# Dawsongroup plc

Annual Report & Accounts 2007

Dawsongroup

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Operational areas

# Dawsongroup plc

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 2007 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.

I am delighted to announce an excellent set of results where revenue grew for the 11th consecutive year and the group delivered record profits. This was achieved through sustained organic growth driven by our continued focus on a high level of customer service and continued investment in our fleet.

# Chairman's Statement

Peter M Dawson

The improvement in profit was due almost entirely to an outstanding performance by the truck and trailer division for which market conditions were more favourable than in recent years, due in part to longer lead times for new equipment. It is also a reflection of the group's policy of operating a modern premium quality fleet, which together with first class customer service differentiates us from our competitors. In contrast however, our temperature controlled products division experienced more difficult trading conditions, highlighting once again the importance to the group of holding a diversified asset rental portfolio.

**Results and dividend**

Turnover of £144.6m (2006: £136.4m) and profit before tax of £27.1m (2006: £21.5m) reflect increases of 6% and 26% respectively over the previous year.

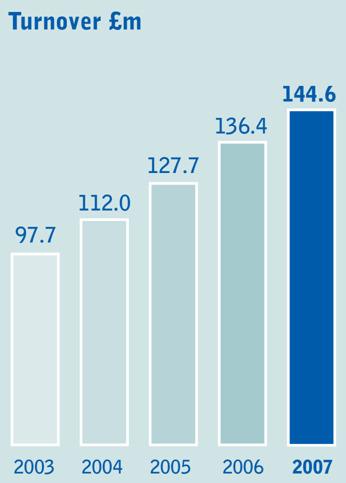
After an effective tax charge of 22%, compared to 23% in 2006, the pre-dividend profit for the year amounted to £21.2m (2006: £16.6m).

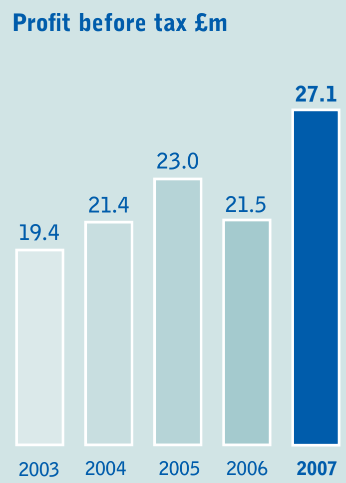
The dividends for the year amounted to £3.77m, the same as 2006.

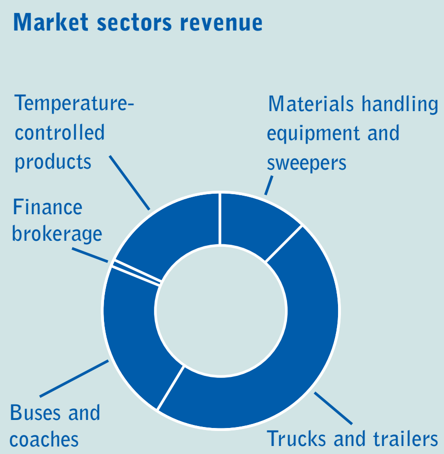
**Balance sheet**

The excellent financial performance strengthened the balance sheet further which provides the confidence and platform to pursue our well established policy of organic growth supplemented by strategic acquisitions.

Capital expenditure for the year amounted to £79.2m, an increase of £10.1m over the previous year's spend of £69.1m, which was again induced by an excellent level of contract business wins. Asset disposal profits of £3.1m (2006: £2.2m) were achieved from record




proceeds of £23.6m (2006: £21.0m). These together with strong operational cash flows of £87.9m (2006: £82.7m) ensured that net debt fell by £12.2m to £209.8m.

As a result gearing fell to 151% from 184% which is exceptionally low for an asset rental business supported by a strong contractual base. Unexpired contract revenue stood at £137.9m compared to £128.4m last year. Interest was covered 3.4 times (2006: 2.6 times) by operating profit.

## Outlook

Central to our performance this year have been our employees whose commitment to a first class customer service is unparalleled. I would like to once again thank our employees for their continued hard work and support.

It is these employees, led by our experienced and dedicated management team, together with the group's core strengths of a diversified premium product range and broad customer base which give me every confidence in the group's continued progress and success.

We have made a good start in the current financial year but we must remain cautious as the indications are that the economic environment is set to become more challenging.

