

DAWSONGROUP PLC

ANNUAL REPORT & ACCOUNTS

2005



1	CORPORATE STATEMENT
2	CHAIRMAN'S STATEMENT AND FINANCIAL HIGHLIGHTS
4	OPERATING AND FINANCIAL REVIEW
12	DIRECTORS AND ADVISERS
13	STATUTORY DIRECTORS' REPORT
15	REPORT OF THE AUDITORS
16	CONSOLIDATED PROFIT AND LOSS ACCOUNT
16	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
17	CONSOLIDATED BALANCE SHEET
18	CONSOLIDATED CASH FLOW STATEMENT
19	COMPANY BALANCE SHEET
20	ACCOUNTING POLICIES
22	NOTES TO THE FINANCIAL STATEMENTS
35	FIVE YEAR RECORD
36	BUSINESS DIRECTORY

OPERATIONAL AREAS



Dawsongroup is a leading specialist asset rental business with a proven and consistent track record spanning over 30 years. It operates in several related markets principally within the UK but with a growing European presence and its rental portfolio, which at 31 December 2005 amounted to over 16,000 assets, is focused on high quality premium products typically with high unit values including commercial vehicles, trailers, buses, coaches, sweepers, materials handling equipment, an extensive range of temperature-controlled products and kitchen units. It also provides finance broker services. The group's broad customer base is represented mainly by large reputable companies.

It is pleasing to report on another excellent financial performance for Dawsongroup in 2005. Despite deteriorating market conditions as the year progressed, the group managed to increase both turnover and profit before tax for the 9th consecutive year.



PETER M DAWSON

Revenue growth was achieved in each of the group's product sectors stimulated particularly by a high level of investment in new trucks and, by way of an acquisition, in municipal sweepers for the materials handling equipment division.

In an environment of rising operating costs and scarce rate increases generally, trading conditions proved challenging, particularly in the trailer rental market where the problems of overcapacity for the market became very apparent. It is in such circumstances that the benefits of a diversified asset rental portfolio are underlined and treasured.

At the year-end that portfolio extended to over 16,000 assets, an 8% increase over 2004.

Results and dividend

On turnover of £127.7m (2004: £112.0m), an increase of 14%,

profit before tax improved by 7% to £23.0m (2004: £21.4m).

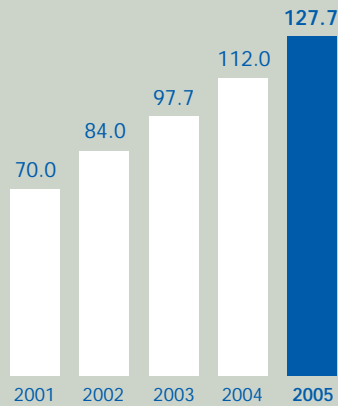
After an effective tax charge of 32%, compared to just 22% in 2004, the pre-dividend profit for the year amounted to £15.7m (2004: £16.7m).

The dividends for the year amounted to £3.60m (2004: £3.43m); a 5% increase.

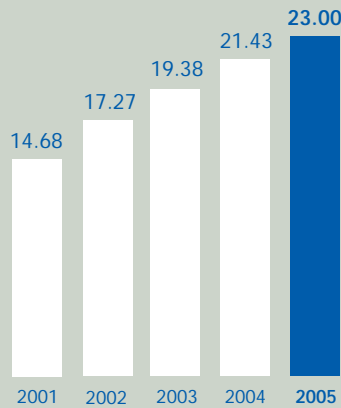
Acquisition

Following on from the group's successful entry into the industrial sweeper market in 2003 through its materials handling equipment division, Northern Municipal Spares Ltd ('NMS') was acquired in July for a consideration of £3.3m including acquired loans and overdraft, of £1.7m. The business, based in Brighouse, near Leeds, manages a rental fleet of 430 sweepers mostly on term contracts to a broad range of municipal and other customers throughout the

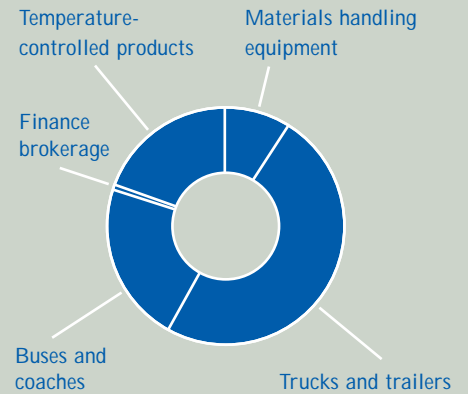
TURNOVER : £m



PROFIT BEFORE TAX : £m



MARKET SECTORS REVENUE



UK. It also operates brush manufacturing and sweeper aftermarket distribution activities.

The contribution from NMS since acquisition and the future prospects for this addition to the group's portfolio of assets are encouraging.

Balance sheet

The group continues to maintain a very robust balance sheet. Excluding the above acquisition, capital expenditure for the year amounted to £79.0m (2004: £103.1m), of which almost £59.0m was directed towards the truck rental and contract fleet where demand remained relatively strong.

Excellent asset disposal profits of £1.58m (2004: £1.3m) were achieved from proceeds of £17.8m (2004: £12.7m). These proceeds together with strong operational cash flows of £80.4m (2004: £79.9m) ensured that, in spite

of that high level of fleet investment, net debt increased by only £13.7m to £238.1m and gearing fell from 234% to 220%. This remains a comfortable level for an asset rental business supported by a good contractual base.

Board changes

After 26 years exemplary service, the last 17 of which were as Group Finance Director, Clive Gear decided to take early retirement at the end of the year. Clive was integral to the outstanding success of Dawsongroup and we wish him all the best for the future.

Anthony Coleman, who joined the group over five years ago as Group Financial Controller and Company Secretary has replaced Clive on the Board and we wish him every success.

Outlook

2005 was another outstanding performance for the group despite deteriorating trading conditions from early on in the year, which were a product of the slowdown in consumer activity in the UK economy.

The general economic outlook remains uncertain and will continue to present challenges, particularly to the truck and trailer division. However, the group's core strengths of diverse product range, broad customer base, high levels of customer service and experienced management team ensures that it is well placed for long-term growth.

Peter M Dawson
CHAIRMAN

21 March 2006

OPERATING AND FINANCIAL REVIEW

The group's excellent operating performance is built on a diversified asset rental portfolio but with largely common engineering or customer profiles.



MICHAEL J WILLIAMS



ANTHONY COLEMAN

OPERATING REVIEW

	2005 £m	%	2004 £m	%
Trucks and trailers	62.3	48.8	59.0	52.7
Materials handling equipment	11.7	9.2	4.8	4.3
Temperature-controlled products	24.3	19.0	22.9	20.5
Buses and coaches	29.1	22.8	24.8	22.1
Finance brokerage	0.3	0.2	0.5	0.4
	127.7	100.0	112.0	100.0

The 14% increase in group revenue was achieved through organic growth from each rental product sector with the exception of materials handling equipment where the acquisition of Northern Municipal Spares Ltd contributed £6.3m to its turnover.

The group operating profit margin has marginally decreased from 30.7% of revenue to 29.3% resulting in an operating profit of £37.4m (2004: £34.4m).

Trucks and trailers

The truck and trailer division experienced mixed fortunes in a year which started well but deteriorated progressively.

£50m was incurred on the truck replacement programme which further modernised the fleet and reduced what was an already excellent age profile. The investment enabled the installation of a number of units on term contracts, notably 202 tractor units with Ford Motor Company, and positioned the division to take advantage of a buoyant disposal market for good quality used vehicles.



