses brought forward utilised in the year	(49)	–
Adjustments in respect of prior periods	(1)	(24)
Total tax	<u>6,953</u>	<u>8,187</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) was substantively enacted in September 2016 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 17% (2015: 18% on the fair value of properties and 18.5% on all other balances).

Deferred tax expected to reverse in 2017 is £nil.

8. Intangible fixed assets

Group	Goodwill £'000
Cost:	
As at 1 January 2016	5,868
As at 31 December 2016	<u>5,868</u>
Amortisation and impairment:	
As at 1 January 2016	5,868
Charge for the year	–
As at 31 December 2016	<u>5,868</u>
Book value:	
As at 31 December 2016	<u>–</u>
As at 31 December 2015	<u>–</u>

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 2016	8,546	819,439	11,702	839,687	1,775
Exchange adjustment	–	7,797	280	8,077	–
Reclassifications	–	(94)	94	–	–
Additions	–	138,131	3,226	141,357	348
Disposals	–	(115,449)	(1,927)	(117,376)	(142)
As at 31 December 2016	8,546	849,824	13,375	871,745	1,981
Depreciation:					
As at 1 January 2016	179	326,342	6,964	333,485	1,385
Exchange adjustment	–	3,117	169	3,286	–
Reclassifications	–	(22)	22	–	–
Charge for the year	57	91,749	1,715	93,521	173
Disposals	–	(72,309)	(1,133)	(73,442)	(66)
As at 31 December 2016	236	348,877	7,737	356,850	1,492
Book value:					
As at 31 December 2016	8,310	500,947	5,638	514,895	489
As at 31 December 2015	8,367	493,097	4,738	506,202	390

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 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 £236,000). The directors do not consider that this requires accounting for as a separate component. The historical cost of this is £650,000.

Included within freehold property is £8,546,000 (2015: £8,546,000) of property held at valuation. The comparable amounts, as determined using historical cost accounting requirements were: cost of £5,631,000 (2015: £5,631,000) and accumulated depreciation of £2,730,000 (2015: £2,560,000).

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

	2016 £'000	2015 £'000
Group		
Fair value:		
As at 1 January	16,752	16,742
Additions	1,814	–
Net gains on fair value adjustments	2,603	10
As at 31 December	21,169	16,752

The comparable amounts, as determined using historical cost accounting requirements were: cost of £17,959,000 (2015: £16,148,000) and accumulated depreciation of £1,610,000 (2015: £1,545,000). Included in investment property above is £17,812,000 (2015: £13,395,000) relating to investment property in an agricultural estate purchased in 2008. The historic cost of this investment property was £12,077,000.

Notes to the Financial Statements continued

10. Investment property continued

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

	2016 £'000	2015 £'000
Cost or valuation:		
As at 1 January	49,111	24,523
Impairment loss recognised in profit or loss	–	–
Capital contributions – addition in the year	–	24,588
As at 31 December	49,111	49,111

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

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

The following companies were the trading subsidiary undertakings of Dawsonrentals Limited, Alexena Limited and Dawsongroup International Limited during the year ended 31 December 2016:

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 Kühlager 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.

12. Trade and other debtors

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year				
Trade debtors	21,238	82	18,837	62
Amounts receivable under finance lease	1,080	–	425	–
Other debtors	1,421	1,078	580	1,124
Prepayments	4,190	209	4,113	244
Tax recoverable	3,452	3,077	103	3,132
Loans receivable from subsidiary undertakings	–	54,396	–	41,165
Amounts owed by subsidiary undertakings	–	9,624	–	9,827
	31,381	68,466	24,058	55,554
Due after one year				
Amounts receivable under finance leases	1,861	–	173	–
	33,242	68,466	24,231	55,554

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

13. Cash and cash equivalents

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments – short-term deposits				
Unrestricted	301	9	450	9
Restricted	41,860	41,860	35,910	35,910
Cash at bank and in hand	2,950	7	1,850	264
Total cash and cash equivalents	45,111	41,876	38,210	36,183
Less: restricted	(41,860)	(41,860)	(35,910)	(35,910)
Total unrestricted cash and cash equivalents	3,251	16	2,300	273

Amounts available for use by the group

At the reporting date, £41,860,000 (2015: £35,910,000) of short term deposit investments is not available for use by the group as it is held on deposit as collateral in respect of the collateralised debt agreement (note 16).

Short-term deposit investments are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was 0.5% (2015: 0.5%).

Cash at bank and in hand are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was nil% (2015: nil%).