**Peter M Dawson**
T. Eng (CEI), FIMI, FCIT
Chairman

20 March 2008

# 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.

Michael J Williams

Anthony Coleman

### Operating Review

| | 2007 £m | % | 2006 £m | % |
|---|---|---|---|---|
| Trucks and trailers | **68.9** | **47.7** | 63.0 | 46.2 |
| Materials handling equipment and sweepers | **16.6** | **11.5** | 17.1 | 12.5 |
| Temperature-controlled products | **27.5** | **19.0** | 25.6 | 18.8 |
| Buses and coaches | **31.4** | **21.7** | 30.5 | 22.4 |
| Finance brokerage | **0.2** | **0.1** | 0.2 | 0.1 |
| **Group revenue** | **144.6** | **100.0** | 136.4 | 100.0 |

The 6% increase in group revenue arises entirely through organic growth. The group operating profit margin increased to 26.5% of revenue from 25.3% due principally to a much improved performance in our truck and trailer division following difficult trading conditions in the previous year. Consequently, operating profit for the year was 11.3% higher at £38.4m (2006: £34.5m).

**Trucks and trailers**

The group's largest activity, contributed almost 48% of total group revenues for 2007, Dawsonrentals Truck and Trailer was the outstanding performer, delivering increased revenues of £68.9m, up 9% on the previous year, and improving profit margins further.

In what has always been a demanding and price-driven marketplace, the sustained investment in the fleet over a number of years ensured that the division was well positioned to respond to the long lead times experienced in the truck market for new product. This arose as a consequence of a redirection of


RED EAGLE
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Kalmar
RED FUNNEL

# Operating and Financial Review continued


Trucks and trailers

Temperature-controlled products


manufacturing capacity to meet growing demand in Eastern Europe and Russia, together with major fleet buyers in the UK recommencing their investment programmes following delays in 2006 caused by changes in legislation.

Truck utilisation was strong throughout the year and averaged an impressive 90% (2006: 84%) albeit on a short-term truck fleet lower on average by 24%, due mainly to transfers to the contract fleet. Hire rates remained broadly unchanged in the first half of the year but showed some signs of improvement as the year progressed.

A similar pattern emerged in the short term trailer fleet which had an improved average utilisation of 77% (2006: 75%) whilst hire rates improved marginally.

It has been a core strategy of this division to increase the proportion of its revenue derived from contract hire and it is pleasing to report that in 2007 this further increased to 48%. This has grown consistently, year on year, from 34% in 2001 and our aim is to increase this further. It is therefore pleasing to report an excellent year for contract hire activity both in trucks and trailers where new contracts were concluded for a total of 899 trucks and 1,211 trailers.

Hire fleet investment amounted to £43.2m (2006: £42.8m) and was directed towards the new and resigned contract hire business thus ensuring we continue to provide the premium and most modern rental fleet in the UK. Hire fleet investment is expected to increase in the current year and our focus on delivering a premium product will see our new trailers fitted with the Axscend tracking system, provided to our customers at no additional cost.

### Materials handling equipment and sweepers

It is a testament to the strong management team at Dawsonrentals Materials Handling Equipment that, in a year where there were increasing signs of companies in financial difficulties, another impressive set of results was delivered with profits up 12.2% on a 2% increase in turnover.

Whilst rental rates remained at the same level as 2006, utilisation on the short term fleet increased to an average of 71% for the year up from 66% in 2006 on a total fleet size 2% higher. The disposal of 117 units, together with the additions detailed below, continues to reduce the age profile of the fleet.

Following the well received introduction of the new Toyota ‘8 series’, capital expenditure increased to £2.1m (2006: £1.8m). This was once again targeted towards contract hire activity which now represents over 78% of the total hire revenue.

The sweeper division, acquired in 2005, continued to meet expectations with another year of solid progress. A successful asset rental business needs developed primary, secondary and disposal markets and progress was made on all three fronts. The company increased its contractual base significantly including the award of the much sought after contract to supply road sweepers to NEPO (North Eastern Purchasing Organisation covering Sunderland, Gateshead and South Tyneside Councils) despite great competition and the number of disposals increased to 92, up from 32 in 2006, including our first disposals to Europe.

The board considers this business to have considerable growth potential and we are currently evaluating our geographical locations with a view to expanding operations to provide a greater national coverage.

### Temperature-controlled products

2007 proved to be a challenging year for most of the group's UK based businesses in the temperature controlled market.

The requirement for Dawsonrentals Portable Cold Storage to reconfigure and redesign existing units to create bespoke solutions for its customers and to protect itself from increased competition has resulted in a level of product development over the past decade higher than in any other area of the group.

The traditional superbox has been complemented by tempering units, blast freezers, ice machines, inflatable chill stores, purpose builds, widespans, tunnel freezers and this year, construction builds, with our first successful project at Billingsgate fish market. This involved the design and installation of a purpose built $700m^2$ marshalling facility and we have since been awarded a contract with British Airways to design and build their Border Inspection Post at London Heathrow.