OPERATING AND FINANCIAL REVIEW

CONTINUED



The short term truck fleet, boosted through the replacement programme, improved average utilisation to a highly commendable 87% (2004: 83%) on a fleet size up by an average of 6%. Hire rates remained broadly unchanged.

Unfortunately the trailer fleet did not perform so well as the difficult trading climate highlighted the problems that this sector faces with overcapacity to either drive down rates or suffer lower utilisation levels.

Dawsonrentals invested almost £9m on new trailers, targeted towards niche products such as double-decks, to increase the average fleet size by about 10% but market overcapacity in less specialist products such as curtainside trailers saw average utilisation fall to 73% (2004: 79%); the lowest for a number of years. In the circumstances, a drop of less than 1% in average hire rates was a respectable performance.

With the exception of the Ford Motor Company contract mentioned earlier, new term business was scarce and the division also suffered loss of revenue from the insolvency in the summer of two significant customers.

The investment strategy for the current year has been influenced not only by market conditions but also by the requirement for all trucks registered from October 2006 to meet Euro IV emission legislation. The excellent age profile of the Dawsonrentals' fleet affords time to evaluate

the new technology and, in the circumstances, further fleet investment in both trucks and trailers for 2006 will be limited to that required to fulfil term contracts.

Materials handling equipment

The management team at this division certainly experienced a very challenging year. They not only had to deal with difficult market conditions in the existing fork-lift truck and scissor lift rental business but also had the distraction of the acquisition and integration of Northern Municipal Spares Ltd ('NMS'), a business of broadly the same size but of greater complexity than the existing one. It is to a degree fortunate that NMS, based in Brighouse, with depots in Sunderland and Cardiff, is geographically close to the original Dawsonrentals business in Garforth on the other side of Leeds.

In the event, success was achieved on both fronts. The existing Dawsonrentals Materials Handling Equipment business increased both revenue and profits for the 8th consecutive year. In spite of a disappointing last quarter, the short term fork-lift truck fleet marginally improved both average utilisation and rates over the previous year. The contract hire fleet increased by 8% and the embryonic industrial sweeper fleet achieved average utilisation of 95% from a fleet which more than doubled in the year.



Having entered and evaluated the industrial sweeper market in this way, the acquisition of NMS provided the division with the opportunity to quickly establish its presence in the municipal market with a rental and contract hire fleet of over 430 compact and chassis mounted sweepers.

Since acquisition the management team have worked hard to install the group's contract and fleet management systems and separate the other two, previously intertwined, activities of the business, notably a rewarding sweeper brush manufacturing and sales business and a Johnstons parts and service distributorship which was terminated by mutual consent early in the current year.

The performance of the acquired sweeper hire business has been most encouraging; the fleet size had increased by 14% at the year-end and capital expenditure of £6.3m is anticipated for this sector in the current year.

Temperature-controlled products
Dawsonrentals Portable Cold Storage in the UK made sound overall progress but, as with most of the group's other activities, witnessed a slowdown in demand as the year progressed.

Revenue increased by 6%, in spite of a slight fall in utilisation, and profits marginally decreased by 2%; reflecting that the division met the challenge of continually finding new markets and new customers for assets. The division has also proven its ability to constantly

reconfigure and redesign portable cold stores to satisfy new market requirements such as those for controlled defrost units, hot boxes and modular cold rooms.

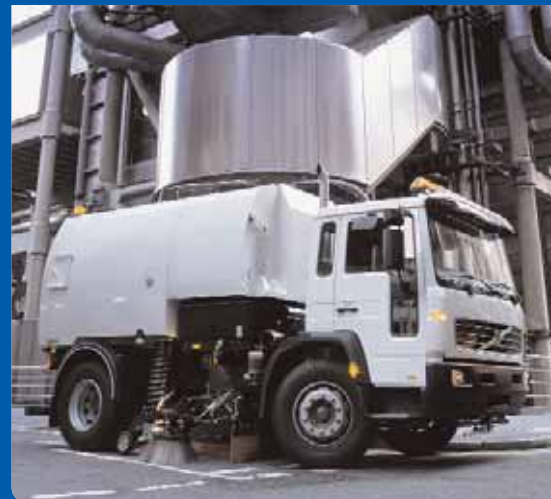
Dawsonrentals Display Refrigeration had a very disappointing year as its key market place, the supermarket groups, delayed or postponed their store refurbishment programmes. The temporary kitchen activity also failed to demonstrate any revenue or profit growth but remains confident of future prospects in the health and education sectors where long lead times unfortunately prevail.

The overseas portable cold store businesses generally had a very satisfactory year, collectively reporting a profit uplift of 43% from revenue growth at a much lower level of 17%; reflecting improved fleet utilisation and some rate increases. The level of fleet growth, which is entirely dependent upon new term contracts, remains disappointing particularly in France and the Netherlands. However, there are encouraging signs of economic recovery in Ireland and Germany and the Polish subsidiary has reached breakeven levels of revenue.

In the circumstances the challenge for each of these businesses is to continue to promote themselves extensively through telemarketing and the internet as providers of temperature controlled rental solutions and differentiate themselves from the competition accordingly.



MATERIALS
HANDLING
EQUIPMENT



OPERATING AND FINANCIAL REVIEW

CONTINUED



Buses and coaches

Following the strategic review of this division in the previous year, 2005 was a year of consolidation with a view to maximising utilisation of the existing fleet and improving the customer and product infrastructure.

Capital expenditure was a modest £5.5m compared to £44.9m in 2004 yet, from the actions taken and with a full year's benefit from the contracts signed in 2004, Dawsonrentals Bus and Coach achieved a 17% increase in revenue and a commendable 39% uplift in profits. Coaches performed ahead of expectations with a 10% increase in utilisation and activity in the welfare bus market returned to its previous high levels.

Other

The group has two dedicated asset disposal arms which operate on a national basis, National Truck and Trailer Sales, based in Milton Keynes and Ventura, the bus and coach specialist, based in Lingfield, Sussex. Both have built an enviable reputation for the age and quality of product they sell and the customer service they provide. The other divisions dispose of their assets through their own well-established customer base.

These sales and marketing efforts, coupled with the group's prudent depreciation policies, provided excellent disposal profits of £1.58m (2004: £1.30m) from proceeds of £17.8m (2004: £12.7m).

LHE Finance, the finance brokerage business, made encouraging progress particularly through some significant transactions in the truck

and trailer sector as it widens its focus beyond its traditional bus and coach customer base.

Employees

It is the people in a service company which differentiate it from its competitors and Dawsongroup's success and progress is a testament to the commitment and hard work of its management and staff, now numbering well over 600 across 6 countries. We thank them for their contribution and welcome the employees at Northern Municipal Spares to the group.

FINANCIAL REVIEW

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

Interest

The group adopted *FRS25 Financial Instruments: Disclosure and Presentation* for the first time in 2005 which requires that the preference dividend of £230,000 (2004: £366,000) is included in interest costs.

The increase in net interest payable to £14.42m (2004: £12.93m) mirrors the average uplift in net borrowings during the year. Hedged through interest rate swaps, the average rate was marginally lower at 6.2% (2004: 6.3%). Interest cover was 2.6 times (2004: 2.7 times).

