2021

Dawsongroup plc

Annual Report & Accounts 2021

Dawsongroup

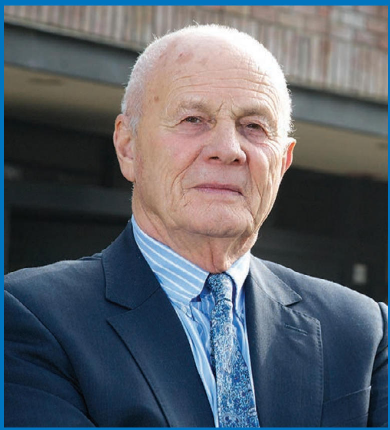
Contents

Corporate Statement

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

Dawsongroup owns over 31,000 high quality premium assets, rented to a broad customer base of large reputable companies.

Chairman's Statement



Peter M Dawson

The underlying strengths of Dawsongroup, a family business built up over many years, have proved fundamental in maintaining successful growth during one of the company's most challenging years. Dawsongroup's long term formula of a low-risk approach, supplying strong credit worthy customers with modern equipment, excellent support and outstanding service is a simple formula that works.

In addition to the impact of Covid, the challenges facing the business this year have been compounded by rapidly rising inflation and interest rates plus a global shipping crisis and a severe shortage of semi-conductors restricting new equipment availability from our suppliers.

Despite these difficulties, Dawsongroup succeeded in delivering both improved revenue and profitability in 2021. This resulted from an outstanding performance across the group by the whole Dawsongroup team – board, management and staff – for which the Dawson family expresses their deep thanks and appreciation. The enthusiasm and motivation of our staff has enabled consistently high utilisation levels to be achieved despite the succession of lockdowns and forced staff absences due to individuals having to isolate or quarantine.

Our important relationship with our finance and banking partners has also remained excellent with continued support throughout the year. This has been reinforced by Dawsongroup's decision to initiate a full market credit rating using Kroll Bond Rating Agency (KBRA), which resulted in Dawsongroup securing an investment grade credit rating of BBB at the end of 2021. This is a great achievement which not only reconfirms the strength of Dawsongroup's balance sheet and the strategy and governance of our business, but also improves our access to funding and widens the scope of investments that Dawsongroup will be able to undertake in the future.

Throughout 2021, Dawsongroup has continued to invest strongly. Overall fleet size has increased by around 10%, despite availability constraints. Investment in both new operating facilities and improving existing ones is continuing. Following the completion of new supersites at Avonmouth and Heathrow, 2022 will see the start of significant expansion and redevelopment of Dawsongroup Sweepers' site at Brighouse, Dawsongroup's head office at Milton Keynes and the development of a new site in Spain.

Strategic investments have also been made in new product sectors, as well as the establishment of new cold storage solution companies in the United States and New Zealand, all of which will help drive profitable growth in future years.

Managing our impact on the environment and accelerating our road to zero has become an import target for the group and we are currently in the process of developing a long-term strategy to meet our own ambitious targets. To this aim, we will be recruiting specialist resource to deliver in this area.

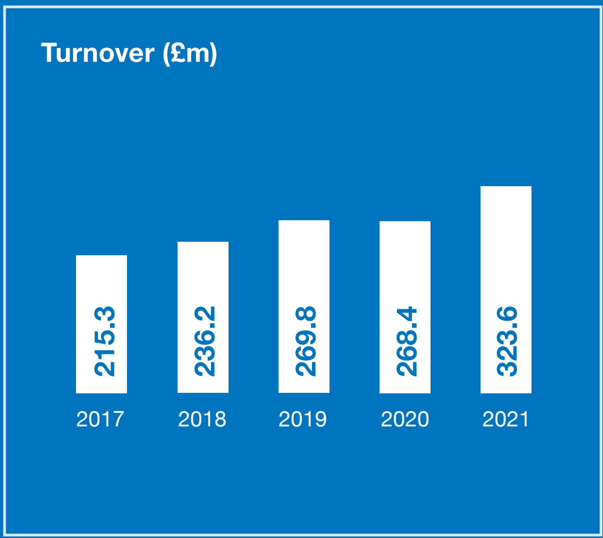
Results and dividends

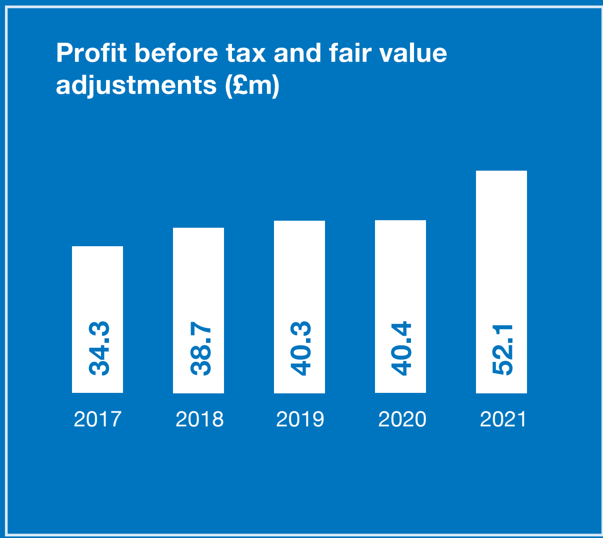
On turnover of £323.6m (2020: £268.4m), profit before tax and fair value adjustments increased by £11.7m to £52.1m (2020: £40.4m). The dividends for the year amounted to £6m (2020: £nil).

Balance sheet

Capital expenditure for the year amounted to £258.7m compared with £219.7m in the previous year. Asset disposal profits of £19.6m (2020: £11.8m) were achieved from proceeds of £67.9m (2020: £67.2m). These, together with operational cash flows of £192.4m (2020: £140.1m), meant that net debt increased by £16.4m to £319.0m.

Gearing decreased to 84% which is exceptionally low for an asset rental business.





Unexpired contract revenue stood at £233.1m compared with £216.1m last year. Interest was covered 5.9 times by operating profit (2020: 4.8 times).

People

Perhaps the biggest change in Dawsongroup over the last five years has been in the company's culture which is a major contributor to Dawsongroup's success. The enthusiasm, commitment and flexibility shown by staff at all levels is reflected not only in low staff turnover, with average length of service over seven years, but also increasingly in the loyalty of customers who appreciate the service they receive from our staff and are in turn prepared to make long term contractual commitments to Dawsongroup.

Dawsongroup is now established as an attractive employer with an excellent industry reputation, achieving better recruitment results at a time of low unemployment, wage inflation and skills shortage.

Talent development programmes remain in place to continue to create the highly experienced and loyal workforce of the future, with succession plans in place for all key staff members. This included the promotion of Tim Abraham as managing director of Dawsongroup Material Handling, in anticipation of the pending retirement of Paul Shires in 2022.

Dawsongroup's charitable programme has gone from strength to strength under the guidance of the group property director, Freya Dawson, supporting a selection of programmes and events to donate to a range of chosen charities.

Dawsongroup board members remain unchanged, and the creation of the Dawson family council has ensured that there is a good interaction between board members and shareholders in relation to key strategic and investment decisions.

Outlook

The shortage of new equipment that has boosted utilisation and disposal values in 2021 will become a significant challenge in 2022. Prices are rising fast which, along with other inflationary pressures and an inability to replace equipment, will create an ageing fleet with increasing repair and maintenance costs. Furthermore energy costs have skyrocketed, which, together with rising global transport costs, wage inflation, labour shortage and increasing interest rates, will all add to the pressures that Dawsongroup and its customers will face in the coming year.

