

# Dawsongroup plc

Annual Report & Accounts 2006



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Operational areas

## Dawsongroup plc

**D**awsongroup 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 2006 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.

Once again the group has demonstrated its ability to perform successfully in difficult operating conditions through the diversity of its product range, its broad customer base and experienced management team.

## Chairman's Statement



Peter M Dawson

2006 proved to be another excellent year for the Group in all of its principal markets with the exception of the truck and trailer division, which, as anticipated, experienced very difficult trading conditions. Whilst I am not able to report on another rise in profits, revenue increased for the 10th consecutive year and a significant uplift in term contracts signed or renewed was achieved.

The shortfall in profits arose entirely within the truck and trailer markets where margins were squeezed as increased operating costs could not be reflected through rate increases. The truck market remained very competitive and the problems of over-capacity in the trailer market continued to severely affect the profitability of all players in this sector.

In these circumstances it is a testament to the diversified nature of the group's asset rental portfolio both in the UK and other EU countries, supported by excellent profits on the disposal of those assets, that group profit before tax was a commendable £21.5m (2005: £23.0m).

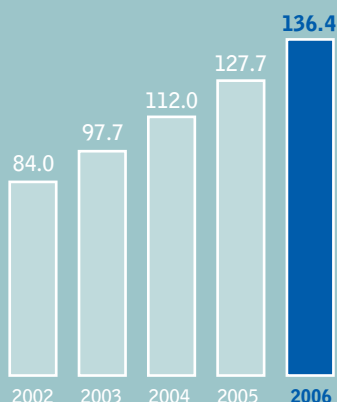
### Results and dividend

On turnover of £136.4m (2005: £127.7m), an increase of 6.8%, profit before tax fell by 6.5% to £21.5m (2005: £23.0m).

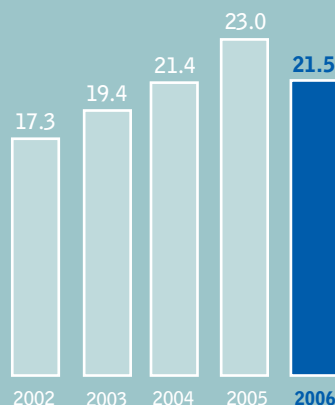
After an effective tax charge of 23%, compared to 32% in 2005, the pre-dividend profit for the year amounted to £16.6m (2005: £15.7m).

Dividends for the year amounted to £3.77m (2005: £3.60m); a 5% increase.

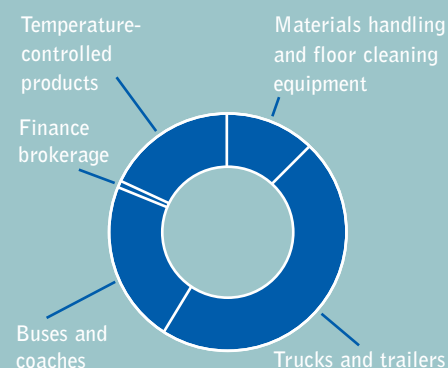
### Turnover £m



### Profit before tax £m



### Market sectors revenue



### Balance sheet

The balance sheet remains strong; providing an excellent platform for accelerated future growth when more encouraging conditions in the truck and trailer division prevail.

Capital expenditure at £69.1m was £9.9m lower than the previous year of £79m. Conversely, proceeds from the disposal of fixed assets were the highest ever recorded at £21.0m (2005: £17.8m) which, together with strong operational cash flows of £82.7m (2005: £80.4m), ensured that net debt fell by £16.1m to £222.0m.

As a consequence gearing fell from 220% to 184% which is low for an asset rental business supported by a good contractual base particularly bearing in mind that it includes £44m by way of deferred tax provision.

### Outlook

Once again the group has demonstrated its ability to perform successfully in difficult operating conditions through the diversity of its product range, its broad customer base and experienced management team.

2006 was slightly disappointing in that profit growth reversed for the first time in 10 years but it also witnessed an excellent level of term contracts signed or renewed – almost £31m of new contracts in the truck and trailer division alone – and a marked strengthening of the balance sheet.

Given these strengths and a good start to the current year, I have every confidence in the group's continued progress and success.

**Peter M Dawson**

Chairman

21 March 2007

# Operating and Financial Review

Dawsongroup's outstanding financial and operating performance is achieved through its diversified portfolio of asset-rental products having largely common engineering or customer profiles.

## Operating Review



Michael J Williams

	2006 £m	%	2005 £m	%
Trucks and trailers	63.0	46.2	62.3	48.8
Materials handling and floor cleaning equipment	17.1	12.5	11.7	9.2
Temperature-controlled products	25.6	18.8	24.3	19.0
Buses and coaches	30.5	22.4	29.1	22.8
Finance brokerage	0.2	0.1	0.3	0.2
<b>Group revenue</b>	<b>136.4</b>	<b>100.0</b>	<b>127.7</b>	<b>100.0</b>



Anthony Coleman

The 7% overall increase in group revenue arises entirely through organic growth from all sectors. In the materials handling and floor cleaning sector, the figures include a full year in respect of Northern Municipal Spares Ltd, the sweeper hire business which was acquired in July 2005.

The group operating profit margin has decreased from 29.3% of revenue to 25.3% due principally to the difficult operating conditions in the short-term truck and trailer rental market and the impact of the lower-margin municipal sweeper hire activity on the overall performance.

### Trucks and trailers

The management team at Dawsonrentals Truck and Trailer experienced very difficult operating conditions throughout the year for a number of reasons, particularly the turbulence in the truck market created by changes in legislation, namely the introduction of digital tachographs in May and the need for all vehicles registered from October 2006 to meet Euro IV emission regulations.