Tax

The 2005 tax charge of £7.3m is comprised from corporation tax

payable of £1.3m (including a prior year charge of £629,000) and deferred tax of £6m. The high effective rate of 32% (2004: 22%) results from the crystallisation of timing differences, particularly in Dawsonrentals Bus & Coach, together with a reduction in the rate used to discount the deferred tax provision. The corporation tax actually payable in respect of the profits for the year amounts to just £134,000 (2004: £nil).

Cash flow

The cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £80.4m (2004: £79.9m). A further £17.8m (2004: £12.7m) was generated from the disposal of fixed assets. Cash outflow for interest, tax and dividends, together amounted to £18.4m (2004: £17.4m) and £3.3m was incurred on redeeming the remaining preference shares issued in 2001.

Capital expenditure and acquisitions

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £79m (2004: £103.1m), and the acquisition of Northern Municipal Spares Limited cost a further £3.3m (2004: £3.0m on one acquisition).

Borrowings

Net debt increased to £238.1m (2004: £224.4m), comprising hire fleet asset finance of £242.6m (2004: £229.6m) less net cash balances of £4.5m (2004: £8.5m). Year-end gearing was 220% (2004: 234%).

OPERATING AND FINANCIAL REVIEW

CONTINUED

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 and within the risk management policies agreed upon by the board.

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 4 years and, for all other assets, at 7 years. As a result, 50% of such borrowings at the year-end were due to mature in more than 2 but less than 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 £139.5m, effectively fixing 60% of the relevant variable-rate asset finance debt at an average base rate of 5.3%. £35.0m of these swaps have more than 5 years to expiry.

Foreign currencies

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

OVERVIEW

In 2005 Dawsonsgroup once again demonstrated its reputation as the leading and most consistent asset rental company in its markets in the UK.

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

- a wide asset portfolio – over 16,000 hire fleet assets at the year-end with no more than 37% of them (trailers) attributable to any one sector;
- a high contractual base;
- a broad customer base – the largest customer in 2005 represented just 4% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – now numbering over 600 across 6 countries; and
- a proven track record in the asset rental industry spanning over 30 years.



Michael J Williams
GROUP CHIEF EXECUTIVE



Anthony Coleman
GROUP FINANCE DIRECTOR

21 March 2006

DIRECTORS AND ADVISERS

Peter M Dawson

T.Eng(CEI), FIMI, FCIT

EXECUTIVE CHAIRMAN

Peter joined the family haulage business in 1956 and spearheaded the early growth and development of the group.
AGED 67

Michael J Williams

GROUP CHIEF EXECUTIVE

Appointed group chief executive in 1993, Michael is now in his 31st year with the group. Having been managing director of Dawsonrentals since 1979, Michael has in excess of 30 years experience in asset rental management.
AGED 58

Anthony Coleman

ACA

GROUP FINANCE DIRECTOR

Appointed group finance director in January 2006, Anthony joined the group over five years ago as group financial controller and company secretary.
AGED 32

Group headquarters and registered office

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

Registered number

1902154

Website

www.dawsongroup.co.uk

Secretary

Anthony Coleman, ACA

Auditors

Mazars LLP
Sovereign Court
Witan Gate
Milton Keynes
MK9 2HP

Principal bankers

Barclays Bank
Luton Corporate Banking Centre
PO Box No. 729
Eagle Point
1 Capability Green
Luton
LU1 3US

The Royal Bank of Scotland
Corporate Banking
1st Floor
Conqueror House
Vision Park
Chivers Way
Histon
Cambridge
CB4 9BY

Fortis Bank
Camomile Court
23 Camomile Street
London
EC3A 7PP

STATUTORY DIRECTORS' REPORT

The directors present their report and the audited financial statements of the group for the year ended 31 December 2005.

Activities and business review

The principal activity of the group is the rental of commercial vehicles, trailers, buses, coaches, materials handling equipment, sweepers, temperature-controlled products and kitchens. It also provides finance broker services. Dawsongroup plc is the holding company.

A detailed review of the group's trading during the year and of its business outlook is contained within the chairman's statement and the operating and financial review.

Results and dividends

The consolidated trading results and year-end financial position are shown in the financial statements on pages 16 to 34.

The profit after tax for the financial year was £15,737,000 (2004 restated: £16,738,000). A first interim ordinary dividend of 10.5p per share (2004: 10p) was paid on 8 April 2005 and a second interim ordinary dividend of 5.25p per share (2004: 5p) was paid on 21 November 2005. No final dividend is recommended (2004: nil). The retained profit of £12,140,000 has been transferred to reserves.

Prior year adjustment

The company has adopted the presentation requirements of *FRS25 Financial Instruments: Disclosure and Presentation* in the year.

The impact of adoption of FRS 25 on the results for the current and preceding years has been to reduce the profit before tax by £230,000 and £366,000 respectively.

Directors

The current directors of Dawsongroup plc are set out on page 12. Mr Clive Gear retired as a director on 31 December 2005. Mr Anthony Coleman was appointed as a director on 1 January 2006.

The interests of the directors, including those of their immediate families, in the share capital of the company are disclosed in note 4 to the financial statements. None of the directors had any interest, other than as nominee, in the share capital of any other group company at any time during the year, neither had they any personal interest in any transaction or any contract which is, or was, significant to the business of the group.

Donations

The group made charitable donations during the year amounting to £1,349 (2004: £3,400). No political donations were made.

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

Creditor payment policy

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

At 31 December 2005 the amount for trade creditors in the balance sheet represented 29 days (2004: 33) of average daily purchases for the company and 31 days (2004: 30) in respect of the group's main UK operating subsidiaries.

Directors' responsibilities statement

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 15, is made with a view to describing the responsibilities of the directors in relation to the financial statements.

STATUTORY DIRECTORS' REPORT

CONTINUED

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for the financial year.

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements set out on pages 16 to 34. The directors consider that in preparing the financial statements the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been

followed subject to any explanations and any material departures disclosed in the notes to the financial statements.

The directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information

contained in the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

Mazars LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment at a rate of remuneration to be fixed by the directors will be submitted to the annual general meeting.

By order of the board



Anthony Coleman, ACA
SECRETARY

21 March 2006

REPORT OF THE AUDITORS

Independent auditors' report to the members of Dawsongroup plc

We have audited the financial statements of Dawsongroup plc for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International

Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Operating and Financial Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant

estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 December 2005 and of the group's profits and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars LLP

CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

21 March 2006

Sovereign Court, Witan Gate
Milton Keynes MK9 2HP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Continuing Operations		2005 £'000	As restated 2004 £'000
		2005 £'000	Acquisitions 2005 £'000		
Turnover	1	121,392	6,266	127,658	112,009
Cost of sales		64,857	3,528	68,385	59,017
Gross profit		56,535	2,738	59,273	52,992
Administrative expenses		20,205	1,640	21,845	18,634
Operating profit	2	36,330	1,098	37,428	34,358
Net interest payable	5			14,419	12,929
Profit on ordinary activities before tax				23,009	21,429
Tax	6			7,272	4,691
Profit for the financial year				15,737	16,738
Dividends	7			3,597	3,426
Retained profit for the year	17			12,140	13,312
Statement of total recognised gains and losses					
Profit for the financial year				15,737	16,738
Exchange rate adjustment				(141)	8
Total gains recognised since the last annual report				15,596	16,746

There is no material difference between the profit reported above and that calculated on the historical cost basis.