Given this considerable progress the board considered it necessary, to ensure our high levels of customer service are maintained, that the infrastructure and management team was strengthened and reorganised. As a result of these exceptional costs, on turnover up by 6%, profits fell by 13%.

The market conditions remain tough with consolidation in the food sector an inevitable result of further cost pressures. We have seen a general reluctance to commit to term deals. Despite these conditions, the company still signed some notable term deals such as the 14 bay modular build widespan at Anglia Crown for a term of 5 years.

Sweepers

Materials handling equipment


national express dot2dot
Airport Shuttle Network
national express dot2dot
YN07 NVX

# Operating and Financial Review continued

Also in the UK, Dawsonrentals Display Refrigeration had a disappointing year as the supermarkets delayed or postponed their store refurbishment programmes. Dawsonrentals Temporary Kitchens has underperformed for some time but 2007 is viewed as a turning point with the new style kitchen unit improving our order book significantly.

In contrast, the overseas portable cold store businesses, in France, Germany, The Netherlands, Ireland and Poland, produced highly satisfactory results, increasing combined profits by 33% on turnover up 15%. Good levels of fleet growth, utilisation and rate increases were achieved in all of the businesses which now account for over 7% of group profit. With the high level of term business secured, the prospects for the group's overseas activities remain encouraging.

### Buses and coaches

Following a period of exceptional growth a 3 year strategy was implemented to focus on maximising utilisation of the existing fleet and to ensure the management, customer and product infrastructure was in place for future development of the business. 2007 was the final year of that strategy and it has been a largely successful one. Although profits dropped marginally, redundant assets were substantially disposed of, resulting in excellent disposal profits of £0.5m (2006: £0.25m), and the business achieved further revenue growth. In addition, two further dedicated operating facilities were established in Central London and on the outskirts of Milton Keynes.

With the infrastructure in place, hire fleet investment increased to £19.6m (2006: £11.0m) underpinned by an excellent level of term business signed. Of particular note was the award of the asset management contract for National Express's new Dot2Dot business for 70 vehicles and a contract to provide single deck buses for NCP at the new Terminal 5 at Heathrow.

### 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.

These sales and marketing efforts, together with the group's prudent depreciation policies, provided record disposal profits of £3.1m, a 43% increase, from proceeds of £23.6m (2006: £21.0m).

2007 was a year of strategic development for LHE Finance, our finance brokerage business. In addition to the establishment of Dawsonrentals Finance, which expands the finance product offering across Dawsongroup's established markets, a number of business alliances were formed with finance providers resulting in a much improved performance and a promising start to the current year.

### Employees

Dawsongroup's continued success and growth would not be possible without its dedicated and hard working management and employees, now numbering well over 600 across 6 countries. We thank them for their contribution to the group's continued development.

## Financial Review

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

### Interest

On average net borrowings during the year of £215.9m, net interest payable decreased by £1.73m to £11.32m (2006: £13.05m) despite a higher average base rate of 5.52% (2006: 4.65%).

The average rate was significantly lower at 5.2% (2006: 5.7%) and interest cover increased to 3.4 times (2006: 2.6 times). 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.

# Operating and Financial Review continued

### Tax

The 2007 tax charge of £5.89m is comprised of corporation tax payable of £5.66m and deferred tax of £0.23m. The low effective rate of 22% (2006: 23%) is due to the extent to which the deferred tax provision is discounted in accordance with FRS19 and, in addition, to the reduction in the corporation tax rate to 28% which reduced the opening deferred tax liability by £2.3m. Corporation tax actually payable in respect of 2007 profits was £4.02m (2006: £1.58m).

### Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £87.9m (2006: £82.7m). A further £23.6m (2006: £21.0m) was generated from the disposal of fixed assets. Cash outflow for interest, tax and dividends, together amounted to £19.6m (2006: £18.5m).

### Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £79.2m (2006: £69.1m).

### Borrowings

Net debt decreased to £209.8m (2006: £222.0m), comprising hire fleet asset finance of £212.6m (2006: £227.2m) less net cash balances of £2.9m (2006: £5.2m). Year-end gearing was 151% (2006: 184%).

### 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, 41% 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 £177m, effectively fixing 86% of the relevant variable-rate asset finance debt at an average base rate of 4.7%.

#### 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 2007 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 2007 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

20 March 2008

# 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 69

### Michael J Williams

Group Chief Executive

Having been managing director of Dawsonrentals since 1979, Michael was appointed group chief executive in 1993 and is now in his 33rd year with the group.
AGED 60

### Anthony Coleman

ACA

Group Finance Director

Appointed group finance director in January 2006, Anthony joined the group over seven years ago as group financial controller and company secretary.
AGED 34

### 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
5 Aldermanbury Square
London
EC2V 7HR

# Statutory Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2007.

### 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 £21,172,000 (2006: £16,611,000). A first interim ordinary dividend of 11p per share (2006: 11p) was paid on 30 April 2007 and a second interim ordinary dividend of 5.5p per share (2006: 5.5p) was paid on 1 November 2007. The retained profit of £17,404,000 has been transferred to reserves.