However, the year proved to be a good one for contract hire activity both in trucks and trailers. New contracts were concluded for a total of 579 trucks and 656 trailers



## Operating and Financial Review continued



Trucks and trailers

providing annual revenue streams of £10m and £3m respectively. Encouragingly, and in line with management objectives, the proportion of the division's revenue from contract hire increased further to 41%. Vehicle disposals also proved buoyant as many operators chose to purchase used Euro III trucks rather than adopt the new regulations.

The short-term truck fleet experienced poor levels of utilisation in the first quarter and a relatively quiet summer period exacerbated by general operator reluctance to embrace the new digital tachograph vehicles in which the division had invested.

The last quarter was, however, very strong ensuring that average utilisation for the year reached 84%; 3% down on 2005. Hire rates, yet again, remained broadly unchanged but showed signs of improvement as the year progressed.

Capital expenditure on the truck fleet amounted to £30.4m; £8.8m for contract hire and the balance on replacement vehicles for the short-term fleet, which, due to the excellent disposals programme, reduced in size by 120 units over the course of the year.

Short-term trailers followed a similar pattern overall but experienced particularly low levels of utilisation in the higher value refrigerated fleet. Thus, whilst

average fleet utilisation improved to 75% from an extremely low 73%, hire rates fell by 2% and the impact on margins was rather more acute.

Investment in trailers totalling £12.4m was heavily weighted towards the contract fleet (£9.8m) so, with almost 500 units disposed of during the year, the average size of the short-term fleet fell by about 3%. This is a small but important step in a sector which continues to suffer from the problems of overcapacity (poor utilisation and depressed rates) highlighted by the collapse of a significant competitor since the year-end.

### **Materials handling and floor cleaning equipment**

2006 was another challenging but ultimately successful year for this division as its management continued to integrate and consolidate the municipal sweeper hire business acquired in 2005.

The fork lift truck business produced another very satisfactory result in line with expectations despite a slow start to the year.

Fleet investment of £1.8m during the year continued to be focused on the premium Toyota brand, with the new '8 Series' to be introduced to the fleet in 2007 and, after another excellent contribution from the disposal of used units, the average fleet size increased by about 3%.



Temperature-controlled products



Meanwhile the industrial sweeper division, previously based at Garforth, was successfully integrated into the acquired municipal sweeper business at Brighouse and the combined operations returned solid revenue growth. The margins, whilst still highly commendable, did not match the levels familiar to the management of the materials handling division. The tender processes for long-term contracts demanded by council authorities, who comprise the majority of the customer base, were difficult to satisfy and, as a result most of the £7.2m capital expenditure on new and replacement sweepers was introduced to the short-term rather than contract hire fleet.

The challenges for this business are to find new markets, including exports, for the disposal of used sweepers and to widen the contract customer base into new areas such as road planning and facilities management companies, sports venues and leisure parks.

The brush manufacturing and sales business made a sound profit contribution to the division.

#### **Temperature-controlled products**

It was a most satisfactory year for Dawsonrentals Portable Cold Storage in the UK. A profit uplift of 9% was achieved on turnover up just 1% reflecting the benefit of a high level of contract renewals, the ability to constantly reconfigure and redesign existing units to

satisfy new market requirements and an improved performance from the embryonic inflatable chill storage range introduced in 2005.

The company continues to work with its customers on bespoke solutions to both create space and improve operational efficiency. As a result, the new business order intake of some £12.3m was 55% up on the previous year due to an increase in larger projects, such as a 9 bay production facility for Uniq Foods and an in-line quick frozen tunnel production line for Grampian Country Foods.

Also in the UK, Dawsonrentals Display Refrigeration delivered profits well ahead of expectations and the previous year, on turnover up by 21%, as the supermarkets reactivated their store refurbishment programme. Temporary Kitchens, however, had another disappointing year but continues to explore a range of opportunities in the education, construction and health care sectors.

Good levels of utilisation coupled with fleet growth ensured that all of the overseas portable cold store businesses, in France, Germany, The Netherlands, Ireland and Poland, produced satisfactory results, increasing combined profits by 35% on turnover up 17%; now representing over 5% of group revenue. It was particularly encouraging that the Polish subsidiary generated



Materials handling and floor cleaning equipment





# Operating and Financial Review continued

profits for the first time and, with continued economic recovery in Europe generally, the prospects for the group's overseas activities remain encouraging.

## Buses and coaches

Dawsonrentals Bus and Coach had a successful year as it continued to hold back generally on new investment in order to focus on rehiring assets returning from contracts and stepping up the disposal programme; a strategy which was seriously tested by the early termination of a fairly significant contract during the year. These tighter operating controls, coupled with improved rates and very good disposal profits, helped to increase the division's profits by a commendable 8% on turnover up by 5%. The welfare bus sector returned particularly good levels of utilisation from an increased fleet size, underpinned by the establishment of a dedicated operating base to support customers in the London area.

Of particular note was the substantial progress of the division's disposal arm Ventura (described below) whose further establishment will provide confidence for continued investment in the fleet.

## 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 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.

Once again, these sales and marketing efforts, coupled with the group's prudent depreciation policies, provided excellent disposal profits of £2.2m, a 38% increase, from proceeds of £21m (2005: £17.8m).

LHE Finance, the finance brokerage business, made a small loss but remains confident of the opportunities available through the group's wide base of customers, finance providers and product suppliers.

## Management and staff

Dawsongroup has for many years operated very successfully through a small Board but its unquestionable success and progress has been possible due to the directors and senior management within its divisional Boards and at head office, excellently supported by their committed and hard working staff. We thank them for their continued contribution to the group's achievements.

## Financial Review

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

### Interest

Despite a £0.5m increase in the group's average net borrowings during the year to £230m, net interest payable decreased by £1.37m to £13.05m (2005: £14.42m). This was achieved through a number of interest rate swaps, the hedging instrument used by the group and, in addition, favourable negotiations of the terms with our asset finance providers.

The average rate was significantly lower at 5.7% (2005: 6.2%) and interest cover remained at 2.6 times.