Turnover and expenses all relate to continuing operations.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2005 £'000	As restated 2004 £'000
Fixed assets				
Intangible assets	8		4,408	4,437
Tangible assets	9		401,341	370,364
			<u>405,749</u>	<u>374,801</u>
Current assets				
Stocks		1,360		675
Debtors	11	15,908		14,441
Bank deposits and cash	12	7,067		10,345
		<u>24,335</u>		<u>25,461</u>
Creditors due within one year				
Borrowings	12	63,678		54,614
Other creditors	13	32,424		31,045
		<u>96,102</u>		<u>85,659</u>
Net current liabilities			<u>71,767</u>	<u>60,198</u>
Total assets less current liabilities			<u>333,982</u>	<u>314,603</u>
Creditors due after one year				
Borrowings	12	181,474		176,790
Other creditors	13	126		3,657
		<u>181,600</u>		<u>180,447</u>
			<u>152,382</u>	<u>134,156</u>
Provisions for liabilities and charges	14		<u>44,298</u>	<u>38,071</u>
Net assets			<u>108,084</u>	<u>96,085</u>
Capital and reserves				
Called up share capital	15		8,057	8,057
Share premium account	17		1,285	1,285
Capital reserve	17		9,980	6,680
Profit and loss account	17		88,762	80,063
			<u>108,084</u>	<u>96,085</u>
Equity Shareholders' funds	16		<u>108,084</u>	<u>96,085</u>

The financial statements on pages 16 to 34 were approved by the board of directors on 21 March 2006.

Directors: M J Williams
A Coleman

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

			2005	As restated
	<i>Notes</i>	£'000	£'000	2004
				£'000
Net cash inflow from operating activities	18		80,390	79,868
Returns on investments and servicing of finance				
Net interest paid	5		(14,419)	(12,929)
Taxation			(374)	(1,086)
Capital expenditure				
Purchase of tangible fixed assets		(78,965)		(103,118)
Sale of tangible fixed assets		17,785		12,671
			(61,180)	(90,447)
Acquisitions and disposals				
Purchase of subsidiary undertakings / business			(3,296)	(3,044)
Equity dividends paid			(3,597)	(3,426)
Cash outflow before use of liquid resources and financing			(2,476)	(31,064)
Management of liquid resources				
Cash withdrawn from / (placed on) deposit	20		7,540	(1,959)
Financing				
Increase in loans and asset finance arrangements	20	1,718		37,295
Redemption of preference share capital		(3,300)		(1,700)
			(1,582)	35,595
Increase in cash	20		3,482	2,572

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2005 £'000	As restated 2004 £'000
Fixed assets				
Tangible assets	9		582	519
Investment: shares in subsidiary undertakings	10		10,414	10,345
			<u>10,996</u>	<u>10,864</u>
Current assets				
Stocks		44		44
Debtors	11	55,865		48,095
Bank deposits and cash	12	4,750		8,513
			<u>60,659</u>	<u>56,652</u>
Creditors due within one year				
Borrowings	12	2,439		1,629
Other creditors	13	17,378		14,672
			<u>19,817</u>	<u>16,301</u>
Net current assets			<u>40,842</u>	<u>40,351</u>
Total assets less current liabilities			<u>51,838</u>	<u>51,215</u>
Creditors due after one year				
Other creditors	13		-	3,300
Provisions for liabilities and charges	14		894	1,062
Net assets			<u>50,944</u>	<u>46,853</u>
Capital and reserves				
Called up share capital	15		8,057	8,057
Share premium account	17		1,285	1,285
Capital reserve	17		6,658	3,358
Profit and loss account	17		34,944	34,153
Equity Shareholders' funds	16		<u>50,944</u>	<u>46,853</u>

The financial statements on pages 16 to 34 were approved by the board of directors on 21 March 2006.

Directors: M J Williams
A Coleman

ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Consolidation principles

The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2005.

Subsidiaries acquired during the year are accounted for under the acquisition method of accounting, and are consolidated from the date of acquisition.

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.

Goodwill representing the excess of the consideration over the fair value of the separable net assets acquired, arising on the acquisition of subsidiary undertakings prior to 1 January 1998, has been written off against reserves in the year in which it arose. Goodwill eliminated in this way is charged to the profit and loss account on any subsequent disposal of the business to which it is related. Goodwill previously eliminated against reserves has not been reinstated.

Goodwill arising on the acquisition of subsidiary undertakings since 1 January 1998 is capitalised in the group balance sheet and amortised over its useful economic life up to a maximum of twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Turnover

Turnover is the amount receivable in the ordinary course of business for goods and services provided during the year to customers outside the group, excluding value added tax.

Depreciation

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

	Useful life with the group	Residual value
HIRE FLEET		
Commercial vehicles	5 years	20% – 25%
Trailers	12.5 years	15%
Car transporters and drawbar trailers	9 years	10%
Purpose built portable cold stores	15 years	25%
Buses and coaches	9 – 15 years	10% – 15%
Materials handling equipment	7 – 9 years	5% – 15%
Sweepers	5 – 7 years	10% – 30%
Kitchen units	15 years	10%
Display refrigeration and kitchen equipment	8 years	Nil
Other	4 – 12.5 years	0% – 15%
NON HIRE FLEET		
Freehold buildings	20 – 50 years	Nil
Plant and equipment	5 – 10 years	Nil
Portable office buildings	7 – 12.5 years	15%
Computer hardware and software	4 years	Nil
Cars	4 years	25% – 40%

Fixed asset investments

Investments held as fixed assets are stated at cost or directors valuation less any provision for diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred tax

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse. Deferred tax assets and liabilities are discounted to reflect the time value of money.

Finance leases and hire purchase

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

Operating leases

Operating lease expenditure is charged to the profit and loss account in equal instalments over the respective life of the lease.

Asset purchase rebates

Rebates and bonuses from manufacturers and distributors are credited to the profit and loss account 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 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 included as creditors.

Fee income for future purchase undertakings is credited to the profit and loss account over the respective lives of such leases having regard to future assessment, inspection and other related costs.

Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into Sterling at rates of exchange ruling on the date on which transactions occur, except for monetary assets and liabilities which are translated at the rate ruling at the balance sheet date. Differences arising on translation of such items are dealt with in the profit and loss account.

Forward currency contracts entered into or deposits held specifically for planned future capital expenditure are not revalued to balance sheet rates (see note 12). Gains or losses arising are matched against the capital spend at the time of purchase.

Results of overseas subsidiary undertakings are translated at the average rate for the year. Assets and liabilities of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

Financial instruments

Derivative instruments utilised by the group are interest rate swaps and forward exchange contracts. The group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure to the group in line with its risk management policies.

Interest receipts and payments are calculated on an accruals basis and included within net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year-end.

The group has adopted the presentation requirements of FRS 25, presenting preference share capital as debt and the related dividends as interest costs. It has also restated the comparatives to reflect this. The restatement has reclassified £366,000 of preference dividends from dividends to interest and the preference shares from shareholders funds to other creditors greater than one year.

Liquid resources

Cash held on short term deposits is included as liquid resources for the purposes of preparing the cashflow statement.

Pension contributions

The charge to the profit and loss account represents the contributions payable relating to the accounting period.

Long-term incentive schemes

Provision is made in the profit and loss account for the appropriate proportion of future payments expected to arise in respect of separate long-term incentive schemes in place for executive directors and other employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. Turnover

The turnover, profit before tax and net assets of the group are substantially attributable to the principal activity of asset rental.

The group operates in the UK, Germany, France, the Netherlands, Poland and Ireland. However, turnover and operating results relating to the overseas activities are not separately disclosed as they are not material to the group as a whole.