### Directors

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

### 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 £3,027 (2006: £5,947). 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.

# Statutory Directors' Report continued

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 2007 the amount for trade creditors in the balance sheet represented 34 days (2006: 34) of average daily purchases for the company and 25 days (2006: 29) 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

20 March 2008

# 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 2007 which comprise of the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Company's Balance Sheet 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. 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 2007 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.

**Mazars LLP**
Charted Accountants
and Registered Auditors

20 March 2008

Sovereign Court, Witan Gate
Milton Keynes MK9 2HP

# Consolidated Profit and Loss Account

## for the year ended 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|---|---|---|---|
| **Turnover** | *1* | **144,638** | 136,397 |
| Cost of sales | | **83,737** | 79,826 |
| **Gross profit** | | **60,901** | 56,571 |
| Administrative expenses | | **22,519** | 22,041 |
| **Operating profit** | *2* | **38,382** | 34,530 |
| Net interest payable | *5* | **11,318** | 13,053 |
| **Profit on ordinary activities before tax** | | **27,064** | 21,477 |
| Tax | *6* | **5,892** | 4,866 |
| **Profit for the financial year** | *17* | **21,172** | 16,611 |

### Statement of total recognised gains and losses

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Profit for the financial year | **21,172** | 16,611 |
| Exchange rate adjustment | **686** | (113) |
| Total gains recognised since the last annual report | **21,858** | 16,498 |

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 2007

| | Notes | £'000 | 2007 £'000 | £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *8* | | **3,347** | | 3,764 |
| Tangible assets | *9* | | **405,299** | | 400,244 |
| | | | **408,646** | | 404,008 |
| **Current assets** | | | | | |
| Stocks | | **1,479** | | 1,270 | |
| Debtors | *11* | **18,803** | | 15,710 | |
| Bank deposits and cash | *12* | **6,150** | | 6,754 | |
| | | **26,432** | | 23,734 | |
| **Creditors due within one year** | | | | | |
| Borrowings | *12* | **70,438** | | 66,860 | |
| Other creditors | *13* | **33,465** | | 31,419 | |
| | | **103,903** | | 98,279 | |
| **Net current liabilities** | | | **77,471** | | 74,545 |
| Total assets less current liabilities | | | **331,175** | | 329,463 |
| **Creditors due after one year** | | | | | |
| Borrowings | *12* | **145,478** | | 161,910 | |
| Other creditors | *13* | **45** | | 53 | |
| | | | **145,523** | | 161,963 |
| | | | **185,652** | | 167,500 |
| **Provisions for liabilities and charges** | *14* | | **46,748** | | 46,686 |
| **Net assets** | | | **138,904** | | 120,814 |
| **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** | | 9,980 |
| Profit and loss account | *17* | | **119,582** | | 101,492 |
| **Equity shareholders' funds** | *16* | | **138,904** | | 120,814 |

The financial statements on pages 16 to 34 were approved by the board of directors on 20 March 2008.

Directors: M J Williams
A Coleman

# Consolidated Cash Flow Statement

## for the year ended 31 December 2007

| | Notes | £'000 | 2007 £'000 | £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | *18* | | **87,878** | | 82,687 |
| **Returns on investments and servicing of finance** | | | | | |
| Net interest paid | *5* | | **(11,318)** | | (13,053) |
| **Taxation** | | | **(4,548)** | | (1,725) |
| **Capital expenditure** | | | | | |
| Purchase of tangible fixed assets | | **(79,150)** | | (69,126) | |
| Sale of tangible fixed assets | | **23,601** | | 20,990 | |
| | | | **(55,549)** | | (48,136) |
| **Equity dividends paid** | | | **(3,768)** | | (3,768) |
| Cash inflow before use of liquid resources and financing | | | **12,695** | | 16,005 |
| **Management of liquid resources** | | | | | |
| Cash placed on deposit | *20* | | **(1,241)** | | (2,965) |
| **Financing** | | | | | |
| Decrease in loans and asset finance arrangements | *20* | | **(15,343)** | | (15,320) |
| **Decrease in cash** | *20* | | **(3,889)** | | (2,280) |