### Tax

The 2006 tax charge is £4.9m which is comprised from corporation tax payable of £2.6m and deferred tax of £2.3m. The low effective rate of 23% (2005: 32%) is due to the extent to which the deferred tax provision is discounted in accordance with FRS19. UK Corporation tax of £1.58m (2005: £134,000) was paid in respect of profits for the year due to lower levels of capital allowances arising from reduced fleet investment in the year.

# Operating and Financial Review continued

## Cash flow

The group cash flow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £82.7m (2005: £80.4m). A further £21m (2005: £17.8m) was generated from the disposal of fixed assets. Cash outflow for interest, tax and dividends, together amounted to £18.5m (2005: £18.4m).

## Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £69.1m (2005: £79m).

## Borrowings

Net debt decreased to £222m (2005: £238.1m), comprising hire fleet asset finance of £227.2m (2005: £242.6m) less net cash balances of £5.2m (2005: £4.5m). Year-end gearing was 184% (2005: 220%).

## 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, 46% 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 £164.5m, effectively fixing 72% of the relevant variable-rate asset finance debt at an average base rate of 4.9%. £20.0m 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 2006 Dawsongroup once again demonstrated its reputation as the leading and most consistently successful 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 2006 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

21 March 2007



**Anthony Coleman**

Group Finance Director

# 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 68

## **Michael J Williams**

Group Chief Executive

Appointed group chief executive in 1993, Michael is now in his 32nd 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 59

## **Anthony Coleman**

ACA

Group Finance Director

Appointed group finance director in January 2006, Anthony joined the group over six years ago as group financial controller and company secretary.  
AGED 33

## **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](http://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 2006.

## Activities and business review

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

A detailed review of the group's trading during the year and of its business outlook is contained within the chairman's statement 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 £16,611,000 (2005: £15,737,000). A first interim ordinary dividend of 11p per share (2005: 10.5p) was paid on 10 May 2006 and a second interim ordinary dividend of 5.5p per share (2005: 5.25p) was paid on 21 November 2006. No final dividend is recommended (2005: Nil). The retained profit of £12,843,000 has been transferred to reserves.

## Directors

The current directors of Dawsongroup plc are set out on page 12.

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 unless otherwise disclosed.

## 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' liability insurance cover is in place in respect of all the Company's directors.

## Donations

The group made charitable donations during the year amounting to £5,947 (2005: £1,349). 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.

# Statutory Directors' Report continued

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 2006 the amount for trade creditors in the balance sheet represented 34 days (2005: 29) of average daily purchases for the company and 29 days (2005: 31) 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.

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.

## **Statement as to disclosure of information to auditors**

The directors have taken all the necessary steps to make them aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

## **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 2007



# 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 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company's Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under 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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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 and other members of the group 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 and the Operating and Financial Review. 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 circumstances of the company and the group, 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 company's and the group's affairs as at 31 December 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's report is consistent with the financial statements.



## Mazars LLP

Chartered Accountants  
and Registered Auditors

21 March 2007

Sovereign Court, Witan Gate  
Milton Keynes MK9 2HP

# Consolidated Profit and Loss Account

for the year ended 31 December 2006

	<i>Notes</i>	<b>2006</b> <b>£'000</b>	2005 £'000
<b>Turnover</b>	1	<b>136,397</b>	127,658
Cost of sales		<b>79,826</b>	68,385
<b>Gross profit</b>		<b>56,571</b>	59,273
Administrative expenses		<b>22,041</b>	21,845
<b>Operating profit</b>	2	<b>34,530</b>	37,428
Net interest payable	5	<b>13,053</b>	14,419
<b>Profit on ordinary activities before tax</b>		<b>21,477</b>	23,009
Tax	6	<b>4,866</b>	7,272
<b>Profit for the financial year</b>	17	<b>16,611</b>	15,737
 <b>Statement of total recognised gains and losses</b>			
Profit for the financial year		<b>16,611</b>	15,737
Exchange rate adjustment		<b>(113)</b>	(141)
Total gains recognised since the last annual report		<b>16,498</b>	15,596

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 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	8	3,764	4,408
Tangible assets	9	400,244	401,341
		<b>404,008</b>	405,749
<b>Current assets</b>			
Stocks		1,270	1,360
Debtors	11	15,710	15,908
Bank deposits and cash	12	6,754	7,067
		<b>23,734</b>	24,335
<b>Creditors due within one year</b>			
Borrowings	12	66,860	63,678
Other creditors	13	31,419	32,424
		<b>98,279</b>	96,102
<b>Net current liabilities</b>			
		<b>74,545</b>	71,767
Total assets less current liabilities		<b>329,463</b>	333,982
<b>Creditors due after one year</b>			
Borrowings	12	161,910	181,474
Other creditors	13	53	126
		<b>161,963</b>	181,600
		<b>167,500</b>	152,382
<b>Provisions for liabilities and charges</b>			
	14	<b>46,686</b>	44,298
<b>Net assets</b>			
		<b>120,814</b>	108,084
<b>Capital and reserves</b>			
Called up share capital	15	8,057	8,057
Share premium account	17	1,285	1,285
Capital reserve	17	9,980	9,980
Profit and loss account	17	101,492	88,762
<b>Equity Shareholders' funds</b>			
	16	<b>120,814</b>	108,084

The financial statements on pages 16 to 34 were approved by the board of directors on 21 March 2007.