2. Operating profit

	2005 £'000	2004 £'000
This is stated after charging:		
Depreciation: owned assets	45,796	38,735
leased assets	1,481	1,615
Impairment of tangible fixed assets	–	398
Amortisation	421	396
Auditors' remuneration: audit services	86	77
non-audit services	3	3
Assets hired in	187	183
Operating leases: land and buildings	1,185	1,008
hire fleet assets	2,423	2,313
and after crediting:		
Profit on sale of tangible fixed assets	1,584	1,301
Property rental	289	298
Manufacturers' rebates	622	769
Exchange gain	6	62

3. Employees

	2005 Number	2004 Number
Average number of employees, including executive directors, during the year:		
Management	58	55
Sales and administration staff	304	267
Drivers, engineers and others	250	155
	612	477
	2005 £'000	2004 £'000
Employee payroll costs:		
Wages and salaries	16,028	13,207
Social security costs	1,778	1,527
Pension contributions	543	238
	18,349	14,972

The group additionally utilised the services of an average of nil casual staff during the year (2004: 21) at an aggregate cost of £nil (2004: £417,000).

PENSION SCHEME

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. The pension contributions above represent amounts payable by the group to the fund. Contributions totalling £16,000 (2004: £25,000) had been prepaid at the year-end and are included in debtors.

4. Directors' emoluments and interests

	Basic salary £'000	Performance related bonuses £'000	Other benefits £'000	Pension contributions £'000	2005 Total emoluments £'000	2004 Total emoluments £'000
DIRECTORS' EMOLUMENTS						
Executive directors						
P M Dawson	52	-	105	-	157	149
M J Williams	315	315	19	31	680	647
C Gear	145	70	30	311	556	431
Total	<u>512</u>	<u>385</u>	<u>154</u>	<u>342</u>	<u>1,393</u>	<u>1,227</u>

No director has a service contract with a notice period in excess of one year.

Performance related bonuses of the executive directors are based upon the group's performance against targets in accordance with the provisions of the respective director's service contract. The maximum payable in respect of these bonuses is capped at £315,000 for M J Williams and £210,000 for C Gear.

The executive directors participate in a defined contribution ('money purchase') pension scheme similar to, but with different contribution levels to, the main company scheme. Employer contributions equate to 10% of basic salary for M J Williams and C Gear per annum. In addition C Gear has received pension contributions in lieu of salary and following his retirement was paid £180,000 from the long term service scheme as a pension contribution as a reward for long service (see below).

LONG-TERM SERVICE BONUS SCHEME

M J Williams participates in a long-term service bonus scheme dependent upon a loyalty element and the cumulative results of the group over the five years commencing 1 January 2003.

The purpose of the scheme is to reward M J Williams in line with the continuing development of the business and to enhance earnings growth. In order to qualify under the terms of the scheme he is required to remain in service throughout the period ending 2 January 2008 except on the occurrence of ill health, redundancy or death.

The amount payable under the scheme is dependent upon the extent to which actual performance exceeds target levels. The target levels are based on the consolidated pre-tax profit of the group for the year ended 31 December 2002.

The loyalty element of the scheme amounts to a minimum of £500,000 and the performance element a maximum of a further £500,000. The maximum amount payable under the scheme is £1,000,000.

In accordance with the accounting policy set out on page 21, provision (inclusive of anticipated employers National Insurance contributions) has been made in the accounts as follows:

	As at 1 January 2005 £'000	Charge for the year £'000	Utilised £'000	As at 31 December 2005 £'000
Executive directors				
M J Williams	451	226	-	677
C Gear	271	(91)	(180)	-
	<u>722</u>	<u>135</u>	<u>(180)</u>	<u>677</u>

DIRECTORS' INTERESTS

The interests of the directors in the share capital of the company, all of which are beneficial and include those of their immediate families, were as follows:

	As at 31 December 2005	As at 31 December 2004
Executive directors		
P M Dawson:		
Ordinary shares of 25p	22,838,774	22,838,774
Zero coupon shares of 21 $\frac{3}{7}$ p	10,938,536	10,938,536
Preference shares of 100p	-	3,300,000

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

There have been no changes in the directors' shareholdings between the year-end and 21 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Net interest payable

	2005 £'000	As restated 2004 £'000
On borrowings wholly repayable within five years:		
Asset finance arrangements	10,677	7,913
Bank loans and overdrafts	97	93
On borrowings repayable after five years	2,908	3,596
On swap arrangements	814	1,242
Preference dividends	230	366
	<u>14,726</u>	<u>13,210</u>
Less: Interest receivable	(307)	(281)
	<u>14,419</u>	<u>12,929</u>

6. Tax

	£'000	2005 £'000	£'000	2004 £'000
Tax charge / (credit) for the year:				
Corporation tax	436		(617)	
Overseas tax	208		159	
Adjustments in respect of prior periods	629		155	
Total current tax		1,273		(303)
Deferred tax				
Origination and reversal of timing differences	5,798		7,064	
Decrease / (increase) in discount	204		(1,876)	
Adjustments in respect of prior periods	(3)		(194)	
Total deferred tax		5,999		4,994
		<u>7,272</u>		<u>4,691</u>

The UK standard rate of corporation tax for the year is 30%. The actual charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation:

	2005 £'000	As restated 2004 £'000
Profit on ordinary activities before tax	23,009	21,429
Tax on profit on ordinary activities at standard rate	6,903	6,429
Factors affecting charge for the period:		
Capital allowances in excess of depreciation	(6,340)	(7,192)
Expenses not deductible for tax purposes – amortisation	126	119
Other timing differences	(114)	77
Adjustments in respect of prior periods	629	155
Adjustments re preference dividends	69	109
Total actual amount of current tax	<u>1,273</u>	<u>(303)</u>

7. Dividends

	2005 p per share	2004 p per share	2005 £'000	As restated 2004 £'000
Ordinary shares:				
First interim paid	10.50	10.0	2,398	2,284
Second interim paid	5.25	5.0	1,199	1,142
	<u>15.75</u>	<u>15.0</u>	<u>3,597</u>	<u>3,426</u>

8. Intangible fixed assets

GROUP	Goodwill £'000
Cost:	
As at 1 January 2005	5,476
Additions	392
As at 31 December 2005	5,868
Amortisation:	
As at 1 January 2005	1,039
Charge for the year	421
As at 31 December 2005	1,460
Book value:	
As at 31 December 2005	4,408
As at 31 December 2004	4,437

Additions relate to the acquisition of Northern Municipal Spares Limited on 8 July 2005 which is being amortised over a period of 20 years. In the opinion of the directors the amortisation period reflects the respective useful economic lives (see note 21).

9. Tangible fixed assets

	Freehold property £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Group total £'000	Company total £'000
Cost:					
As at 1 January 2005	9,160	497,933	6,446	513,539	1,855
Exchange adjustment	–	(498)	(18)	(516)	–
Acquisition of subsidiary	477	19,189	1,448	21,114	–
Reclassification	–	27	(27)	–	–
Additions	420	77,069	1,476	78,965	335
Sales	–	(38,603)	(1,056)	(39,659)	(303)
Transfers from group undertakings	–	–	–	–	34
As at 31 December 2005	10,057	555,117	8,269	573,443	1,921
Depreciation:					
As at 1 January 2005	1,742	137,778	3,655	143,175	1,336
Exchange adjustment	–	(148)	(10)	(158)	–
Acquisition of subsidiary	127	4,637	501	5,265	–
Charge for the year	186	45,960	1,131	47,277	195
Impairment	–	–	–	–	–
Relating to sales	–	(22,762)	(695)	(23,457)	(214)
Transfers from group undertakings	–	–	–	–	22
As at 31 December 2005	2,055	165,465	4,582	172,102	1,339
Book value:					
As at 31 December 2005	8,002	389,652	3,687	401,341	582
As at 31 December 2004	7,418	360,155	2,791	370,364	519

FREEHOLD PROPERTY

Freehold property is shown at cost which includes £590,000 of capitalised interest which arose on completion of the group's Milton Keynes head office in 1991.