But Dawsongroup is a resilient business, with dedicated staff, loyal customers, modern equipment and low borrowings costs and it has demonstrated consistently that it is able to deal effectively with all these challenges. The board has every confidence that the consistent growth of recent years will be maintained.

Peter M Dawson B Eng, FIMI

Chairman, 27 May 2022

Strategic Report

Stephen J Miller

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

Anthony Coleman

Strategic Review

	2021 £m	%	2020 £m	%
Trucks and trailers	**121.5**	**37.6**	111.4	41.5
Vans	**71.5**	**22.1**	53.2	19.8
Material handling and sweepers	**36.0**	**11.1**	27.5	10.3
Temperature-controlled products	**70.0**	**21.6**	52.3	19.5
Buses and coaches	**23.2**	**7.2**	22.1	8.2
Finance services	**1.4**	**0.4**	1.9	0.7
Group revenue	**323.6**	**100.0**	268.4	100.0

As Covid continues to affect the world Dawsongroup will deal with the cost challenges that are identified with the same careful management approach that has delivered consistent success.

There are many opportunities we will be exploring, that we believe will deliver long term growth and fit with the expertise and skills that are Dawsongroup's DNA.

Our European businesses now deliver a solid proportion of group profitability and are at a stage of maturity to expand from an established base, which include a new office in Italy and a new site in Spain. Furthermore, in June 2021 we started a new cold store solutions business in Auckland, New Zealand and are in the process of establishing a similar business in South Carolina, USA – all of which are showing excellent promise.

Dawsongroup is gradually investing in wholly owned operating sites that are considered strategic locations, which is seen as critical to the long-term growth and security of the business. Recent investments in Avonmouth and Heathrow have demonstrated the group's ability to grow quickly from the right locations and facilities. In 2022 we will commence the expansion of our sweeper business offices and workshop at Brighouse, doubling the existing footprint; and later in 2022 we will commence the complete redevelopment of our Milton Keynes head office.

Dawsongroup is also adopting and developing new products that will provide further expansion opportunities. This includes high tech products such as vacuum excavators, new freezing and chill room options for our range of inflatable buildings, robotic manufacturing systems and off-grid containerised cold stores.

Dawsongroup is also actively seeking acquisition opportunities that complement existing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Strategic Report continued

businesses and skills, confident that short decision-making processes and available funding can help to secure strategic growth.

In recent years, Dawsongroup has invested heavily in strengthening its IT systems, with a focus on improving customer service and experience. Digital apps provide online maintenance records and a new way of capturing relevant asset data on handover or return. In particular, a lot of effort has been given to online tools to support the sale of used assets – which is now a rapidly growing element of disposal – improving revenues and turnaround times and presenting finance opportunities for the end user.

Further growth will also arise from Dawsongroup's strengthening green agenda, which seeks to cut emissions and energy use across all businesses. With a few exceptions, all of Dawsongroup's fleet meets the latest EU6 emission standard and a large number of electric vehicles are now in service – vans, buses, forklift trucks and sweepers – with a growing number of charging points already installed which cover the majority of UK locations. However, the lack of commercially available alternative fuel options, particularly for trucks, is an ongoing frustration.

Considering the enormous challenges of the last couple of years, Dawsongroup's performance has been remarkable, placing the company in a strong position to maintain progress and continue to build a strong and loyal customer base.

Truck and Trailer

High demand throughout 2021 in all areas of our truck and trailer business helped deliver an outstanding result, while a buoyant used market and new equipment shortages underpinned an overall strong performance.

Despite the severe shortage of new trucks and trailers, existing long term purchase commitments with manufacturers helped to ensure that Dawsongroup bucked the trend, maintaining equipment availability in the face of turbulent supply chains.

Ongoing efforts to widen our customer base and to increase the proportion of business secured by long term contracts have brought significant improvement, with over 55% of the truck and trailer fleet now placed with customers on extended terms.

The Dawsondirect branded used disposal channel has also established itself as the market go-to for quality used trucks and trailers. With an expanding online presence, Dawsondirect sold over 1600 units in 2021 and already has pre-sales secured for the coming year with a number of existing customers.

Group investment in sites and facilities, the professionalism of the business and the highest levels of service support delivered nationally have all been recognised by multiple industry awards including Commercial Motor's "Customer Service Award" for the second year running.

Vans

Dawsongroup Vans continues to grow quickly, now operating from 13 UK sites. Revenues grew by 30% and fleet size by 20% in 2021, despite ongoing vehicle availability issues.

Trucks and trailers

Buses and coaches

Vans

Sweepers

Material handling

Temperature controlled products

With well over 13,000 vans now on fleet, it has become a benchmark of professionalism, setting the industry standard in innovation of approach. It is also leading the charge within Dawsongroup in terms of vehicle electrification, supporting the group's wider green agenda.

Used vehicle remarketing benefitted from an exceptional level of demand, with the Van Ninja retail brand achieving record sales volumes and high finance sales penetration. Online platforms have been developed to ensure that this trend continues.

There is also a dedicated trade marketing platform supported by a mobile app that provides 24/7 access to disposal inventory for the trade buyer.

Bus and Coach

The bus and coach sector has been arguably the hardest hit by the Covid pandemic over the last two years. With many people furloughed or working from home, major events throughout the country cancelled and an absence of overseas tourists, Dawsongroup Bus and Coach still managed to improve utilisation.

This makes Bus and Coach's performance of consistently growing revenue and contribution even more impressive. With over 650 vehicles delivered on long term contracts in 2021, primarily to major UK passenger transport businesses, local authorities and government agencies, this all provides a solid base for the future.

Notably, a number of mobile vaccination units were acquired for the NHS to deliver their programme to remote areas and ten new zero emission electric buses are on order for placing with a major client.

Sweepers

Dawsongroup Sweepers are firmly established as the industry sector market leader, with an exceptional performance in 2021, delivering over 35% growth.

Modern high-quality assets and an outstanding level of customer support have demonstrated that investments in these areas are paying dividends.

Expansion of the product portfolio to include a number of zero emission electric sweepers, tippers, vacuum tankers and vacuum excavators, have all served to widen Dawsongroup Sweeper's appeal to major construction and local authority users – so much so that we are looking to rename the division to reflect the broader product offering.

In 2022 work will commence on the construction of a new facility at Brighouse that will double the current footprint and enable the business to continue to expand and grow.

Material Handling

Dawsongroup Material Handling is a mature business operating in a congested marketplace which is dominated by forklift manufacturers' wholly owned subsidiaries and provides limited opportunity for growth.

Despite this, 2021 brought a pleasing performance with both revenue and contribution growth – partly through providing maintenance support for non-Dawson assets but also reflecting strong management and excellent customer relationships.

Our partnership with Combilift has continued to prove mutually beneficial with consistent double-

Strategic Report continued

digit growth and with over 80% of the Combilift fleet now electric powered it also adds to Dawsongroup's green strategy.

New products and market sectors continue to be explored with a special focus on the waste and recycling asset needs of many local authorities.

Temperature Control

Dawsongroup Temperature Control Solutions is a substantial business that has built up an excellent reputation over many years, principally serving the food manufacturing and pharmaceutical industries, providing a range of portable cold stores and purpose-built units on medium and long term contracts.