Directors: M J Williams  
A Coleman

# Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Net cash inflow from operating activities</b>	18	<b>82,687</b>	80,390
<b>Returns on investments and servicing of finance</b>			
Net interest paid	5	<b>(13,053)</b>	(14,419)
<b>Taxation</b>		<b>(1,725)</b>	(374)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<b>(69,126)</b>	(78,965)
Sale of tangible fixed assets		<b>20,990</b>	17,785
		<b>(48,136)</b>	(61,180)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings		–	(3,296)
<b>Equity dividends paid</b>		<b>(3,768)</b>	(3,597)
Cash inflow/(outflow) before use of liquid resources and financing		<b>16,005</b>	(2,476)
<b>Management of liquid resources</b>			
Cash (placed on)/ withdrawn from deposit	20	<b>(2,965)</b>	7,540
<b>Financing</b>			
(Decrease)/ increase in loans and asset finance arrangements	20	<b>(15,320)</b>	1,718
Redemption of preference share capital		–	(3,300)
		<b>(15,320)</b>	(1,582)
<b>(Decrease)/ increase in cash</b>	20	<b>(2,280)</b>	3,482

# Company Balance Sheet

as at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	9	620	582
Investment: shares in subsidiary undertakings	10	10,826	10,414
		<b>11,446</b>	10,996
<b>Current assets</b>			
Stocks		44	44
Debtors	11	55,069	55,865
Bank deposits and cash	12	5,066	4,750
		<b>60,179</b>	60,659
<b>Creditors due within one year</b>			
Borrowings	12	3	2,439
Other creditors	13	19,535	17,378
		<b>19,538</b>	19,817
<b>Net current assets</b>		<b>40,641</b>	40,842
Total assets less current liabilities		<b>52,087</b>	51,838
<b>Provisions for liabilities and charges</b>	14	<b>884</b>	894
<b>Net assets</b>		<b>51,203</b>	50,944
<b>Capital and reserves</b>			
Called up share capital	15	8,057	8,057
Share premium account	17	1,285	1,285
Capital reserve	17	6,658	6,658
Profit and loss account	17	35,203	34,944
<b>Equity Shareholders' funds</b>	16	<b>51,203</b>	50,944

The financial statements on pages 16 to 34 were approved by the board of directors on 21 March 2007.

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 2006.

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.

## Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less 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
<b>Hire Fleet</b>		
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%
Scissor lifts	10 years	15%
Kitchen units	15 years	10%
Display refrigeration and kitchen equipment	8 years	Nil
Other	4 – 12.5 years	Nil – 15%
<b>Non Hire Fleet</b>		
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.

### **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 2006

## 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

	<b>2006</b> <b>£'000</b>	2005 £'000
This is stated after charging:		
Depreciation: owned assets	<b>49,794</b>	45,796
leased assets	<b>1,350</b>	1,481
Amortisation of goodwill	<b>431</b>	421
Impairment of goodwill	<b>213</b>	–
Auditors' remuneration: audit services	<b>86</b>	86
audit of pension scheme	<b>3</b>	3
Assets hired in	<b>231</b>	187
Operating leases: land and buildings	<b>1,378</b>	1,185
hire fleet assets	<b>2,026</b>	2,423
Exchange loss	<b>69</b>	–
and after crediting:		
Profit on sale of tangible fixed assets	<b>2,191</b>	1,584
Property rental	<b>300</b>	289
Manufacturers' rebates	<b>248</b>	622
Exchange gain	<b>–</b>	6

## 3. Employees

	<b>2006</b> <b>Number</b>	2005 Number
Average number of employees, including executive directors, during the year:		
Management	<b>43</b>	58
Sales and administration staff	<b>315</b>	304
Drivers, engineers and others	<b>234</b>	250
	<b>592</b>	612
	<b>2006</b> <b>£'000</b>	2005 £'000
Employee payroll costs:		
Wages and salaries	<b>16,981</b>	16,028
Social security costs	<b>1,894</b>	1,778
Pension contributions	<b>571</b>	543
	<b>19,446</b>	18,349

### 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 (2005: £16,000) 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	2006 Total emoluments £'000	2005 Total emoluments £'000
<b>Directors' emoluments</b>						
Executive directors						
P M Dawson	52	–	114	–	166	157
M J Williams	315	315	50	332	1,012	680
C Gear	–	–	–	–	–	556
A Coleman	93	20	10	9	132	–
<b>Total</b>	<b>460</b>	<b>335</b>	<b>174</b>	<b>341</b>	<b>1,310</b>	<b>1,393</b>

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.

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 A Coleman per annum.

##### Long-term 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.

A Coleman participates in a long-term incentive scheme dependent upon a loyalty element and the cumulative results of the group over the five years commencing 1 January 2006.

The purpose of the scheme is to reward A Coleman 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 2011 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 budgeted pre-tax profit of the group for the year ended 31 December 2006.

The loyalty element of the scheme amounts to a minimum of £100,000 and the performance element a maximum of a further £225,000. The performance element is reduced by annual performance related bonuses. The maximum amount payable under the scheme is £325,000.

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 2006 £'000	Charge for the year £'000	Utilised £'000	As at 31 December 2006 £'000
Executive directors				
M J Williams	677	187	(300)	564
A Coleman	–	40	–	40
	<b>677</b>	<b>227</b>	<b>(300)</b>	<b>604</b>

# Notes to the Financial Statements continued

## 4. Directors' emoluments and interests continued

### 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:

	<b>As at 31 December 2006</b>	As at 31 December 2005
Executive directors		
P M Dawson:		
Ordinary shares of 25p	<b>22,838,774</b>	22,838,774
Zero coupon shares of 21 <sup>3</sup> / <sub>p</sub>	<b>10,938,536</b>	10,938,536

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 2007.