# Company Balance Sheet

## as at 31 December 2007

| | Notes | 2007 £'000 | 2007 £'000 | 2006 £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *9* | | **695** | | 620 |
| Investment: shares in subsidiary undertakings | *10* | | **10,828** | | 10,826 |
| | | | **11,523** | | 11,446 |
| **Current assets** | | | | | |
| Stocks | | **44** | | 44 | |
| Debtors | *11* | **68,306** | | 55,069 | |
| Bank deposits and cash | *12* | **4,500** | | 5,066 | |
| | | **72,850** | | 60,179 | |
| **Creditors due within one year** | | | | | |
| Borrowings | *12* | **3,382** | | 3 | |
| Other creditors | *13* | **27,970** | | 19,535 | |
| | | **31,352** | | 19,538 | |
| **Net current assets** | | | **41,498** | | 40,641 |
| Total assets less current liabilities | | | **53,021** | | 52,087 |
| **Provisions for liabilities and charges** | *14* | | **1,097** | | 884 |
| **Net assets** | | | **51,924** | | 51,203 |
| **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** | | 6,658 |
| Profit and loss account | *17* | | **35,924** | | 35,203 |
| **Equity shareholders' funds** | *16* | | **51,924** | | 51,203 |

The financial statements on pages 16 to 34 were approved by the board of directors on 20 March 2008.

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 2007.

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 |
|---|---|---|
| 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% |
| Scissor lifts | 10 years | 15% |
| Kitchen units | 15 years | 10% |
| Display refrigeration and kitchen equipment | 8 years | Nil |
| Other | 4 – 12.5 years | Nil – 15% |
| Non Hire Fleet | | |
| Freehold buildings | 20 – 50 years | Nil |
| Plant and equipment | 5 – 10 years | Nil |
| Portable office buildings | 7 – 12.5 years | 15% |
| Computer hardware 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.

### Stock
Stock is 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.

Amounts receivable under finance leases are included as a debtor at the amount of the net investment in the lease.

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant periodic rate of return on the net cash investment in the lease.

### 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 2007

### 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

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| This is stated after charging: | | |
| Depreciation: owned assets | 54,261 | 49,794 |
| leased assets | 891 | 1,350 |
| Amortisation of goodwill | 417 | 431 |
| Impairment of goodwill | – | 213 |
| Auditors' remuneration: audit services | 91 | 86 |
| audit of pension scheme | 3 | 3 |
| Assets hired in | 302 | 231 |
| Operating leases: land and buildings | 1,481 | 1,378 |
| hire fleet assets | 677 | 2,026 |
| Exchange loss | – | 69 |
| and after crediting: | | |
| Profit on sale of tangible fixed assets | 3,127 | 2,191 |
| Property rental | 308 | 300 |
| Manufacturers' rebates | 131 | 248 |
| Exchange gain | 262 | – |

### 3. Employees

| | 2007 Number | 2006 Number |
|---|---|---|
| Average number of employees, including executive directors, during the year: | | |
| Management | 51 | 43 |
| Sales and administration staff | 305 | 315 |
| Drivers, engineers and others | 243 | 234 |
| | 599 | 592 |

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Employee payroll costs: | | |
| Wages and salaries | 17,796 | 16,981 |
| Social security costs | 1,988 | 1,894 |
| Pension contributions | 277 | 571 |
| | 20,061 | 19,446 |

#### 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 £9,000 (2006: £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 | 2007 Total emoluments £'000 | 2006 Total emoluments £'000 |
|---|---|---|---|---|---|---|
| Directors' emoluments | | | | | | |
| Executive directors | | | | | | |
| P M Dawson | 66 | – | 85 | – | 151 | 166 |
| M J Williams | 330 | 330 | 21 | 25 | 706 | 1,012 |
| A Coleman | 110 | 50 | 11 | 11 | 182 | 132 |
| Total | 506 | 380 | 117 | 36 | 1,039 | 1,310 |

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 £330,000 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 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 2007 £'000 | Charge for the year £'000 | Utilised £'000 | As at 31 December 2007 £'000 |
|---|---|---|---|---|
| Executive directors | | | | |
| M J Williams | 564 | 42 | – | 606 |
| A Coleman | 40 | 107 | – | 147 |
| | 604 | 149 | – | 753 |

# 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:

| Executive directors | **As at 31 December 2007** | As at 31 December 2006 |
|---|---|---|
| P M Dawson: | | |
| Ordinary shares of 25p | **22,838,774** | 22,838,774 |
| Zero coupon shares of 21 3/7p | **10,938,536** | 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 20 March 2008.