Notes to the Financial Statements continued

14. Borrowings

Group

	Due within one year £'000	Due after more than one year £'000	2016 Total £'000	Due within one year £'000	Due after more than one year £'000	2015 Total £'000
Bank overdrafts	13,894	–	13,894	3,931	–	3,931
Asset finance arrangements	115,441	130,873	246,314	104,312	142,027	246,339
	<u>129,335</u>	<u>130,873</u>	<u>260,208</u>	<u>108,243</u>	<u>142,027</u>	<u>250,270</u>

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:

	2016 Total £'000	2015 Total £'000
Within one year	115,441	104,312
Between one and two years	73,830	71,517
Between two and five years	52,833	67,786
After more than five years	4,210	2,724
	<u>246,314</u>	<u>246,339</u>

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2016 Total £'000	2015 Total £'000
Variable rate	245,226	244,597
Fixed rate	1,088	1,742
	<u>246,314</u>	<u>246,339</u>

Company

	Due within one year £'000	Due after more than one year £'000	2016 Total £'000	Due within one year £'000	Due after more than one year £'000	2015 Total £'000
Bank overdrafts	14,722	–	14,722	5,122	–	5,122
Asset finance arrangements	–	–	–	–	–	–
	<u>14,722</u>	<u>–</u>	<u>14,722</u>	<u>5,122</u>	<u>–</u>	<u>5,122</u>

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

15. Trade and other creditors

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year				
Trade creditors	35,209	81	29,550	47
Accruals	15,917	4,297	13,406	3,516
Other creditors	1,500	1,500	2,000	2,000
Tax payable	4,136	–	3,347	–
Deferred income	533	533	535	535
Other tax and social security	3,754	110	1,412	130
Deposits payable to subsidiary undertakings	–	38,333	–	32,888
Derivative financial instruments (note 16)	53,201	–	77,660	–
	114,250	44,854	127,910	39,116
Due after one year				
Deferred income	7,832	7,832	8,365	8,365
Other creditors	5,325	5,070	1,138	1,000
	13,157	12,902	9,503	9,365

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

16. Derivative financial instruments

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

	2016		2015	
	Total £'000	Average rate %	Total £'000	Average rate %
Period to expiry:				
Within one year	160,000	4.6	268,500	4.6
Between one and two years	–	–	–	–
Between two and five years	–	–	–	–
After more than five years	–	–	30,000	7.0
	160,000	4.6	298,500	4.8

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

	2016 £'000
Fair value at 1 January 2016	77,660
Loss arising on fair value of interest rate swaps	12,047
Release of fair value provision following settlement of swap contracts	(36,506)
Fair value at 31 December 2016	53,201

In 2015, 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.

Notes to the Financial Statements continued

17. Provisions for liabilities and charges

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Employee benefits	3,393	1,243	3,507	1,945
Deferred tax	11,820	–	9,541	–
Other provisions	444	–	117	–
	<u>15,657</u>	<u>1,243</u>	<u>13,165</u>	<u>1,945</u>

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Employee benefits				
Long-term incentive schemes	3,393	1,243	3,507	1,945
	<u>3,393</u>	<u>1,243</u>	<u>3,507</u>	<u>1,945</u>

The provision for long-term incentive schemes at 31 December 2016 included £596,000 (2015: £1,501,000) in respect of the director's long-term service bonus scheme (note 4) and £2,797,000 (2015: £2,006,000) relating to schemes in place for other employees.

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Deferred tax				
Accelerated capital allowances	21,304	–	24,727	–
Other timing differences	(407)	–	(458)	–
Investment and freehold property held at fair value	(33)	–	(361)	–
Derivative instruments held at fair value	(9,044)	–	(14,367)	–
Provision for deferred tax	<u>11,820</u>	<u>–</u>	<u>9,541</u>	<u>–</u>
Deferred tax asset	(9,484)	–	(15,186)	–
Deferred tax liability	<u>21,304</u>	<u>–</u>	<u>24,727</u>	<u>–</u>
Net deferred tax liability	<u>11,820</u>	<u>–</u>	<u>9,541</u>	<u>–</u>

The net deferred tax asset/liability expected to reverse in 2017 is £nil.