## 5. Net interest payable

	<b>2006 £'000</b>	2005 £'000
On borrowings wholly repayable within five years:		
Asset finance arrangements	<b>11,718</b>	10,677
Bank loans and overdrafts	<b>94</b>	97
On borrowings repayable after five years	<b>1,027</b>	2,908
On swap arrangements	<b>464</b>	814
Preference dividends	<b>–</b>	230
	<b>13,303</b>	14,726
Less: Interest receivable	<b>(250)</b>	(307)
	<b>13,053</b>	14,419

## 6. Tax

	<b>2006 £'000</b>	2005 £'000
Tax charge for the year:		
Corporation tax	<b>2,261</b>	436
Overseas tax	<b>301</b>	208
Adjustments in respect of prior periods	<b>22</b>	629
Total current tax	<b>2,584</b>	1,273
Deferred tax		
Origination and reversal of timing differences	<b>4,014</b>	5,798
(Increase)/decrease in discount	<b>(1,862)</b>	204
Adjustments in respect of prior periods	<b>130</b>	(3)
Total deferred tax	<b>2,282</b>	5,999
	<b>4,866</b>	7,272

## 6. Tax continued

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:

	<b>2006</b> <b>£'000</b>	2005 <b>£'000</b>
Profit on ordinary activities before tax	<b>21,477</b>	23,009
Tax on profit on ordinary activities at standard rate	<b>6,443</b>	6,903
Factors affecting charge for the period:		
Capital allowances in excess of depreciation	<b>(3,939)</b>	(6,340)
Expenses not deductible for tax purposes – amortisation	<b>193</b>	126
Other timing differences	<b>(135)</b>	(114)
Adjustments in respect of prior periods	<b>22</b>	629
Adjustments re preference dividends	<b>–</b>	69
Total actual amount of current tax	<b>2,584</b>	1,273

## 7. Dividends

	<b>2006</b> <b>p per share</b>	2005 <b>p per share</b>	<b>2006</b> <b>£'000</b>	2005 <b>£'000</b>
Ordinary shares:				
First interim paid	<b>11.00</b>	10.50	<b>2,512</b>	2,398
Second interim paid	<b>5.50</b>	5.25	<b>1,256</b>	1,199
	<b>16.50</b>	15.75	<b>3,768</b>	3,597

## 8. Intangible fixed assets

Group	Goodwill <b>£'000</b>
Cost:	
As at 1 January 2006	5,868
Additions	–
As at 31 December 2006	<b>5,868</b>
Amortisation:	
As at 1 January 2006	1,460
Charge for the year	431
Impairment	213
As at 31 December 2006	<b>2,104</b>
Book value:	
As at 31 December 2006	<b>3,764</b>
As at 31 December 2005	4,408

# Notes to the Financial Statements continued

## 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 2006	10,057	555,117	8,269	573,443	1,921
Exchange adjustment	-	(397)	(14)	(411)	-
Additions	345	66,677	2,104	69,126	473
Sales	-	(43,476)	(1,576)	(45,052)	(315)
Transfers from group undertakings	-	-	-	-	25
As at 31 December 2006	<b>10,402</b>	<b>577,921</b>	<b>8,783</b>	<b>597,106</b>	<b>2,104</b>
Depreciation:					
As at 1 January 2006	2,055	165,465	4,582	172,102	1,339
Exchange adjustment	-	(123)	(8)	(131)	-
Charge for the year	215	49,682	1,247	51,144	209
Relating to sales	-	(25,351)	(902)	(26,253)	(73)
Transfers from group undertakings	-	-	-	-	9
As at 31 December 2006	<b>2,270</b>	<b>189,673</b>	<b>4,919</b>	<b>196,862</b>	<b>1,484</b>
Book value:					
As at 31 December 2006	<b>8,132</b>	<b>388,248</b>	<b>3,864</b>	<b>400,244</b>	<b>620</b>
As at 31 December 2005	8,002	389,652	3,687	401,341	582

### 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 £19,870,000 (2005: £19,964,000), and accumulated depreciation of £5,907,000 (2005: £4,630,000) held under finance leases.

### Company

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

## 10. Investment: shares in subsidiary undertakings

	2006 £'000	2005 £'000
As at 1 January – at valuation	10,414	10,345
Addition	350	–
Reversal of impairment	62	69
As at 31 December	<u>10,826</u>	<u>10,414</u>

This represents the investment by Dawsongroup plc in the entire issued share capital of Alexena Limited, Dawsonrentals Limited, Dawsongroup International Limited and Praedium Property Limited. This includes a £2,750,000 surplus which arose on the revaluation of Alexena Limited in 1988. Praedium Property Limited was incorporated on 20 February 2006.

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.
Praedium Property Limited	–	Property.

The following companies were the trading subsidiary undertakings of Dawsonrentals Limited and Dawsongroup International Limited during the year ended 31 December 2006:

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 floor cleaning equipment.
Northern Municipal Spares Limited*	United Kingdom	Manufacture and sale 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.

\*100% owned by Dawsongroup Materials Handling Equipment Limited.

# Notes to the Financial Statements continued

## 11. Debtors

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
Trade debtors	13,309	25	13,140	25
Other debtors	106	845	384	206
Prepayments	2,289	129	2,378	102
Tax recoverable	6	313	6	374
Loans to subsidiary undertakings	–	52,947	–	54,056
Amounts owed by subsidiary undertakings	–	810	–	1,102
	<u>15,710</u>	<u>55,069</u>	<u>15,908</u>	<u>55,865</u>

## 12. Financial instruments

### Financial liabilities

Group	Due within one year £'000	Due after more than one year £'000	2006 Total £'000	Due within one year £'000	Due after more than one year £'000	2005 Total £'000
Bank overdrafts	1,326	–	1,326	2,309	–	2,309
Loan notes	250	–	250	294	–	294
Asset finance arrangements	65,284	161,910	227,194	61,075	181,474	242,549
Gross financial liabilities	<u>66,860</u>	<u>161,910</u>	<u>228,770</u>	<u>63,678</u>	<u>181,474</u>	<u>245,152</u>

The group has no committed borrowing facilities.

### Company

The company had no borrowings at 31 December 2006 other than a bank overdraft of £3,000 (2005: £2,439,000).