## 5. Net interest payable

| | **2007 £'000** | 2006 £'000 |
|---|---|---|
| On borrowings wholly repayable within five years: | | |
| Asset finance arrangements | **11,681** | 11,718 |
| Bank loans and overdrafts | **97** | 94 |
| On borrowings repayable after five years | **1,892** | 1,027 |
| On swap arrangements | **–** | 464 |
| | **13,670** | 13,303 |
| Less: Bank and other interest receivable | **(632)** | (250) |
| Swap arrangements interest receivable | **(1,720)** | – |
| | **11,318** | 13,053 |

## 6. Tax

| | **£'000** | **2007 £'000** | £'000 | 2006 £'000 |
|---|---|---|---|---|
| Tax charge for the year: | | | | |
| Corporation tax | **4,582** | | 2,261 | |
| Overseas tax | **473** | | 301 | |
| Adjustments in respect of prior periods | **604** | | 22 | |
| Total current tax | | **5,659** | | 2,584 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | **564** | | 4,014 | |
| Decrease/(increase) in discount | **1,997** | | (1,862) | |
| Adjustments in respect of prior periods | **(38)** | | 130 | |
| Effect of decreased tax rate on opening liability | **(2,290)** | | – | |
| Total deferred tax | | **233** | | 2,282 |
| | | **5,892** | | 4,866 |

## 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:

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **27,064** | 21,477 |
| Tax on profit on ordinary activities at standard rate | **8,119** | 6,443 |
| Factors affecting charge for the period: | | |
| Capital allowances in excess of depreciation | **(3,068)** | (3,939) |
| (Income)/expenses not deductible for tax purposes | **(396)** | 193 |
| Other timing differences | **400** | (135) |
| Adjustments in respect of prior periods | **604** | 22 |
| Total actual amount of current tax | **5,659** | 2,584 |

## 7. Dividends

| | 2007 p per share | 2006 p per share | 2007 £'000 | 2006 £'000 |
|---|---|---|---|---|
| Ordinary shares: | | | | |
| First interim paid | **11.00** | 11.00 | **2,512** | 2,512 |
| Second interim paid | **5.50** | 5.50 | **1,256** | 1,256 |
| | **16.50** | 16.50 | **3,768** | 3,768 |

## 8. Intangible fixed assets

### Group

| | Goodwill £'000 |
|---|---|
| Cost: | |
| As at 1 January 2007 | 5,868 |
| Additions | – |
| As at 31 December 2007 | **5,868** |
| Amortisation: | |
| As at 1 January 2007 | 2,104 |
| Charge for the year | 417 |
| As at 31 December 2007 | **2,521** |
| Book value: | |
| As at 31 December 2007 | **3,347** |
| As at 31 December 2006 | 3,764 |

# 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 2007 | 10,402 | 577,921 | 8,783 | 597,106 | 2,104 |
| Exchange adjustment | – | 2,166 | 77 | 2,243 | – |
| Additions | 25 | 77,159 | 1,966 | 79,150 | 341 |
| Sales | – | (57,310) | (1,633) | (58,943) | (369) |
| Transfers from group undertakings | – | – | – | – | 33 |
| As at 31 December 2007 | **10,427** | **599,936** | **9,193** | **619,556** | **2,109** |
| Depreciation: | | | | | |
| As at 1 January 2007 | 2,270 | 189,673 | 4,919 | 196,862 | 1,484 |
| Exchange adjustment | – | 672 | 40 | 712 | – |
| Reclassification | – | 18 | (18) | – | – |
| Charge for the year | 216 | 53,618 | 1,318 | 55,152 | 256 |
| Relating to sales | – | (37,360) | (1,109) | (38,469) | (337) |
| Transfers from group undertakings | – | – | – | – | 11 |
| As at 31 December 2007 | **2,486** | **206,621** | **5,150** | **214,257** | **1,414** |
| Book value: | | | | | |
| As at 31 December 2007 | **7,941** | **393,315** | **4,043** | **405,299** | **695** |
| As at 31 December 2006 | 8,132 | 388,248 | 3,864 | 400,244 | 620 |

### 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 £8,816,000 (2006: £19,870,000), and accumulated depreciation of £2,641,000 (2006: £5,907,000) held under finance leases. The depreciation charge for the year on these assets was £891,000 (2006: £1,350,000).

### Company

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

## 10. Investment: shares in subsidiary undertakings

| | 2007<br>£'000 | 2006<br>£'000 |
|---|---|---|
| As at 1 January – at valuation | **10,826** | 10,414 |
| Addition | **–** | 350 |
| Reversal of impairment | **2** | 62 |
| As at 31 December | **10,828** | 10,826 |

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.

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 2007:

| 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 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 Kühllager GmbH | Germany | Hire of temperature-controlled products. |
| Modulfroid Service SARL | France | Hire of temperature-controlled products. |
| Dawsonrentals (Nederland) BV | The Netherlands | Hire of temperature-controlled products. |
| Dawsonrentals Polska Sp. z o.o. | Poland | Hire of temperature-controlled products. |
| Dawsonrentals (Ireland) Limited | Ireland | Hire of temperature-controlled products. |

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

*100% owned by Dawsonrentals Materials Handling Equipment Limited.