In 2021, double digit growth has again been achieved, supporting continued core investment in new units that deliver improved energy and performance efficiency.

Throughout the Covid pandemic, as food manufacturing for the "out of home" sector was inevitably curtailed, this released capacity for Dawsongroup to support accelerating pharmaceutical development and to support the needs of the NHS by supplying refrigeration equipment to keep vaccines at the required temperature.

Our European cold store solutions businesses have also performed well, delivering 25% of group profitability and reducing reliance on the UK market. A new site in Spain, new offices in Italy and new ventures in the USA and New Zealand are all platforms for further growth.

New products are also showing promise. The Dawsongroup integration of Tectoniks, which manufactures inflatable structures, has developed well and is providing significant growth with both ambient and chilled inflatable stores. In 2022 this will be expanded to offer a freeze option.

For the last three years, Dawsongroup has been working with several global relief agencies to develop cold storage for emergencies. Our new Temp°store 10 rapid deployment cold store solution is a flexible, easy to deploy, inflatable cold store that can be shipped anywhere in the world at short notice and operated in off-grid locations. A recent $2.5m order from the World Food Programme is an early reward for this effort.

Finance

Dawsongroup Finance has continued its expansion path during 2021. In addition to providing traditional brokerage finance services, it supports group companies with finance options for their customers and provides finance and leasing solutions as a direct provider.

The majority of these credit agreements are backed by a portfolio of banking partners, but Dawsongroup has also started to use its own resources to provide in-house finance at competitive terms. This is expected to increase going forward.

A recent customer satisfaction survey indicated that 100% of Dawsongroup Finance customers would use the company again, with 75% giving a 5/5 score rating. Additionally, a recently completed finance deal for 200 trailers proved Dawsongroup Finance's market competitiveness.

Inflatables

Polarstores

Energy and carbon reporting

GHG emissions data	2021 Tonnes of CO_2e	2020 Tonnes of CO_2e
Scope 1 – Combustion of fuel and operation of facilities (tonnes CO_2 emissions)		
Emissions associated with direct activities: heating offices and branches and running our commercial vehicles and company cars	1,618	1,493
Scope 2 – Electricity, heat and steam (tonnes CO2 emissions)		
Emissions from electricity purchased for own use	443	505
Intensity measurement (Tonnes CO_2 per £m of revenue)	6.4	7.5

Energy usage	kWh	kWh
Energy consumption (kWh)		
Combustion of fuel and operations of facilities	6,922,485	6,351,325
Electricity, heat and steam	2,088,362	2,166,655

Other

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

Employees

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

Energy and carbon reporting

The group reports on all of the greenhouse gas (GHG) emission sources as required under the Streamlined Energy and Carbon Reporting (SECR) legislation 2018. The methodology used to calculate the group's GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard, using the operational control approach. Our GHG emissions and energy consumption is disclosed in the table above.

Energy efficiency

The group is committed to reducing their energy consumption and the carbon impact of our operations. We recognise our responsibility to help our customers manage their businesses in a sustainable way by ensuring that most of our vehicle fleet is either Euro 6 compliant or hybrid, gas or electricity powered and is well maintained. Additionally, we have used energy efficient heating and cooling technology, for example installing solar panels, in the new building that has just been completed at our new Avonmouth site. We have also installed a business energy management software system at one of our high energy usage sites, which provides immediate energy and power insights and deep analytics for our electricity supply enabling us to reduce electricity consumption by identifying non-productive energy usage. We are in the process of recruiting an energy specialist to develop a longer term sustainable plan.

Strategic Report continued

S172 (1) Statement

The board of directors of Dawsongroup plc consider, individually and collectively, that they have acted in a way they consider would be most likely to promote the success of the company for the benefit of its members as a whole having regard to the stakeholders and matters set out in S172 of the Companies Act 2006 namely:

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the company.

The following summarises how the directors fulfil their duties:

Risk Management

It is vital that we effectively identify, evaluate, manage and mitigate the risks we face as a business. For details of the risks and uncertainties and how they are dealt with see the strategic report page 11.

Our people

Our employees are fundamental to the long-term success of the business. We aim to be a responsible employer with regard to pay and benefits that our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we conduct business. 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. For more details see the directors' report page 14.

Business relationships

We strive to develop and maintain strong long-term relationships with our suppliers, customers and asset finance providers all of whom are key to our business. We achieve this without a dependency on any single supplier of product or finance or any individual customer – our largest customer represented just 4.1% of our group revenue in 2021.

Community and environment

As stated on page 6 of the strategic report, exceeding environmental compliance is a key feature of business strategy, with our fleet now almost exclusively to Euro 6 standard. The group also has a number of electric, hybrid and gas-powered vehicles which places us in a good position to provide vehicles to customers operating in the increasing number of low emission zones being applied in UK cities.

Maintaining a reputation for high standards of business conduct

Our intention is to behave responsibly and ensure management operates the business in a responsible manner. Our aim is to provide our customers with premium, well maintained products which together with our high level of customer care promotes our reputation for maintaining high standards.

Members of the company

The shareholders of the company are closely involved in any major decisions made by the board relating to the current running and the future of the group.

Financial review

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

Interest

On average net borrowings during the year of £310.8m (2020: £290.6m), net interest payable increased by £0.2m to £10.7m (2020: £10.5m).

Interest cover is 5.9 times (2020: 4.8 times).

Tax

The 2021 tax charge is £12.1m which is comprised of corporation tax payable of £11.6m plus deferred tax of £0.5m. Corporation tax actually payable in respect of 2021 profits was £15.6m (2020: £12.5m).

Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £192.4m (2020: £140.1m). A further £67.9m (2020: £67.2m) was generated from the disposal of fixed assets. Cash outflow for interest paid, tax and dividends, together amounted to £33.6m (2020: £24.0m).

Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £258.7m (2020 £219.7m).

Borrowings

Net debt increased to £319.0m (2020: £302.6m), comprising hire fleet asset finance of £338.6m (2020: £331.6m), bank loans of £5.0m (2020: £5.4m) less net cash of £24.6m (2020: £34.4m). Year-end gearing was 84% (2020: 92%).

Risks and uncertainties

Finance and treasury

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

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

Financing

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

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

Asset finance facilities are established with a wide range of lenders primarily on a revolving basis and each subject to different annual review dates. The board considers that there are sufficient credit facilities available to meet all projected requirements. Short-term flexibility for working capital purposes is achieved through overdraft facilities.

Interest rates

The exposure to variable rate debt is hedged through interest rate swaps. At the year-end these totalled £200.0m (2020: £200.0m), effectively fixing the relevant variable rate asset finance debt at an average base rate of 2.9%.

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.

Strategic Report continued

Overview

In 2021 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 31,000 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2021 represented just 4.1% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – numbering almost 1,000 across 11 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 27 May 2022 and signed on its behalf by:

Stephen J Miller
Group chief executive

27 May 2022

Anthony Coleman
Group finance director

Directors & 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 83

Stephen J Miller
GROUP CHIEF EXECUTIVE

Stephen joined the group in 1986 and was appointed managing director of Dawsongroup Truck and Trailer in 2002. In October 2009 he was appointed group managing director. In September 2016 he was appointed group chief executive.
AGED 57

Anthony Coleman
FCA
GROUP FINANCE DIRECTOR

Appointed group finance director in January 2006, Anthony is now in his 21st year with the group having joined as group financial controller and company secretary.
AGED 49

Freya Dawson
GROUP PROPERTY DIRECTOR

Freya joined the group in October 2011 and was appointed a director of Alexena Limited, the group's property company in January 2014. In October 2018 she was appointed to the board of Dawsongroup plc.
AGED 34

Lucinda Kent
FCA
GROUP FINANCIAL CONTROL DIRECTOR AND COMPANY SECRETARY

Lucinda joined the group in 2004, becoming group financial controller two years later. She was appointed as company secretary in April 2014 and as group financial control director in May 2020.
AGED 52

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 68

Group headquarters and registered office

Dawsongroup plc
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Registered number

1902154

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Secretary

Lucinda Kent, FCA

Auditor

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Principal bankers

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

Statutory Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2021.