### 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	2006 Total £'000	Sterling £'000	Foreign currency £'000	2005 Total £'000
Within one year	63,920	1,364	65,284	59,629	1,446	61,075
Between one and two years	55,803	1,036	56,839	58,005	1,242	59,247
Between two and five years	95,582	1,472	97,054	107,070	1,779	108,849
After more than five years	7,806	211	8,017	13,148	230	13,378
	<u>223,111</u>	<u>4,083</u>	<u>227,194</u>	<u>237,852</u>	<u>4,697</u>	<u>242,549</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	2006 Total £'000	Sterling £'000	Foreign currency £'000	2005 Total £'000
Variable rate	214,681	3,550	218,231	226,273	3,486	229,759
Fixed rate	8,430	533	8,963	11,579	1,211	12,790
	<u>223,111</u>	<u>4,083</u>	<u>227,194</u>	<u>237,852</u>	<u>4,697</u>	<u>242,549</u>

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

## 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	2006 Foreign currency	Sterling	2005 Foreign currency
Weighted average interest rate	<u>6.2%</u>	<u>6.7%</u>	<u>6.5%</u>	<u>6.8%</u>
Weighted average period for which fixed	<u>18 months</u>	<u>15 months</u>	<u>30 months</u>	<u>24 months</u>

### Financial assets

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
Sterling deposits				
Unrestricted	–	–	–	–
Restricted	250	–	294	–
Other cash and bank				
Sterling	5,556	5,066	5,768	4,750
Foreign currency	948	–	1,005	–
Gross financial assets	<u>6,754</u>	<u>5,066</u>	<u>7,067</u>	<u>4,750</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 £401,000 (2005: £299,000) purchased by the group for the specific purpose of 2007 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 loss at 31 December 2006 based on the year-end valuation of these currencies is £29,000 (2005 gain: £3,000). 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	2006 Average rate %	Total £'000	2005 Average rate %
Period to expiry:						
Within one year	62,500	–	62,500	4.3	37,500	5.2
Between one and two years	–	–	–	–	10,000	4.7
Between two and five years	81,000	1,010	82,010	5.3	57,025	5.5
After more than five years	20,000	–	20,000	5.4	35,000	5.4
	<u>163,500</u>	<u>1,010</u>	<u>164,510</u>	<u>4.9</u>	<u>139,525</u>	<u>5.3</u>

At the balance sheet date the above Sterling swaps had a net negative mark to market value, determined by relevant counter-parties, of £3,649,000 (2005: £7,871,000). 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 2006 amounted to £464,000 (2005: £814,000) and the proportion of the net negative market value shown above which is expected to be recognised in 2007 amounts to a gain of £1,134,250.

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.

# Notes to the Financial Statements continued

## 13. Other creditors

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
<b>Due within one year</b>				
Trade creditors	20,030	247	21,149	35
Accruals	9,062	645	7,720	687
Tax payable	1,194	–	339	26
Other tax and social security	1,133	75	3,216	77
Deposits from subsidiary undertakings	–	18,551	–	16,549
Amounts owed to subsidiary undertakings	–	17	–	4
	<b>31,419</b>	<b>19,535</b>	<b>32,424</b>	<b>17,378</b>
<b>Due after one year</b>				
Other creditors	53	–	126	–
	<b>53</b>	<b>–</b>	<b>126</b>	<b>–</b>

## 14. Provisions for liabilities and charges

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
Deferred tax	44,018	–	41,740	–
Other provisions	2,668	884	2,558	894
	<b>46,686</b>	<b>884</b>	<b>44,298</b>	<b>894</b>

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
<b>Deferred tax</b>				
Accelerated capital allowances	55,882	–	51,861	–
Other timing differences	(231)	–	(350)	–
Undiscounted provision for deferred tax	55,651	–	51,511	–
Discount	(11,633)	–	(9,771)	–
Provision for deferred tax	<b>44,018</b>	<b>–</b>	<b>41,740</b>	<b>–</b>

Amounts provided have been calculated at future expected rates of corporation tax.

	Group £'000	2006 Company £'000	Group £'000	2005 Company £'000
<b>Other provisions</b>				
Long-term incentive schemes	2,187	884	2,087	894
Miscellaneous	481	–	471	–
	<b>2,668</b>	<b>884</b>	<b>2,558</b>	<b>894</b>



#### 14. Provisions for liabilities and charges *continued*

	Deferred tax £'000	Long-term incentive schemes £'000	Miscellaneous £'000	Total £'000
<b>Movement in the year</b>				
As at 1 January 2006	41,740	2,087	471	44,298
Exchange adjustment	(4)	-	-	(4)
Charged to profit and loss account in the year	2,282	894	36	3,212
Utilised in the year	-	(794)	(26)	(820)
As at 31 December 2006	<b>44,018</b>	<b>2,187</b>	<b>481</b>	<b>46,686</b>

The provision for long-term incentive schemes at 31 December 2006 included £604,000 (2005: £677,000) in respect of the director's long-term service bonus scheme (note 4) and £1,583,000 (2005: £1,410,000) relating to schemes in place for other employees.

Miscellaneous provisions principally relate to future contractual liabilities.