LEASED ASSETS

The net book value of the hire fleet includes assets with a cost of £19,964,000 (2004: £21,838,000), and accumulated depreciation of £4,630,000 (2004: £3,854,000) held under finance leases.

COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10. Investment: shares in subsidiary undertakings

	2005 £'000	2004 £'000
As at 1 January – at valuation	10,345	10,710
Impairment	–	(365)
Reversal of impairment	69	–
As at 31 December	<u>10,414</u>	<u>10,345</u>

This represents the investment by Dawsongroup plc in the entire issued share capital of Alexena Limited, Dawsonrentals Limited and Dawsongroup International Limited. This includes a £2,750,000 surplus which arose on the revaluation of Alexena Limited in 1988.

The principal activities of the companies are:

Alexena Limited	–	Property and investment.
Dawsonrentals Limited	–	Holding company of United Kingdom trading subsidiary undertakings.
Dawsongroup International Limited	–	Holding company of overseas subsidiary undertakings.

The following companies were the trading subsidiary undertakings of Dawsonrentals Limited and Dawsongroup International Limited during the year ended 31 December 2005:

Subsidiary	Country of operation and incorporation	Principal activity
Dawsonrentals Truck and Trailer Limited	United Kingdom	Hire of commercial vehicles and trailers.
Dawsonrentals Bus and Coach Limited	United Kingdom	Hire of buses and coaches.
Dawsonrentals Materials Handling Equipment Limited	United Kingdom	Hire of materials handling equipment and sweepers.
Northern Municipal Spares Limited*	United Kingdom	Manufacture of sweeper brushes.
Dawsonrentals Portable Cold Storage Limited	United Kingdom	Hire of temperature-controlled products.
Dawsonrentals Display Refrigeration Limited	United Kingdom	Hire and sale of commercial refrigeration equipment.
D.G. Finance Limited	United Kingdom	Vehicle finance.
Dawsonrentals Temporary Kitchens Limited	United Kingdom	Hire of kitchen units and equipment.
LHE Finance Limited	United Kingdom	Finance broking.
Ventura Rental Limited	United Kingdom	Buying and selling of fixed assets.
Dawsongroup International BV	The Netherlands	Overseas holding company.
Thermobil Mobile K�hllager GmbH	Germany	Hire of temperature-controlled products.
Modulfroid Service SARL	France	Hire of temperature-controlled products.
Dawsonrentals (Nederland) BV	The Netherlands	Hire of temperature-controlled products.
Dawsonrentals Polska Sp. z o.o.	Poland	Hire of temperature-controlled products.
Dawsonrentals (Ireland) Limited	Ireland	Hire of temperature-controlled products.

100% of the voting rights in each subsidiary undertaking are held ultimately by Dawsongroup plc.

Advantage has been taken of the exemption conferred by FRS 8 not to disclose transactions with subsidiary undertakings 90% or more of whose voting rights are controlled within the group.

*100% owned by Dawsongroup Materials Handling Equipment Limited.

11. Debtors

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
Trade debtors	13,140	25	11,210	22
Other debtors	384	206	291	385
Prepayments	2,378	102	2,285	144
Tax recoverable	6	374	655	399
Loans to subsidiary undertakings	-	54,056	-	46,062
Amounts owed by subsidiary undertakings	-	1,102	-	1,083
	<u>15,908</u>	<u>55,865</u>	<u>14,441</u>	<u>48,095</u>

12. Financial instruments

FINANCIAL LIABILITIES

GROUP	Due within one year £'000	Due after more than one year £'000	2005 Total £'000	Due within one year £'000	Due after more than one year £'000	2004 Total £'000
Bank overdrafts	2,309	-	2,309	1,525	-	1,525
Loan notes	294	-	294	331	-	331
Asset finance arrangements	61,075	181,474	242,549	52,758	176,790	229,548
Gross financial liabilities	<u>63,678</u>	<u>181,474</u>	<u>245,152</u>	<u>54,614</u>	<u>176,790</u>	<u>231,404</u>

The group has no committed borrowing facilities.

COMPANY

The company had no borrowings at 31 December 2005 other than a bank overdraft of £2,439,000 (2004: £1,629,000).

LOAN NOTES

The loan notes, which were issued as part of the purchase consideration for Portable Cold Storage Limited in 1997, are guaranteed by The Royal Bank of Scotland and secured by a matched deposit. They bear interest at a rate equal to 0.5% below the prevailing LIBOR from time to time and are repayable on demand, in whole or in part, prior to 9 June 2007.

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:

	Sterling £'000	Foreign currency £'000	2005 Total £'000	Sterling £'000	Foreign currency £'000	2004 Total £'000
Within one year	59,629	1,446	61,075	51,226	1,532	52,758
Between one and two years	58,005	1,242	59,247	46,687	1,456	48,143
Between two and five years	107,070	1,779	108,849	100,030	2,363	102,393
After more than five years	13,148	230	13,378	25,982	272	26,254
	<u>237,852</u>	<u>4,697</u>	<u>242,549</u>	<u>223,925</u>	<u>5,623</u>	<u>229,548</u>

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	Sterling £'000	Foreign currency £'000	2005 Total £'000	Sterling £'000	Foreign currency £'000	2004 Total £'000
Variable rate	226,273	3,486	229,759	212,264	3,556	215,820
Fixed rate	11,579	1,211	12,790	11,661	2,067	13,728
	<u>237,852</u>	<u>4,697</u>	<u>242,549</u>	<u>223,925</u>	<u>5,623</u>	<u>229,548</u>

The variable rate asset finance arrangements are principally linked to base rates or LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12. Financial instruments continued

ASSET FINANCE ARRANGEMENTS CONTINUED

The profile of the fixed rate arrangements at the balance sheet date is summarised as follows:

	Sterling	2005 Foreign currency	Sterling	2004 Foreign currency
Weighted average interest rate	<u>6.5%</u>	<u>6.8%</u>	<u>5.9%</u>	<u>6.7%</u>
Weighted average period for which fixed	<u>30 months</u>	<u>24 months</u>	<u>40 months</u>	<u>33 months</u>

FINANCIAL ASSETS

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
Sterling deposits				
Unrestricted	–	–	7,503	8,422
Restricted	294	–	331	–
Other cash and bank				
Sterling	5,768	4,750	1,955	91
Foreign currency	1,005	–	556	–
Gross financial assets	<u>7,067</u>	<u>4,750</u>	<u>10,345</u>	<u>8,513</u>

The restricted Sterling deposits relate to those provided as security against loan notes.

Foreign currency balances include Japanese Yen to a total value of £299,000 (2004: £405,000) purchased by the group for the specific purpose of 2006 budgeted fleet additions. As such, they are not considered to be monetary assets and are therefore shown in the balance sheet at weighted average cost. The unrecognised gain at 31 December 2005 based on the year-end valuation of these currencies is £3,000 (2004 gain: £6,000). All other foreign currency balances are regarded as monetary assets and therefore translated at the relevant exchange rate at the balance sheet date.