Activities and business review

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

A detailed review of the group's trading during the year and of its business outlook is contained within the chairman's statement on pages 2 to 3 and the strategic report on pages 4 to 12.

Results and dividends

The consolidated trading results and year-end financial position are shown in the financial statements on pages 19 to 44.

The profit after tax for the financial year was £61.3m (2020: £25.1m). Ordinary dividends paid in the year amounted to £6.0m (2020: £nil). The retained profit of £55.3m has been transferred to reserves.

Directors

The current directors of Dawsongroup plc are set out on page 13.

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 £37,130 (2020: £26,841). 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.

Environmental and carbon reporting

The group reports on greenhouse gas emissions as required by the Streamlined Energy and Carbon Reporting (SECR) legislation 2018. This is included on page 9 of the strategic report.

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 2021 the amount for trade creditors in the statement of financial position represented 35 days (2020: 11) of average daily purchases for the company and 33 days (2020: 28) in respect of the group's main UK operating subsidiaries.

Going concern

The directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis for accounting in preparing the annual financial statements. For further information regarding the directors' assessment of the going concern status of the company and group, refer to the accounting policies on page 25.

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 12. These matters relate to activities, business and financial review, future developments and risks and uncertainties.

Directors' responsibilities statement

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

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

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

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

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

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

Statement as to disclosure of information to auditor

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

Auditor

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

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

By order of the board
Lucinda Kent, FCA
Secretary

27 May 2022

Independent Auditor's Report

Independent auditor's report to the members of Dawsongroup plc

Opinion

We have audited the financial statements of Dawsongroup Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the group and parent company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and Covid-19 government support schemes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006 and FRS 102.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, significant one-off or unusual transactions and revenue recognition on the cut-off assertion.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and

Independent Auditor's Report continued

- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Our audit procedures in relation to fraud through revenue recognition specific to cut-off on non-rental revenue included, but were not limited to:

- Assessing management's revenue recognition policy; and
- Agreeing a sample of revenue transactions pre and post year end, to ensure they have been recognised in the appropriate period and in line with the group accounting policy.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

Stephen Brown

Stephen Brown
(Senior Statutory Auditor)

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

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

Date: 1 June 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

Continuing operations	Notes	2021 £'000	2020 £'000
Turnover	1	323,644	268,424
Cost of sales		195,461	166,802
Gross profit		128,183	101,622
Other operating income	1	950	2,438
Administrative expenses		66,336	53,151
Operating profit	2	62,797	50,909
Gains arising on fair value of investment property	10	–	4,226
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		62,797	55,135
Interest receivable and similar income	5	1,205	983
Interest payable and similar charges	6	11,914	11,492
Profit on ordinary activities before fair value of derivative instruments and taxation		52,088	44,626
Gains/(losses) arising on fair value of derivative instruments	17	21,271	(11,160)
Profit on ordinary activities before tax		73,359	33,466
Taxation	7	12,073	8,355
Profit for the year attributable to owners		61,286	25,111
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(2,710)	1,464
Total comprehensive income attributable to owners		58,576	26,575

The notes on pages 25 to 44 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	8		(32)		(64)
Tangible assets	9		769,611		706,997
Investment property	10		25,395		25,395
			794,974		732,328
Current assets					
Inventory		7,705		2,638	
Trade and other debtors	12	64,028		49,420	
Investments – short-term deposits	13	33,985		46,025	
Cash at bank and in hand	13	3,444		4,945	
		109,162		103,028	
Creditors due within one year					
Borrowings	14	153,286		162,693	
Trade and other creditors	16	143,683		130,691	
		296,969		293,384	
Net current liabilities			187,807		190,356
Total assets less current liabilities			607,167		541,972
Creditors due after one year					
Borrowings	14	203,170		190,850	
Trade and other creditors	16	5,319		6,249	
			208,489		197,099
Provisions for liabilities and charges			398,678		344,873
Employee benefits	18	5,877		4,951	
Deferred tax	18	10,999		10,551	
Other provisions	18	816		966	
			17,692		16,468
Net assets			380,986		328,405
Capital and reserves					
Called up share capital	19		8,057		8,057
Share premium account			1,285		1,285
Capital reserve			9,980		9,980
Revaluation reserve			4,308		4,308
Profit and loss account			357,356		304,775
Equity shareholders' funds			380,986		328,405

The financial statements on pages 19 to 44 were approved and authorised for issue by the board of directors on 27 May 2022.

Directors: S J Miller
A Coleman

The notes on pages 25 to 44 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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 2020	8,057	1,285	9,980	4,308	278,200	301,830
Profit for the financial year	–	–	–	–	25,111	25,111
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	1,464	1,464
Total comprehensive income	–	–	–	–	26,575	26,575
Dividends paid (note 20)	–	–	–	–	–	–
At 31 December 2020	8,057	1,285	9,980	4,308	304,775	328,405
Profit for the financial year	–	–	–	–	61,286	61,286
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	(2,710)	(2,710)
Total comprehensive income	–	–	–	–	58,576	58,576
Dividends paid (note 20)	–	–	–	–	(5,995)	(5,995)
At 31 December 2021	**8,057**	**1,285**	**9,980**	**4,308**	**357,356**	**380,986**

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 25 to 44 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Profit on ordinary activities before tax		**73,359**	33,466
Adjusted for:			
Gains arising on fair value of investment property	*10*	**–**	(4,226)
(Gains) / losses arising on fair value of derivative instruments	*17*	**(21,271)**	11,160
Depreciation and impairment of tangible assets	*9*	**144,041**	128,281
Amortisation of goodwill	*8*	**(32)**	(176)
Profit on disposal of tangible assets	*2*	**(19,610)**	(11,817)
Interest receivable	*5*	**(1,205)**	(983)
Interest payable	*6*	**11,914**	11,492
Operating cash flows before movement in working capital		**187,196**	167,197
Increase in inventory		**(5,050)**	(904)
Increase in trade and other debtors		**(10,982)**	(4,051)
Increase / (decrease) in trade and other creditors		**35,433**	(10,919)
Increase in provisions		**813**	849
Interest received	*5*	**672**	450
Income tax paid		**(15,646)**	(12,554)
Net cash flows from operating activities		**192,436**	140,068
Investing activities			
Proceeds from disposal of tangible assets		**67,912**	67,180
Purchase of tangible assets	*9*	**(258,666)**	(219,733)
Net cash flows used in investing activities		**(190,754)**	(152,553)
Financing activities			
Increase in obligations under finance lease	*14*	**7,020**	7,968
Dividends paid	*20*	**(5,995)**	–
Interest paid	*6*	**(11,914)**	(11,492)
Collateral deposit		**12,540**	(4,310)
(Repayment) / advance of bank loans	*14*	**(311)**	5,267
Net cash flows used in financing activities		**1,340**	(2,567)
Net increase / (decrease) in cash and cash equivalents		**3,022**	(15,052)
Cash and cash equivalents at the beginning of the year		**(11,629)**	3,302
Effect of exchange rates on cash and cash equivalents		**(227)**	121
Cash and cash equivalents at the end of the year		**(8,834)**	(11,629)
Unrestricted cash and cash equivalents	*13*	**3,969**	4,970
Overdraft	*14*	**(12,803)**	(16,599)
Total cash and cash equivalents at the end of the year		**(8,834)**	(11,629)