#### 15. Called up share capital

	Number	2006 £'000	Number	2005 £'000
<b>Authorised</b>				
Ordinary shares of 25p each	<b>41,609,814</b>	<b>10,402</b>	41,609,814	10,402
Zero coupon shares of 21 $\frac{1}{2}$ p each	<b>10,955,917</b>	<b>2,348</b>	10,955,917	2,348
		<b>12,750</b>		12,750
<b>Allotted, Issued and Fully Paid</b>				
Ordinary shares of 25p each	<b>22,838,776</b>	<b>5,710</b>	22,838,776	5,710
Zero coupon shares of 21 $\frac{1}{2}$ p each	<b>10,955,217</b>	<b>2,347</b>	10,955,217	2,347
		<b>8,057</b>		8,057

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	2006 Company £'000	Group £'000	2005 Company £'000
Opening shareholders' funds as previously reported	<b>108,084</b>	<b>50,944</b>	99,385	50,153
Prior year adjustments relating to FRS 25	-	-	(3,300)	(3,300)
Opening shareholders' funds as restated	<b>108,084</b>	<b>50,944</b>	96,085	46,853
Profit for the financial year	<b>16,611</b>	<b>4,027</b>	15,737	7,688
Dividends paid	<b>(3,768)</b>	<b>(3,768)</b>	(3,597)	(3,597)
Exchange rate adjustment	<b>(113)</b>	-	(141)	-
Net movement in shareholders' funds	<b>12,730</b>	<b>259</b>	11,999	4,091
Closing shareholders' funds	<b>120,814</b>	<b>51,203</b>	108,084	50,944

# Notes to the Financial Statements continued

## 17. Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
<b>Group</b>				
As at 1 January 2006	1,285	9,980	88,762	100,027
Profit for the year	-	-	16,611	16,611
Dividends	-	-	(3,768)	(3,768)
Exchange rate adjustment	-	-	(113)	(113)
As at 31 December 2006	<b>1,285</b>	<b>9,980</b>	<b>101,492</b>	<b>112,757</b>
<b>Company</b>				
As at 1 January 2006	1,285	6,658	34,944	42,887
Profit for the year	-	-	4,027	4,027
Dividends	-	-	(3,768)	(3,768)
As at 31 December 2006	<b>1,285</b>	<b>6,658</b>	<b>35,203</b>	<b>43,146</b>

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:

	2006 £'000	2005 £'000
As at 1 January 2006 and 31 December 2006	<b>4,165</b>	4,165

## 18. Net cash inflow from operating activities

	2006 £'000	2005 £'000
Operating profit	<b>34,530</b>	37,428
Depreciation	<b>51,144</b>	47,277
Amortisation of goodwill	<b>644</b>	421
Profit on sale of tangible fixed assets	<b>(2,191)</b>	(1,584)
Decrease in stocks	<b>90</b>	49
Decrease / (increase) in debtors	<b>186</b>	(133)
Decrease in creditors and other provisions	<b>(1,716)</b>	(3,068)
Net cash inflow from operating activities	<b>82,687</b>	80,390

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

	<b>2006</b>	2005
	<b>£'000</b>	£'000
(Decrease)/ increase in cash	<b>(2,280)</b>	3,482
Cash outflow from asset finance repayments	<b>81,022</b>	84,871
Cash outflow from loan note repayments	<b>44</b>	37
Cash inflow from asset finance advances	<b>(65,746)</b>	(86,626)
Asset finance acquired with business	-	(11,382)
Cash outflow from redemption of preference shares	-	3,300
Cash outflow/(inflow) from change in deposits	<b>2,965</b>	(7,540)
Change in net debt resulting from cash flows	<b>16,005</b>	(13,858)
Exchange adjustment	<b>64</b>	132
Movement in net debt	<b>16,069</b>	(13,726)
Net debt as at 1 January	<b>(238,085)</b>	(224,359)
Net debt as at 31 December	<b>(222,016)</b>	(238,085)

## 20. Analysis of net debt

	As at 1 January 2006 £'000	Cash flow £'000	Exchange adjustment £'000	As at 31 December 2006 £'000
Cash at bank	6,772	(3,262)	(15)	<b>3,495</b>
Overdrafts	(2,308)	982	-	<b>(1,326)</b>
	4,464	(2,280)	(15)	<b>2,169</b>
Loan notes	(294)	44	-	<b>(250)</b>
Asset finance due within one year	(61,075)	(4,235)	26	<b>(65,284)</b>
Asset finance due after more than one year	(181,474)	19,511	53	<b>(161,910)</b>
	(242,549)	15,276	79	<b>(227,194)</b>
Cash placed on deposit	294	2,965	-	<b>3,259</b>
Total	<b>(238,085)</b>	<b>16,005</b>	<b>64</b>	<b>(222,016)</b>

# Notes to the Financial Statements continued

## 21. Financial commitments

### Future capital expenditure

	<b>2006</b> <b>£'000</b>	2005 £'000
Outstanding contracts for capital expenditure	<u><b>12,232</b></u>	<u>7,748</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 2006 the maturity periods and maximum amount of these undertakings were:

	<b>2006</b> <b>£'000</b>	2005 £'000
Between two and five years	<u><b>5,426</b></u>	<u>4,056</u>
After more than five years	<u><b>336</b></u>	<u>1,489</u>
	<u><b>5,762</b></u>	<u>5,545</u>

### Operating lease commitments

At 31 December 2006 the group was committed to making the following payments in the year to 31 December 2007 under operating leases which expire:

	<b>Land and buildings £'000</b>	<b>2006 Hire fleet assets £'000</b>	Land and buildings £'000	2005 Hire fleet assets £'000
Within one year	<u>206</u>	<u>321</u>	<u>155</u>	<u>1,105</u>
Between one and two years	<u>521</u>	<u>136</u>	<u>170</u>	<u>549</u>
Between two and five years	<u>267</u>	<u>190</u>	<u>404</u>	<u>318</u>
After more than five years	<u>90</u>	<u>–</u>	<u>139</u>	<u>–</u>
	<u><b>1,084</b></u>	<u><b>647</b></u>	<u>868</u>	<u>1,972</u>

### Parent company guarantees

Dawsongroup plc guarantees certain financial obligations of its subsidiary undertakings in the normal course of business. At 31 December 2006 these obligations amounted to £228,463,000 (2005: £242,713,000).

## 22. Related party transactions

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.

During the year Praedium Property Limited purchased land independently valued at £325,000 from the P M Dawson 1982 Settlement Trust.