None of the financial assets earn fixed rate interest. Variable rate cash and deposits earn interest principally linked to LIBOR.

INTEREST RATE SWAPS

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 3 month LIBOR rate:

	Sterling £'000	Foreign currency £'000	Total £'000	2005 Average rate %	Total £'000	2004 Average rate %
Period to expiry:						
Within one year	37,500	–	37,500	5.2	47,500	5.3
Between one and two years	10,000	–	10,000	4.7	–	–
Between two and five years	56,000	1,025	57,025	5.5	67,028	5.4
After more than five years	35,000	–	35,000	5.4	35,000	5.4
	<u>138,500</u>	<u>1,025</u>	<u>139,525</u>	<u>5.3</u>	<u>149,528</u>	<u>5.4</u>

At the balance sheet date the above Sterling swaps had a net negative mark to market value, determined by relevant counterparties, of £7,871,000 (2004: £5,756,000). Changes in the fair value of such instruments are not recognised in the financial statements until each relevant quarterly rate fixing date. The net losses recognised in the year to 31 December 2005 amounted to £814,000 (2004: £1,242,000) and the proportion of the net negative market value shown above which is expected to be recognised in 2006 amounts to £809,000.

The group's policies on derivatives and financial instruments are set out in the operating and financial review on pages 9 and 10, and the accounting policies on page 21.

All the group's debtors and creditors falling due within one year (other than bank and other borrowings) are excluded from the tables in this note either due to the exclusion of short-term items or because they do not meet the definition of a financial liability.

13. Other creditors

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
DUE WITHIN ONE YEAR				
Trade creditors	21,149	35	21,626	14
Accruals	7,720	687	7,464	709
Tax payable	339	26	91	-
Other tax and social security	3,216	77	1,864	82
Deposits from subsidiary undertakings	-	16,549	-	13,862
Amounts owed to subsidiary undertakings	-	4	-	5
	<u>32,424</u>	<u>17,378</u>	<u>31,045</u>	<u>14,672</u>
DUE AFTER ONE YEAR				
Other creditors	126	-	357	-
Preference shares	-	-	3,300	3,300
	<u>126</u>	<u>-</u>	<u>3,657</u>	<u>3,300</u>

The preference shares carried a fixed dividend of 8 pence per annum and were redeemable by the preference shareholder, in whole or in part, subject to 60 days notice at any time.

The remaining preference shares were redeemed during the year at par in two tranches, £850,000 on 30 June 2005 and £2,450,000 on 16 December 2005. They have been cancelled.

14. Provisions for liabilities and charges

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Deferred tax	41,740	-	34,922	-
Other provisions	2,558	894	3,149	1,062
	<u>44,298</u>	<u>894</u>	<u>38,071</u>	<u>1,062</u>
DEFERRED TAX				
Accelerated capital allowances	51,861	-	45,521	-
Other timing differences	(350)	-	(624)	-
Undiscounted provision for deferred tax	51,511	-	44,897	-
Discount	(9,771)	-	(9,975)	-
Provision for deferred tax	<u>41,740</u>	<u>-</u>	<u>34,922</u>	<u>-</u>
Amounts provided have been calculated at future expected rates of corporation tax.				
OTHER PROVISIONS				
Long-term incentive schemes	2,087	894	2,568	1,062
Miscellaneous	471	-	581	-
	<u>2,558</u>	<u>894</u>	<u>3,149</u>	<u>1,062</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

14. Provisions for liabilities and charges continued

MOVEMENT IN THE YEAR	Deferred tax £'000	Long-term incentive schemes £'000	Miscellaneous £'000	Total £'000
As at 1 January 2005	34,922	2,568	581	38,071
Exchange adjustment	(4)	–	–	(4)
Charged / (credited) to profit and loss account in the year	5,999	641	(20)	6,620
Utilised in the year	–	(1,122)	(90)	(1,212)
Acquisition of subsidiary undertaking	823	–	–	823
As at 31 December 2005	<u>41,740</u>	<u>2,087</u>	<u>471</u>	<u>44,298</u>

The provision for long-term incentive schemes at 31 December 2005 included £677,000 (2004: £722,000) in respect of the director's long-term service bonus scheme (note 4) and £1,410,000 (2004: £1,846,000) relating to schemes in place for other employees.

Miscellaneous provisions principally relate to future contractual liabilities.

15. Called up share capital

	Number	2005 £'000	Number	As restated 2004 £'000
AUTHORISED				
Ordinary shares of 25p each	<u>41,609,814</u>	<u>10,402</u>	<u>41,609,814</u>	<u>10,402</u>
Zero coupon shares of 21 ³ / ₇ p each	<u>10,955,917</u>	<u>2,348</u>	<u>10,955,917</u>	<u>2,348</u>
		<u>12,750</u>		<u>12,750</u>
ALLOTTED, ISSUED AND FULLY PAID				
Ordinary shares of 25p each	<u>22,838,776</u>	<u>5,710</u>	<u>22,838,776</u>	<u>5,710</u>
Zero coupon shares of 21 ³ / ₇ p each	<u>10,955,217</u>	<u>2,347</u>	<u>10,955,217</u>	<u>2,347</u>
		<u>8,057</u>		<u>8,057</u>

The zero coupon shares carry no entitlement to participate in profits but in all other respects rank pari passu with ordinary shares.

16. Reconciliation of movements in shareholders' funds

	Group £'000	2005 Company £'000	Group £'000	As restated 2004 Company £'000
Opening shareholders' funds as previously reported	99,385	50,153	87,765	50,287
Prior year adjustments relating to FRS 25	(3,300)	(3,300)	(5,000)	(5,000)
Opening shareholders' funds as restated	<u>96,085</u>	<u>46,853</u>	82,765	45,287
Profit for the financial year	15,737	7,688	16,738	4,992
Dividends paid	(3,597)	(3,597)	(3,426)	(3,426)
Exchange rate adjustment	(141)	-	8	-
Net movement in shareholders' funds	<u>11,999</u>	<u>4,091</u>	13,320	1,566
Closing shareholders' funds	<u>108,084</u>	<u>50,944</u>	<u>96,085</u>	<u>46,853</u>

17. Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
GROUP				
As at 1 January 2005	1,285	6,680	80,063	88,028
Retained profit for the year	-	-	12,140	12,140
Exchange rate adjustment	-	-	(141)	(141)
Transfer to capital redemption reserve	-	3,300	(3,300)	-
As at 31 December 2005	<u>1,285</u>	<u>9,980</u>	<u>88,762</u>	<u>100,027</u>
COMPANY				
As at 1 January 2005	1,285	3,358	34,153	38,796
Retained profit for the year	-	-	4,091	4,091
Transfer to capital redemption reserve	-	3,300	(3,300)	-
As at 31 December 2005	<u>1,285</u>	<u>6,658</u>	<u>34,944</u>	<u>42,887</u>

The company has taken advantage of the exemption not to publish its own profit and loss account as permitted by section 230 of the Companies Act 1985.