The notes on pages 25 to 44 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Fixed assets					
Tangible assets	*9*		**634**		873
Investment in subsidiary undertakings	*11*		**49,193**		49,193
			49,827		50,066
Current assets					
Inventory		**1**		1	
Trade and other debtors	*12*	**111,240**		100,284	
Investments – short-term deposits	*13*	**33,960**		46,000	
Cash at bank and in hand	*13*	**80**		227	
		145,281		146,512	
Creditors due within one year					
Borrowings	*14*	**12,819**		17,834	
Trade and other creditors	*16*	**81,196**		69,309	
		94,015		87,143	
Net current assets			**51,266**		59,369
Total assets less current liabilities			**101,093**		109,435
Creditors due after one year					
Trade and other creditors	*16*	**5,165**		5,698	
			5,165		5,698
			95,928		103,737
Provisions for liabilities and charges	*18*		**2,088**		1,410
Net assets			**93,840**		102,327
Capital and reserves					
Called up share capital	*19*		**8,057**		8,057
Share premium account			**1,285**		1,285
Capital reserve			**6,658**		6,658
Profit and loss account			**77,840**		86,327
Equity shareholders' funds			**93,840**		102,327

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 loss for the year was £2,492,000 (2020: profit of £5,728,000).

The financial statements on pages 19 to 44 were approved and authorised for issue by the board of directors on 27 May 2022.

Directors: S J Miller
A Coleman

The notes on pages 25 to 44 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2020	8,057	1,285	6,658	80,599	96,599
Profit for the financial year	–	–	–	5,728	5,728
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	5,728	5,728
Dividends paid (note 20)	–	–	–	–	–
At 31 December 2020	8,057	1,285	6,658	86,327	102,327
Profit for the financial year	–	–	–	(2,492)	(2,492)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(2,492)	(2,492)
Dividends paid (note 20)	–	–	–	(5,995)	(5,995)
At 31 December 2021	**8,057**	**1,285**	**6,658**	**77,840**	**93,840**

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 25 to 44 are an integral part of these financial statements.

Accounting Policies

General information

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

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

Basis of preparation

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

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

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

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

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

Basis of consolidation

The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2021.

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.

Accounting Policies continued

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 and represents the excess of the consideration payable over the fair value of the separable net assets acquired. Goodwill occurring on acquisitions made prior to 1 January 2014 has been fully amortised. Goodwill arising on acquisitions subsequent to that date is being amortised over 3-5 years on a straight-line basis as the directors believe this period to be reflective of the life of the balance.

Negative goodwill arising where the fair value of the separable net assets acquired is higher than the consideration paid is being amortised in line with the sale of the hire fleet assets acquired as part of the acquisition.

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. Freehold property was previously initially measured at cost, which comprises the purchase price and any directly attributable expenditure and was subsequently remeasured to fair value at each reporting date with changes in fair value recognised in other comprehensive income. Freehold property is now being held under the cost model and will be depreciated in accordance with the depreciation policies below. The directors believe this method is more reasonable and relevant.

Depreciation is provided to write down the cost of fixed assets by equal instalments to their estimated residual values up to 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	5-7 years	5%-25%
Trailers	10-12.5 years	2.5%-15%
Car transporters and drawbar trailers	9 years	10%
Vans	4-6 years	Nil-1%
Cars	4-5 years	25%-35%
Purpose built portable cold stores	9-20 years	Nil-25%
Buses and coaches	9-15 years	2.5%-15%
Minibuses	6 years	5-10%
Material handling	7-9 years	5%-15%
Sweepers	5-8 years	5%-30%
Scissor lifts	10 years	15%
Coldrooms and inflatables	8 years	Nil
Other	4-12.5 years	Nil-15%
Non hire fleet		
Freehold buildings	20-50 years	Nil
Long leasehold	Life of lease	Nil
Plant and equipment	5-10 years	Nil
Portable office buildings	7-12.5 years	15%
Computer hardware	4 years	Nil
Cars	4 years	15%

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. Properties leased to other group entities are measured using the cost model and are accounted for in accordance with Section 17 *Property, Plant and Equipment*.

Investments in subsidiary undertakings

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

Impairment of assets

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

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

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

Inventory

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

Financial instruments

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

Financial assets – classified as basic financial instruments

The company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments*.

Cash and cash equivalents

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

Trade and other debtors

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

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

Accounting Policies continued

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.

(ii) Classifying lease arrangements

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

Key sources of estimation uncertainty

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

(i) Determining and reassessing useful economic lives and residual values of tangible and intangible assets

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

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

(ii) Establishing fair value of investment properties

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

(iii) Establishing fair value of financial instruments

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

(iv) Recoverability of debtors

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

(v) Employee benefits – long-term incentive schemes

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

Notes to the Financial Statements

for the year ended 31 December 2021

1. Revenue

Analysis by category

An analysis of turnover by category is as follows:

	2021 £'000	2020 £'000
Operating lease rental income	302,468	259,892
Sale of vehicles and equipment	21,176	8,532
	323,644	268,424

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

	2021 £'000	2020 £'000
Rental income from investment properties	813	780
Royalties	137	136
Furlough income received	–	1,522
	950	2,438

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Turnover	289,731	242,249	33,913	26,175	323,644	268,424

2. Operating profit

	2021 £'000	2020 £'000
This is stated after charging:		
Repairs and maintenance expenditure	37,290	30,970
Depreciation of tangible fixed assets: owned assets	140,543	128,281
Impairment of tangible fixed assets: owned assets	3,498	-
Operating leases: land and buildings	2,749	2,779
Operating leases: hire fleet	383	392
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	185	160
Fees payable to the company's auditor for other services to the company:		
– Other advisory services	7	6
Foreign exchange loss	430	–
and after crediting:		
Profit on sale of tangible fixed assets	19,610	11,817
Manufacturers' rebates	41	80
Foreign exchange gain	–	765

3. Employees

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

	2021 Number	2020 Number
Average number of employees, including executive directors, during the year:		
Management	47	49
Sales and administration staff	584	590
Drivers, engineers and others	310	329
	941	968

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	40,743	37,557
Social security costs	4,757	4,313
Pension contributions	3,176	2,686
	48,676	44,556

The pension contributions above represent amounts payable by the group to the fund. £nil have been prepaid (2020: £nil).

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

	2021 £'000	2020 £'000
Directors' emoluments		
Executive remuneration and benefits	2,851	2,230
Pension contributions	53	31
Total	2,904	2,261

	2021 £'000	2020 £'000
Highest paid director		
Executive remuneration and benefits	933	820
Pension contributions	4	6
Total	937	826

The number of directors to whom benefits were accrued under money purchase pension schemes was 4 (2020: 4).