# Notes to the Financial Statements continued

## 11. Debtors

| Due within one year | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Trade debtors | 13,156 | 21 | 13,309 | 25 |
| Finance receivables | 238 | – | – | – |
| Other debtors | 1,852 | 830 | 106 | 845 |
| Prepayments | 2,380 | 174 | 2,289 | 129 |
| Tax recoverable | – | 358 | 6 | 313 |
| Loans to subsidiary undertakings | – | 66,016 | – | 52,947 |
| Amounts owed by subsidiary undertakings | – | 907 | – | 810 |
| | 17,626 | 68,306 | 15,710 | 55,069 |
| **Due after one year** | | | | |
| Finance receivables | 1,177 | – | – | – |
| | 18,803 | 68,306 | 15,710 | 55,069 |

## 12. Financial instruments

### Financial liabilities

| Group | 2007 Due within one year £'000 | 2007 Due after more than one year £'000 | 2007 Total £'000 | 2006 Due within one year £'000 | 2006 Due after more than one year £'000 | 2006 Total £'000 |
|---|---|---|---|---|---|---|
| Bank overdrafts | 3,277 | – | 3,277 | 1,326 | – | 1,326 |
| Loan notes | – | – | – | 250 | – | 250 |
| Asset finance arrangements | 67,161 | 145,478 | 212,639 | 65,284 | 161,910 | 227,194 |
| Gross financial liabilities | 70,438 | 145,478 | 215,916 | 66,860 | 161,910 | 228,770 |

The group has no committed borrowing facilities.

### Company
The company had no borrowings at 31 December 2007 other than a bank overdraft of £3,382,000 (2006: £3,000).

### Loan notes
The loan notes, which were issued as part of the purchase consideration for Portable Cold Storage Limited in 1997, were repaid during the year.

### 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:

| | 2007 Sterling £'000 | 2007 Foreign currency £'000 | 2007 Total £'000 | 2006 Sterling £'000 | 2006 Foreign currency £'000 | 2006 Total £'000 |
|---|---|---|---|---|---|---|
| Within one year | 65,586 | 1,575 | 67,161 | 63,920 | 1,364 | 65,284 |
| Between one and two years | 57,571 | 1,182 | 58,753 | 55,803 | 1,036 | 56,839 |
| Between two and five years | 73,218 | 2,324 | 75,542 | 95,582 | 1,472 | 97,054 |
| After more than five years | 10,331 | 852 | 11,183 | 7,806 | 211 | 8,017 |
| | 206,706 | 5,933 | 212,639 | 223,111 | 4,083 | 227,194 |

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

| | 2007 Sterling £'000 | 2007 Foreign currency £'000 | 2007 Total £'000 | 2006 Sterling £'000 | 2006 Foreign currency £'000 | 2006 Total £'000 |
|---|---|---|---|---|---|---|
| Variable rate | 200,584 | 5,819 | 206,403 | 214,681 | 3,550 | 218,231 |
| Fixed rate | 6,122 | 114 | 6,236 | 8,430 | 533 | 8,963 |
| | 206,706 | 5,933 | 212,639 | 223,111 | 4,083 | 227,194 |

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:

| | 2007 Sterling | 2007 Foreign currency | 2006 Sterling | 2006 Foreign currency |
|---|---|---|---|---|
| Weighted average interest rate | 6.0% | 6.4% | 6.2% | 6.7% |
| Weighted average period for which fixed | 8 months | 8 months | 18 months | 15 months |

### Financial assets

| | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Sterling deposits | | | | |
| Unrestricted | – | – | – | – |
| Restricted | – | – | 250 | – |
| Other cash and bank | | | | |
| Sterling | 4,766 | 4,500 | 5,556 | 5,066 |
| Foreign currency | 1,384 | – | 948 | – |
| Gross financial assets | 6,150 | 4,500 | 6,754 | 5,066 |

The restricted Sterling deposits related to those provided as security against loan notes. These have now all been redeemed.