GOODWILL

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is set out below:

	2005 £'000	2004 £'000
As at 1 January 2005 and 31 December 2005	<u>4,165</u>	<u>4,165</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18. Net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	37,428	34,358
Depreciation	47,277	40,350
Amortisation of goodwill	421	396
Profit on sale of tangible fixed assets	(1,584)	(1,301)
Decrease / (increase) in stocks	49	(123)
Increase in debtors	(133)	(316)
(Decrease) / increase in creditors and other provisions	(3,068)	6,504
Net cash inflow from operating activities	<u>80,390</u>	<u>79,868</u>

19. Reconciliation of net cash flow to movement in net debt

	2005 £'000	As restated 2004 £'000
Increase in cash	3,482	2,572
Cash outflow from asset finance repayments	84,871	59,902
Cash outflow from loan note repayments	37	35
Cash inflow from asset finance advances	(86,626)	(97,232)
Asset finance acquired with business	(11,382)	(1,743)
Cash outflow from redemption of preference shares	3,300	1,700
Cash (outflow) / inflow from change in deposits	(7,540)	1,959
Change in net debt resulting from cash flows	(13,858)	(32,807)
Exchange adjustment	132	(70)
Movement in net debt	(13,726)	(32,877)
Net debt as at 1 January	(224,359)	(191,482)
Net debt as at 31 December	<u>(238,085)</u>	<u>(224,359)</u>

20. Analysis of net debt

	As at 1 January 2005 £'000	Acquisitions excl. cash and overdrafts £'000	Cash flow £'000	Exchange adjustment £'000	As at 31 December 2005 £'000
Cash at bank	2,511	-	4,267	(6)	6,772
Overdrafts	(1,525)	-	(785)	2	(2,308)
	<u>986</u>	<u>-</u>	<u>3,482</u>	<u>(4)</u>	<u>4,464</u>
Loan notes	(331)	-	37	-	(294)
Asset finance due within one year	(52,758)	(5,277)	(3,080)	40	(61,075)
Asset finance due after more than one year	(176,790)	(6,105)	1,325	96	(181,474)
	<u>(229,548)</u>	<u>(11,382)</u>	<u>(1,755)</u>	<u>136</u>	<u>(242,549)</u>
Preference shares	(3,300)	-	3,300	-	-
Cash placed on deposit	7,834	-	(7,540)	-	294
Total	<u>(224,359)</u>	<u>(11,382)</u>	<u>(2,476)</u>	<u>132</u>	<u>(238,085)</u>

21. Purchase of Northern Municipal Spares Limited

On 8 July 2005, Dawsonrentals Materials Handling Equipment Limited, a wholly-owned subsidiary undertaking, acquired Northern Municipal Spares Limited, a company engaged in the rental of sweepers and manufacture of sweeper brushes. A summary of the fair value of net assets acquired, together with the consideration paid, is set out below:

	Book value on acquisition £'000	Fair value adjustments		Fair value £'000
		Accounting policy changes £'000	Other adjustments £'000	
NET ASSETS ACQUIRED				
Hire fleet assets	13,813	1,323	-	15,136
Other fixed assets	963	(250)	-	713
Stock	832	-	(98)	734
Bank loans and overdrafts	(1,713)	-	-	(1,713)
Asset finance	(10,723)	(659)	-	(11,382)
Net current liabilities	(1,012)	-	(461)	(1,473)
Deferred tax	(351)	(472)	-	(823)
	<u>1,809</u>	<u>(58)</u>	<u>(559)</u>	<u>1,192</u>
Goodwill				392
Consideration				<u>1,584</u>
Analysis of consideration:				
Cash				1,550
Costs incurred				34
				<u>1,584</u>

Northern Municipal Spares Limited contributed £1,255,000 to the group's net operating cash flows, paid £552,000 in respect of net returns on investments and servicing of finance, received £417,000 from capital disposal and expended £4,409,000 on capital additions. Accounting policy adjustments reflect the impact on the book values of assets and liabilities from bringing the accounting policies in line with those of Dawsongroup.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22. Financial commitments

FUTURE CAPITAL EXPENDITURE

	2005 £'000	2004 £'000
Outstanding contracts for capital expenditure	<u>7,748</u>	<u>58,882</u>

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 2005 the maturity periods and maximum amount of these undertakings were:

	2005 £'000	2004 £'000
Within one year	-	1,564
Between one and two years	-	-
Between two and five years	4,056	1,633
After more than five years	1,489	1,706
	<u>5,545</u>	<u>4,903</u>

OPERATING LEASE COMMITMENTS

At 31 December 2005 the group was committed to making the following payments in the year to 31 December 2006 under operating leases which expire:

	Land and buildings £'000	2005 Hire fleet assets £'000	Land and buildings £'000	2004 Hire fleet assets £'000
Within one year	155	1,105	48	223
Between one and two years	170	549	241	1,569
Between two and five years	404	318	312	551
After more than five years	139	-	60	69
	<u>868</u>	<u>1,972</u>	<u>661</u>	<u>2,412</u>

PARENT COMPANY GUARANTEES

Dawsongroup plc guarantees certain financial obligations of its subsidiary undertakings in the normal course of business.

At 31 December 2005 these obligations amounted to £242,713,000 (2004: £229,775,000).

FIVE YEAR RECORD

	2005 £'000	As restated 2004 £'000	As restated 2003 £'000	As restated 2002 £'000	As restated 2001 £'000
Turnover	127,658	112,009	97,715	84,031	70,019
Operating profit before exceptional items	37,428	34,358	30,057	25,903	21,821
Exceptional items	-	-	-	-	-
Profit on ordinary activities before interest	37,428	34,358	30,057	25,903	21,821
Net interest payable	14,419	12,929	10,676	8,637	7,142
Profit before tax	23,009	21,429	19,381	17,266	14,679
Intangible fixed assets	4,408	4,437	4,555	2,108	2,232
Tangible fixed assets	401,341	370,364	314,678	272,399	211,884
Net current liabilities (excluding cash and short-term borrowings)	(15,282)	(16,286)	(12,720)	(15,258)	(7,381)
Provisions for liabilities and charges	(44,298)	(38,071)	(32,266)	(28,570)	(24,487)
Net assets employed	346,169	320,444	274,247	230,679	182,248
Share capital	8,057	8,057	8,057	8,057	8,057
Reserves	100,027	88,028	74,708	62,412	52,229
Shareholders' funds	108,084	96,085	82,765	70,469	60,286
Net borrowings	238,085	224,359	191,482	160,210	121,962
Capital employed	346,169	320,444	274,247	230,679	182,248
Operating profit before exceptional items as a percentage of:					
Turnover	29.3%	30.7%	30.8%	30.8%	31.2%
Average capital employed	11.2%	11.6%	11.9%	12.5%	12.4%
Borrowing ratio	220%	234%	218%	212%	187%
Average number of employees	612	477	443	417	389
Turnover per employee	208,592	234,820	220,576	201,513	179,997
Operating profit per employee	61,157	72,029	67,849	62,118	56,095

BUSINESS DIRECTORY

UK business centres

(SUPPORTED BY A BRANCH NETWORK OF
30 LOCATIONS)

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

USED VEHICLE DISPOSALS DIVISION
National Truck and Trailer Sales
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Fax: 01908 218444
Email: ntts@dawsongroup.co.uk

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Fax: 01908 218444
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USED BUS AND COACH DISPOSALS DIVISION
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Fax: 01342 835813
Email: info@venturasales.co.uk

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

Northern Municipal Spares
Limited
Municipal House
Armytage Road
Brighouse HD6 1PT
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Fax: 01484 400063
Email: info@northern-municipal-spares.com

Dawsonrentals Portable
Cold Storage Limited
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Fax: 01623 516819
Email: info@portable-cold-storage.co.uk

Dawsonrentals Display
Refrigeration Limited
Units 15 & 16
Pucklechurch Trading Estate
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Bristol BS16 9QH
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Fax: 01179 373316
Email: info@dawsongroup.co.uk

Dawsonrentals Temporary
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