Long-term incentive scheme

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

	2021 £'000	2020 £'000
Provision as at 1 January	731	–
Charged to profit and loss account	771	731
Provision as at 31 December	1,502	731

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 a dividend of £5,995,000 during the year (2020: £nil).

Key management personnel

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

Notes to the Financial Statements continued

5. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable on HP agreements	672	450
Income from collateralised debt agreement (note 16)	533	533
	1,205	983

6. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable on asset finance arrangements	5,875	6,028
Interest payable on loans and borrowings	414	475
Interest payable on derivative instruments: swap arrangements	5,625	4,989
	11,914	11,492

7. Taxation

	2021		2020	
	£'000	£'000	£'000	£'000
Analysis of profit or loss charge				
Tax charge for the year:				
Corporation tax	8,653		6,582	
Overseas tax	3,170		2,570	
Adjustments in respect of prior periods	(264)		(208)	
Total current tax		11,559		8,944
Deferred tax				
Origination and reversal of timing differences	123		(780)	
Adjustments in respect of prior periods	391		191	
Total deferred tax		514		(589)
Total tax on profit on ordinary activities		12,073		8,355

7. Taxation continued

Reconciliation of tax charge included in profit or loss

The UK standard rate of corporation tax for the year is 19% (2020: 19%). The actual charge for the current and the previous year differ from the standard rate for the reasons set out in the following reconciliation:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	73,359	33,466
Tax on profit on ordinary activities at standard rate	13,938	6,359
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	501	186
Difference in tax rates	(3,174)	1,231
Adjustments in respect of higher/lower overseas taxes	681	596
Adjustments in respect of prior periods	127	(17)
Total tax	12,073	8,355

Factors that may affect future tax charges

On 21 May 2021 it was substantively enacted that the rate of corporation tax would increase from 19% to 25% on 6 April 2023. This has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances relating to accelerated capital allowances at the reporting date have been measured at 19% (2020: 19%) as it is the group's intention that these should be crystalised before 5 April 2023. All other deferred tax balances at the reporting date have been measured at 25% (2020: 19%).

Deferred tax expected to reverse in 2022 is £22,791,000.

8. Intangible fixed assets

Group	Goodwill £'000	Negative Goodwill £'000	Total Goodwill £'000
Cost:			
As at 1 January 2021	6,090	(1,084)	5,006
Additions	–	–	–
As at 31 December 2021	6,090	(1,084)	5,006
Amortisation and impairment:			
As at 1 January 2021	5,973	(903)	5,070
Charge for the year	62	(94)	(32)
As at 31 December 2021	6,035	(997)	5,038
Book value:			
As at 31 December 2021	55	(87)	(32)
As at 31 December 2020	117	(181)	(64)

The positive goodwill relating to the acquisition of Lift Truck Services Limited and PMR Holdings Limited on 31 July 2019 is being amortised over three years on a straight-line basis, that relating to the acquisition of Tectoniks Limited on 22 August 2018 is being amortised on a straight-line basis over a period of five years. The negative goodwill is being amortised in line with the disposal of the hire-fleet assets acquired as part of the acquisition of Transflex Vehicle Rental in April 2018.

Amortisation is charged within administrative expenses in the Statement of Comprehensive Income.

Company

The company does not hold any intangible assets.

Notes to the Financial Statements continued

9. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Group total £'000	Company total £'000
Cost or valuation:						
As at 1 January 2021	26,961	1,320	1,077,479	19,825	1,125,585	3,367
Exchange adjustment	–	(81)	(5,405)	(197)	(5,683)	–
Reclassifications	–	–	(134)	134	–	–
Additions	5,045	–	250,304	3,317	258,666	281
Tfr in from Group company	–	–	–	–	–	–
Disposals	–	–	(148,541)	(2,765)	(151,306)	(1,060)
As at 31 December 2021	**32,006**	**1,239**	**1,173,703**	**20,314**	**1,227,262**	**2,588**
Depreciation:						
As at 1 January 2021	463	21	405,829	12,275	418,588	2,494
Exchange adjustment	–	(1)	(1,849)	(124)	(1,974)	–
Reclassifications	–	–	(89)	89	–	–
Charge for the year	349	16	137,218	2,960	140,543	409
Impairment	–	–	3,498	–	3,498	–
Tfr in from Group company	–	–	–	–	–	–
Disposals	–	–	(100,874)	(2,130)	(103,004)	(949)
As at 31 December 2021	**812**	**36**	**443,733**	**13,070**	**457,651**	**1,954**
Book value:						
As at 31 December 2021	**31,194**	**1,203**	**729,970**	**7,244**	**769,611**	**634**
As at 31 December 2020	26,498	1,299	671,650	7,550	706,997	873

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 £520,000). 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 £12,269,000 which was previously held at valuation. The directors believe that the cost model is more reasonable and relevant so, with the exception of investment property (see note 10), freehold property is all now held at cost. For those properties previously held at valuation, this valuation is now considered to be the deemed cost and is applicable from 31 December 2019, the earliest date for which it is practicable to apply it.

Company

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

10. Investment property

Group	2021 £'000	2020 £'000
Fair value:		
As at 1 January	25,395	21,169
Net gains on fair value adjustments	-	4,226
As at 31 December	25,395	25,395

The comparable amounts, as determined using historical cost accounting requirements were: cost of £17,959,000 (2020: £17,959,000) and accumulated depreciation of £1,932,000 (2020: £1,867,000). Included in investment property above is £22,038,000 (2020: £22,038,000) relating to investment property in an agricultural estate purchased in 2008. The historic cost of this investment property was £13,888,000.

The fair values of the investment properties were determined as at 31 December 2016 by an independent external valuer, holding a professional qualification with the Royal Institute of Chartered Surveyors and having experience in the locations and classes of the investment properties valued. Investment properties were valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuer's knowledge and experience of the property market. During 2020 one of the investment properties underwent an independent valuation on the same basis and was revalued accordingly. The directors are not aware of any material change in values of the remaining investment properties since the 2016 valuation and therefore the fair values of these investment properties have not been adjusted.

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

Company

The company does not hold any investment property.

11. Investment in subsidiary undertakings

	2021 £'000	2020 £'000
Cost or valuation:		
As at 1 January	49,193	49,111
Additions	-	82
As at 31 December	49,193	49,193

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 except for Dawsongroup Temperature Control Solutions AG which is in Switzerland:

Subsidiary undertaking	**Principal activity**
Alexena Limited*	Property and investment.
Dawsongroup UK Limited*	Holding company of United Kingdom trading subsidiary undertakings.
Dawsongroup International Limited*	Holding company of overseas subsidiary undertakings.
Praedium Property Limited	Dormant.
Dawsongroup Temperature Control Solutions AG	Hire and sale of temperature-controlled products.