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Other provisions				
Future contractual liabilities	444	–	117	–
	<u>444</u>	<u>–</u>	<u>117</u>	<u>–</u>

17. Provisions for liabilities and charges continued

Reconciliation of movements in the year

	Employee benefits £'000	Deferred tax £'000	Other provisions £'000	Total £'000
Group				
As at 1 January 2016	3,507	9,541	117	13,165
Charged to profit or loss	956	2,182	342	3,480
Utilised in the year	(1,109)	–	(16)	(1,125)
Exchange adjustment	39	97	1	137
As at 31 December 2016	3,393	11,820	444	15,657
				Employee benefits £'000
Company				
As at 1 January 2016				1,945
Charged to profit or loss				18
Utilised in the year				(720)
As at 31 December 2016				1,243

18. Called up share capital

	2016 Number	£'000	2015 Number	£'000
Authorised				
Ordinary shares of 25p each	51,000,000	12,750	51,000,000	12,750
Allotted, issued and fully paid				
Ordinary shares of 25p each	32,228,962	8,057	32,228,962	8,057

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

19. Dividends

	2016 p per share	2015 p per share	2016 £'000	2015 £'000
Ordinary shares:				
First interim paid	31.0	9.4	9,991	3,030
	31.0	9.4	9,991	3,030

Notes to the Financial Statements continued

20. Operating lease commitments

The group as lessee

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

	2016		2015	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	33	1,078	27	1,089
Later than one year not later than five years	72	2,394	81	2,514
Later than five years	–	568	–	305
Total future minimum lease payments	105	4,040	108	3,908

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:

	2016		2015	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	73,448	505	68,219	473
Later than one year not later than five years	79,025	1,259	75,432	897
Later than five years	2,101	4,331	1,472	2,121
Total future minimum lease payments	154,574	6,095	145,123	3,491

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:

	2016 Land and buildings £'000	2015 Land and buildings £'000
Not later than one year	327	327
Later than one year not later than five years	1,309	1,309
Later than five years	2,837	3,163
Total future minimum lease payments	4,473	4,799

21. Capital commitments

Future capital expenditure

Outstanding contracts for capital expenditure

2016 £'000	2015 £'000
43,131	48,498

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 2016 the maturity periods and maximum amount of these undertakings were:

	2016 £'000	2015 £'000
Between two and five years	2,730	2,125

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 2016 these obligations amounted to £245,485,000 (2015: £249,950,000).

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.

Five Year Record

	FRS 102 2016 £'000	FRS 102 2015 £'000	FRS 102 2014 £'000	Old UK GAAP 2013 £'000	Old UK GAAP 2012 £'000
Turnover	206,027	197,445	181,331	159,867	148,556
Operating profit before exceptional items	46,522	49,490	45,701	36,007	27,334
Gains/(losses) on revaluation of investment properties	2,603	10	(3)	–	–
Exceptional items	–	–	–	–	–
Profit on ordinary activities before interest and fair value of derivatives	49,125	49,500	45,698	36,007	27,334
Net interest payable	17,341	18,555	18,385	17,162	11,736
Profit before tax and fair value of derivatives	31,784	30,945	27,313	18,845	15,598
Release of fair value provision on settlement of swaps	36,506	–	–	–	–
Termination fee on cancellation of swaps	(16,506)	–	–	–	–
(Losses)/gains on fair value of derivatives	(12,047)	11,488	(27,066)	–	–
Profit before tax	39,737	42,433	247	18,845	15,598
Intangible fixed assets	–	–	–	14	389
Tangible fixed assets	514,895	506,202	450,455	446,805	418,369
Investment property	21,169	16,752	16,742	–	–
Net liabilities (excluding cash and borrowings)	(39,929)	(34,668)	(26,221)	(27,393)	(17,767)
Provisions for liabilities and charges	(15,657)	(13,165)	(12,908)	(32,334)	(37,593)
Net assets employed	480,478	475,121	428,068	387,092	363,398
Share capital	8,057	8,057	8,057	8,057	8,057
Reserves	204,123	177,344	147,317	201,653	187,947
Shareholders' funds	212,180	185,401	155,374	209,710	196,004
Net borrowings	215,097	212,060	183,546	177,382	167,394
Derivatives	53,201	77,660	89,148	–	–
Capital employed	480,478	475,121	428,068	387,092	363,398
Operating profit before exceptional items as a percentage of:					
Turnover	22.6%	25.1%	25.2%	22.5%	18.4%
Average capital employed	9.7%	11.0%	11.2%	9.6%	7.8%
Borrowing ratio	101%	114%	118%	85%	85%
Average number of employees	769	711	676	642	601
Turnover per employee (£)	267,916	277,700	268,241	249,014	247,181
Operating profit per employee (£)	60,496	69,606	67,605	56,086	45,481

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
Wharley Road, Cranfield
Milton Keynes MK43 0AW
Tel: 01908 218111
Fax: 01908 218444
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:
contactus@dawsongroup.co.uk

Dawsonrentals Temperature Control Solutions Limited
Fulwood Industrial Estate
Sutton-in-Ashfield
Nottinghamshire NG17 6AF
Tel: 01623 516666
Fax: 01623 516819
Email:
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