# Five Year Record

	<b>2006</b>	2005	As restated 2004	As restated 2003	As restated 2002
	<b>£'000</b>	£'000	£'000	£'000	£'000
<b>Turnover</b>	<b>136,397</b>	127,658	112,009	97,715	84,031
<b>Operating profit before exceptional items</b>	<b>34,530</b>	37,428	34,358	30,057	25,903
Exceptional items	–	–	–	–	–
<b>Profit on ordinary activities before interest</b>	<b>34,530</b>	37,428	34,358	30,057	25,903
Net interest payable	<b>13,053</b>	14,419	12,929	10,676	8,637
<b>Profit before tax</b>	<b>21,477</b>	23,009	21,429	19,381	17,266
Intangible fixed assets	<b>3,764</b>	4,408	4,437	4,555	2,108
Tangible fixed assets	<b>400,244</b>	401,341	370,364	314,678	272,399
Net current liabilities (excluding cash and short-term borrowings)	<b>(14,492)</b>	(15,282)	(16,286)	(12,720)	(15,258)
Provisions for liabilities and charges	<b>(46,686)</b>	(44,298)	(38,071)	(32,266)	(28,570)
<b>Net assets employed</b>	<b>342,830</b>	346,169	320,444	274,247	230,679
Share capital	<b>8,057</b>	8,057	8,057	8,057	8,057
Reserves	<b>112,757</b>	100,027	88,028	74,708	62,412
<b>Shareholders' funds</b>	<b>120,814</b>	108,084	96,085	82,765	70,469
Net borrowings	<b>222,016</b>	238,085	224,359	191,482	160,210
<b>Capital employed</b>	<b>342,830</b>	346,169	320,444	274,247	230,679
Operating profit before exceptional items as a percentage of:					
Turnover	<b>25.3%</b>	29.3%	30.7%	30.8%	30.8%
Average capital employed	<b>10.0%</b>	11.2%	11.6%	11.9%	12.5%
Borrowing ratio	<b>184%</b>	220%	234%	231%	227%
Average number of employees	<b>592</b>	612	477	443	417
Turnover per employee (£)	<b>230,400</b>	208,592	234,820	220,576	201,513
Operating profit per employee (£)	<b>58,328</b>	61,157	72,029	67,849	62,118

# 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](mailto:info@dawsongroup.co.uk)

### Used Vehicle Disposals Division

National Truck and Trailer Sales  
Delaware Drive, Tongwell  
Milton Keynes MK15 8JH  
Tel: 01908 218111  
Fax: 01908 218444  
Email: [ntts@dawsongroup.co.uk](mailto:ntts@dawsongroup.co.uk)

Dawsonrentals Bus and Coach Limited  
Delaware Drive, Tongwell  
Milton Keynes MK15 8JH  
Tel: 01908 218111  
Fax: 01908 218444  
Email: [info@dawsongroup.co.uk](mailto:info@dawsongroup.co.uk)

### Used Bus and Coach Disposals Division

Ventura  
Unit 39, Hobbs Industrial Estate  
Newchapel, Lingfield RH7 6HN  
Tel: 01342 835206  
Fax: 01342 835813  
Email: [info@venturasales.co.uk](mailto: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](mailto:info@dawsongroup.co.uk)

Northern Municipal Spares Limited  
Municipal House  
Armytage Road  
Brighthouse HD6 1PT  
Tel: 01484 400111  
Fax: 01484 400063  
Email: [info@northern-municipal-spares.com](mailto:info@northern-municipal-spares.com)

Dawsonrentals Portable Cold Storage Limited  
Fulwood Industrial Estate  
Sutton-in-Ashfield  
Nottinghamshire NG17 6AF  
Tel: 01623 516666  
Fax: 01623 516819  
Email: [info@portable-cold-storage.co.uk](mailto:info@portable-cold-storage.co.uk)

Dawsonrentals Display Refrigeration Limited  
Units 15 & 16  
Pucklechurch Trading Estate  
Pucklechurch  
Bristol BS16 9QH  
Tel: 01179 373310  
Fax: 01179 373316  
Email: [info@dawsongroup.co.uk](mailto:info@dawsongroup.co.uk)

Dawsonrentals Temporary Kitchens Limited  
Catermaster House  
Hadnock Road  
Monmouth NP25 3QG  
Tel: 01600 716851  
Fax: 01600 716048  
Email: [hire@temporarykitchens.co.uk](mailto:hire@temporarykitchens.co.uk)

LHE Finance Limited  
21 Headlands Business Park  
Ringwood BH24 3PB  
Tel: 01425 474070  
Fax: 01425 474090  
Email: [all-lhefinance@dawsongroup.co.uk](mailto:all-lhefinance@dawsongroup.co.uk)

## Overseas business centres

### France

Modulfroid Service SARL  
1 rue Lenôtre  
BP 636  
95196 Goussainville Cedex  
Paris  
France  
Tel: 00 33 1 39 88 63 00  
Fax: 00 33 1 39 88 62 63  
Email: [info@modulfroid.fr](mailto:info@modulfroid.fr)

### Germany

Thermobil Mobile Kühllager GmbH  
Jagenbergstrasse 4  
D-41468 Neuss  
Germany  
Tel: 00 49 2131 40301 0  
Fax: 00 49 2131 40301 20  
Email: [info@thermobil.de](mailto:info@thermobil.de)

### The Netherlands

Dawsonrentals (Nederland) BV  
Geysendorfferweg 66  
3088 GK Rotterdam  
The Netherlands  
Tel: 00 31 10 495 2955  
Fax: 00 31 10 495 3226  
Email: [info@dawsonrentals.nl](mailto:info@dawsonrentals.nl)

### Ireland

Dawsonrentals (Ireland) Limited  
Unit 20, Toughers Business Park  
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ul. Annopol 3  
03-235  
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Tel: 00 48 22 877 4115  
Fax: 00 48 22 877 4113  
Email: [info@dawsonrentals.pl](mailto:info@dawsonrentals.pl)