Notes to the Financial Statements continued

11. Investment in subsidiary undertakings continued

The following companies were the trading subsidiary undertakings held indirectly by Dawsongroup plc during the year ended 31 December 2021:

Subsidiary	Country of operation and incorporation	Principal activity
Dawsongroup Truck and Trailer Limited	United Kingdom	Hire of commercial vehicles and trailers.
Dawsongroup Bus and Coach Limited	United Kingdom	Hire of buses and coaches.
Dawsongroup Vans Limited	United Kingdom	Hire of commercial vans.
Dawsongroup Material Handling Limited	United Kingdom	Hire of material handling.
Lift Truck Services Limited	United Kingdom	Hire of material handling.
PMR Holdings Limited	United Kingdom	Property and holding company.
Dawsongroup Sweepers Limited	United Kingdom	Hire of sweepers.
Dawsongroup Temperature Control Solutions Limited	United Kingdom	Hire of temperature-controlled products.
Tectoniks Limited	United Kingdom	Manufacturer of inflatable products.
Dawsongroup Portable Cold Rooms Limited	United Kingdom	Property.
D.G. Finance Limited *	United Kingdom	Vehicle finance.
Dawsongroup Finance Limited	United Kingdom	Finance specialists.
Ventura Rental Limited	United Kingdom	Buying and selling of fixed assets.
Dawson Road Limited	United Kingdom	Group property.
OSD Limited	United Kingdom	Group property.
Dawsongroup International BV	The Netherlands	Overseas holding company.
Thermobil Mobile Kühllager GmbH	Germany	Hire of temperature-controlled products.
Modulfroid Service SARL	France	Hire of temperature-controlled products.
Dawsongroup Benelux BV	The Netherlands	Hire of temperature-controlled products.
Dawsongroup Polska Sp. z o.o.	Poland	Hire of temperature-controlled products.
Dawsongroup TCS Ireland Limited	Ireland	Hire of temperature-controlled products.
Dawsongroup TCS Iberica S.L.	Spain	Hire of temperature-controlled products.
Dawsongroup Thermobil Austria GmbH	Austria	Hire of temperature-controlled products.
Dawsongroup TCS Limited	New Zealand	Hire of temperature-controlled products.

The registered office address for all UK entities is Delaware Drive, Tongwell, Milton Keynes MK15 8JH, with the exception of Tectoniks Limited whose registered office is Unit 1 Kinton Business Park, Nesscliffe, Shrewsbury, SY4 1AZ. The overseas registered offices are the same as their place of business as shown in the business directory on page 46.

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.

*Alexena Limited (company registration number: 01455385), D.G. Finance Limited (company registration number: 02131494), Dawsongroup UK Limited (company registration number: 00453519) and Dawsongroup International Limited (company registration number: 06050609) all of which are ultimately 100% owned by Dawsongroup plc, have taken advantage of the exemption from the requirements of the Companies Act 2006 relating to the audit of accounts under Section 479A of the Act.

12. Trade and other debtors

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Due within one year				
Trade debtors	30,352	37	28,415	22
Amounts receivable under finance lease	2,821	–	2,463	–
Other debtors	13,078	4,178	10,548	2,757
Prepayments	5,479	363	5,152	340
Tax recoverable	4,023	12,953	258	6,601
Loans receivable from subsidiary undertakings	–	83,797	–	73,419
Amounts owed by subsidiary undertakings	–	9,912	–	17,145
	55,753	111,240	46,836	100,284
Due after one year				
Amounts receivable under finance leases	8,275	–	2,584	–
	64,028	111,240	49,420	100,284

Included in other debtors are derivative financial instruments of £1.9m (2020: £nil). (Note 17).

Loans receivable from subsidiary undertakings are unsecured, repayable on demand and earn interest at 0.25% below base rate (or 0% when this would be negative). All other amounts owed to subsidiary undertakings are unsecured and repayable on demand.

13. Cash and cash equivalents

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Investments – short-term deposits				
Unrestricted	525	500	25	–
Restricted	33,460	33,460	46,000	46,000
Cash at bank and in hand	3,444	80	4,945	227
Total cash and cash equivalents	37,429	34,040	50,970	46,227
Less: restricted	(33,460)	(33,460)	(46,000)	(46,000)
Total unrestricted cash and cash equivalents	3,969	580	4,970	227

Amounts available for use by the group

At the reporting date, £33,460,000 (2020: £46,000,000) 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 17).

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 0.1% (2020: 0.2%).

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% (2020: nil%).

Notes to the Financial Statements continued

14. Borrowings

Group

	Due within one year £'000	Due after more than one year £'000	2021 Total £'000	Due within one year £'000	Due after more than one year £'000	2020 Total £'000
Bank overdrafts	**12,803**	**–**	**12,803**	16,599	–	16,599
Bank loan	**1,329**	**3,713**	**5,042**	1,329	4,024	5,353
Asset finance arrangements	**139,154**	**199,457**	**338,611**	144,765	186,826	331,591
	153,286	**203,170**	**356,456**	162,693	190,850	353,543

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:

	2021 Total £'000	2020 Total £'000
Within one year	**139,154**	144,765
Between one and two years	**98,180**	89,992
Between two and five years	**94,082**	90,548
After more than five years	**7,195**	6,286
	338,611	331,591

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2021 Total £'000	2020 Total £'000
Variable rate	**333,169**	325,402
Fixed rate	**5,442**	6,189
	338,611	331,591

14. Borrowings continued

Bank loans and mortgages

In December 2020 Alexena Limited, a fully owned subsidiary of Dawsongroup plc, was advanced a mortgage of £5,275,000 by HSBC Bank at a variable rate of 2.15% over base secured over one of its properties. The below figures also include a mortgage held by PMR Holdings Limited, a fully owned indirect subsidiary of Dawsongroup plc, secured over its property. The mortgages are repayable by instalments as follows:

	2021 Total £'000	2020 Total £'000
Within one year	**1,329**	1,329
Between one and two years	**1,329**	1,329
Between two and five years	**2,368**	2,667
After more than five years	**16**	28
	5,042	5,353

Company

	Due within one year £'000	**Due after more than one year £'000**	**2021 Total £'000**	Due within one year £'000	Due after more than one year £'000	2020 Total £'000
Bank overdrafts	**12,819**	**–**	**12,819**	17,834	–	17,834
	12,819	**–**	**12,819**	17,834	–	17,834

Bank overdrafts attract interest at a rate of 2.5% (2020: 2.5%) and are repayable on demand.

15. Analysis of changes in net debt

	1 January 2021 £'000	**Cash flows £'000**	**Asset finance (advances)/ repayments £'000**	**Changes in exchange rates £'000**	**31 December 2021 £'000**
Cash and cash equivalents					
Cash at bank and in hand	4,970	(753)	–	(248)	3,969
Bank overdrafts	(16,599)	3,775	–	21	(12,803)
Cash equivalents – collateral deposit	46,000	(12,540)	–	–	33,460
	34,371	(9,518)	–	(227)	24,626
Borrowings					
Debt due within one year:					
Bank loans	(1,329)	–	–	–	(1,329)
Asset finance arrangements	(144,765)	–	5,611	–	(139,154)
Debt due after one year:					
Bank loans	(4,024)	311	–	–	(3,713)
Asset finance arrangements	(186,826)	–	(12,631)	–	(199,457)
	(336,944)	311	(7,020)	–	(343,653)
Net debt	**(302,573)**	**(9,207)**	**(7,020)**	**(227)**	**(319,027)**

Notes to the Financial Statements continued

16. Trade and other creditors

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Due within one year				
Trade creditors	62,300	369	43,917	60
Accruals	40,585	16,987	27,013	7,996
Tax payable	654	–	1,011	–
Deferred income	533	533	533	533
Other tax and social security	2,581	152	1,799	161
Deposits payable to subsidiary undertakings	–	63,155	–	60,559
Derivative financial instruments (note 17)	37,030	–	56,418	–
	143,683	81,196	130,691	69,309
Due after one year				
Deferred income	5,165	5,165	5,698	5,698
Other creditors	154	–	551	–
	5,319	5,165	6,249	5,698

Deposits payable to subsidiary undertakings are unsecured, repayable on demand and incur interest at 1% (2020: 1%) above base rate.

17. 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.

	2021 Total £'000	2021 Average rate %	2020 Total £'000	2020 Average rate %
Period to expiry:				
Within one year	20,000	4.5	120,000	4.3
After more than five years	180,000	2.7	80,000	0.8
	200,000	2.9	200,000	2.9

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

	2021 £'000
Fair value at 1 January 2021	56,418
Gain arising on fair value of interest rate swaps	21,271
Fair value at 31 December 2021	35,147

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

In 2015, the group entered into a collateralised debt agreement with the Royal Bank of Scotland ("RBS"), the interest rate swap counterparty, to partially offset the group's liability payable upon settlement of certain derivative contracts. The swap was novated to HSBC during 2019. As part of the original agreement, £9,220,000 was deposited to the group which is subject to certain conditions over the remaining term of the derivative contracts. The deposit has been recognised within deferred income (note 16) and is being recognised as income over the remaining term of the agreement (note 5).

18. Provisions for liabilities and charges

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Employee benefits	5,877	2,088	4,951	1,410
Deferred tax	10,999	–	10,551	–
Other provisions	816	–	966	–
	17,692	2,088	16,468	1,410

Employee benefits	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Long-term incentive schemes	5,877	2,088	4,951	1,410
	5,877	2,088	4,951	1,410

The provision for long-term incentive schemes at 31 December 2021 was £1,502,000 (2020: £731,000) in respect of the directors' long-term service bonus scheme (note 4) and £4,375,000 (2020: £4,220,000) relating to schemes in place for other employees.

Deferred tax	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Accelerated capital allowances	22,791	–	22,043	–
Other timing differences	(4,037)	–	(1,543)	–
Derivative instruments held at fair value	(7,755)	–	(9,949)	–
Provision for deferred tax	10,999	–	10,551	–
Deferred tax asset	(11,792)	–	(11,492)	–
Deferred tax liability	22,791	–	22,043	–
Net deferred tax liability	10,999	–	10,551	–

The net deferred tax asset/liability expected to reverse in 2022 is £22,791,000.

Other provisions	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Future contractual liabilities	816	–	966	–
	816	–	966	–

Notes to the Financial Statements continued

18. 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 2021	4,951	10,551	966	16,468
Charged to profit or loss	2,322	514	330	3,166
Utilised in the year	(1,361)	–	(479)	(1,840)
Exchange adjustment	(35)	(66)	(1)	(102)
As at 31 December 2021	5,877	10,999	816	17,692

	Employee benefits £'000
Company	
As at 1 January 2021	1,410
Charged to profit or loss	877
Utilised in the year	(199)
As at 31 December 2021	2,088

19. Called up share capital

	2021 Number	2021 £'000	2020 Number	2020 £'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.

20. Dividends

	2021 p per share	2020 p per share	2021 £'000	2020 £'000
Ordinary shares:				
First interim paid	**18.6**	–	**5,995**	–
	18.6	–	**5,995**	–

21. 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:

	2021		2020	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	344	1,401	276	1,717
Later than one year not later than five years	16	1,936	6	2,796
Later than five years	–	620	–	205
Total future minimum lease payments	360	3,957	282	4,718

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:

	2021		2020	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	104,925	482	90,056	387
Later than one year not later than five years	125,394	1,413	120,486	1,510
Later than five years	2,820	2,429	5,536	2,710
Total future minimum lease payments	233,139	4,324	216,078	4,607

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:

	2021 Land and buildings £'000	2020 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	1,200	1,527
Total future minimum lease payments	2,836	3,163

Notes to the Financial Statements continued

22. Capital commitments

Future capital expenditure	2021 £'000	2020 £'000
Outstanding contracts for capital expenditure	227,214	92,857

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 2021 the maturity periods and maximum amount of these undertakings were:

	2021 £'000	2020 £'000
Not later than one year	472	–
Between two and five years	6,294	4,259
Later than five years	1,580	2,163
Total future purchase undertakings	8,346	6,422

23. 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 17). This was novated to HSBC in 2019. The deposit of £9,220,000 received as part of the original agreement 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 2021 these obligations amounted to £343,637,000 (2020: £335,710,000).

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

24. 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.

25. Events after the reporting period

In May 2022 the company sold freehold land for an amount of £42,000,000.

On 24 February 2022 Russian forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact of Russian forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from price increases.

The directors have taken account of these potential impacts in their going concern assessments and have concluded that the direct impact is not significant to the business, with the indirect impact of price increases being reviewed on a regular basis.

Five Year Record

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Turnover	**323,644**	268,424	269,755	236,152	215,345
Operating profit before exceptional items	**62,797**	50,909	50,544	48,244	44,830
Gains/(losses) on revaluation of investment properties	**–**	4,226	–	–	–
Exceptional items	**–**	–	–	–	–
Profit on ordinary activities before interest and fair value of derivatives	**62,797**	55,135	50,544	48,244	44,830
Net interest payable	**10,709**	10,508	10,292	9,543	10,577
Profit before tax and fair value of derivatives	**52,088**	44,627	40,252	38,701	34,253
Gains/(losses) on fair value of derivatives	**21,271**	(11,161)	(2,451)	4,957	5,437
Profit before tax	**73,359**	33,466	37,801	43,658	39,690
Intangible fixed assets	**(32)**	(64)	(240)	(735)	–
Tangible fixed assets	**769,611**	706,997	668,680	614,818	517,495
Investment property	**25,395**	25,395	21,169	21,169	21,169
Net liabilities (excluding cash and borrowings)	**(42,122)**	(28,463)	(47,659)	(29,012)	(28,726)
Provisions for liabilities and charges	**(17,692)**	(16,468)	(16,145)	(17,588)	(14,403)
Net assets employed	**735,160**	687,397	625,805	588,652	495,535
Share capital	**8,057**	8,057	8,057	8,057	8,057
Reserves	**372,929**	320,348	293,773	269,109	237,265
Shareholders' funds	**380,986**	328,405	301,830	277,166	245,322
Net borrowings	**319,027**	302,574	278,717	268,679	202,449
Derivatives	**35,147**	56,418	45,258	42,807	47,764
Capital employed	**735,160**	687,397	625,805	588,652	495,535
Operating profit before exceptional items as a percentage of:					
Turnover	**19.4%**	19.0%	18.7%	20.4%	20.8%
Average capital employed	**8.8%**	7.8%	8.3%	8.9%	9.2%
Borrowing ratio	**84%**	92%	92%	97%	83%
Average number of employees	**941**	968	991	914	797
Turnover per employee (£)	**343,936**	277,297	272,205	258,372	270,195
Operating profit per employee (£)	**66,734**	52,591	51,003	52,784	56,249

Business Directory

UK business centres

(supported by a branch network of 34 locations)

Dawsongroup Truck and Trailer Limited
Delaware Drive
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Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Used vehicle disposals division

Dawsondirect
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Email:
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Dawsongroup Bus and Coach Limited
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Used bus and coach disposals division

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

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

Lift Truck Services Limited
Unit 1C Old Park Industrial Estate
Old Park Road
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Dawsongroup Sweepers Limited
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Dawsongroup Temperature Control Solutions Limited
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Email: info@dgtcs.co.uk

Dawsongroup Vans Limited
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Used van disposals division

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