Foreign currency balances include Japanese Yen to a total value of £250,000 (2006: £401,000) purchased by the group for the specific purpose of 2008 budgeted fleet additions. As such, they are not considered to be monetary assets and are therefore shown in the balance sheet at a weighted average cost. The unrecognised gain at 31 December 2007 based on the year-end valuation of these currencies is £11,000 (2006 loss: £29,000). 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:

| | 2007 Sterling £'000 | 2007 Foreign currency £'000 | 2007 Total £'000 | 2007 Average rate % | 2006 Total £'000 | 2006 Average rate % |
|---|---|---|---|---|---|---|
| Period to expiry: | | | | | | |
| Within one year | 60,000 | – | 60,000 | 4.7 | 62,500 | 4.3 |
| Between one and two years | 27,500 | 1,010 | 28,510 | 4.8 | – | – |
| Between two and five years | 88,500 | – | 88,500 | 4.7 | 82,010 | 5.3 |
| After more than five years | – | – | – | – | 20,000 | 5.4 |
| | 176,000 | 1,010 | 177,010 | 4.7 | 164,510 | 4.9 |

At the balance sheet date the above Sterling swaps had a net negative mark to market value, determined by relevant counter-parties, of £5,206,000 (2006: £3,649,000). Changes in the fair value of such instruments are not recognised in the financial statements until each relevant quarterly rate fixing date. The net gains recognised in the year to 31 December 2007 amounted to £1,720,000 (2006 loss: £464,000) and the proportion of the net negative market value shown above which is expected to be recognised in 2008 amounts to a gain of £1,133,440.

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

| Due within one year | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Trade creditors | **21,280** | **161** | 20,030 | 247 |
| Accruals | **9,065** | **584** | 9,062 | 645 |
| Tax payable | **2,309** | **38** | 1,194 | – |
| Other tax and social security | **811** | **83** | 1,133 | 75 |
| Deposits from subsidiary undertakings | **–** | **27,060** | – | 18,551 |
| Amounts owed to subsidiary undertakings | **–** | **44** | – | 17 |
| | **33,465** | **27,970** | 31,419 | 19,535 |
| **Due after one year** | | | | |
| Other creditors | **45** | **–** | 53 | – |
| | **45** | **–** | 53 | – |

## 14. Provisions for liabilities and charges

| | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Deferred tax | **44,279** | **–** | 44,018 | – |
| Other provisions | **2,469** | **1,097** | 2,668 | 884 |
| | **46,748** | **1,097** | 46,686 | 884 |

| Deferred tax | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Accelerated capital allowances | **54,553** | **–** | 55,882 | – |
| Other timing differences | **(638)** | **–** | (231) | – |
| Undiscounted provision for deferred tax | **53,915** | **–** | 55,651 | – |
| Discount | **(9,636)** | **–** | (11,633) | – |
| Provision for deferred tax | **44,279** | **–** | 44,018 | – |

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

| Other provisions | 2007 Group £'000 | 2007 Company £'000 | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Long-term incentive schemes | **2,296** | **1,097** | 2,187 | 884 |
| Miscellaneous | **173** | **–** | 481 | – |
| | **2,469** | **1,097** | 2,668 | 884 |

## 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 2007 | 44,018 | 2,187 | 481 | 46,686 |
| Exchange adjustment | 28 | 8 | 1 | 37 |
| Charged/(credited) to profit and loss account in the year | 233 | 651 | (303) | 581 |
| Utilised in the year | – | (550) | (6) | (556) |
| As at 31 December 2007 | **44,279** | **2,296** | **173** | **46,748** |

The provision for long-term incentive schemes at 31 December 2007 included £753,000 (2006: £604,000) in respect of the director's long-term service bonus scheme (note 4) and £1,543,000 (2006: £1,583,000) relating to schemes in place for other employees.

Miscellaneous provisions principally relate to future contractual liabilities.

## 15. Called up share capital

| | **2007 Number** | **2007 £'000** | 2006 Number | 2006 £'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 25p each | **41,609,814** | **10,402** | 41,609,814 | 10,402 |
| Zero coupon shares of 21³⁄₇p each | **10,955,917** | **2,348** | 10,955,917 | 2,348 |
| | | **12,750** | | 12,750 |
| **Allotted, Issued and Fully Paid** | | | | |
| Ordinary shares of 25p each | **22,838,776** | **5,710** | 22,838,776 | 5,710 |
| Zero coupon shares of 21³⁄₇p each | **10,955,217** | **2,347** | 10,955,217 | 2,347 |
| | | **8,057** | | 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

| | **2007 Group £'000** | **2007 Company £'000** | 2006 Group £'000 | 2006 Company £'000 |
|---|---|---|---|---|
| Opening shareholders' funds | **120,814** | **51,203** | 108,084 | 50,944 |
| Profit for the financial year | **21,172** | **4,489** | 16,611 | 4,027 |
| Dividends paid | **(3,768)** | **(3,768)** | (3,768) | (3,768) |
| Exchange rate adjustment | **686** | **–** | (113) | – |
| Net movement in shareholders' funds | **18,090** | **721** | 12,730 | 259 |
| Closing shareholders' funds | **138,904** | **51,924** | 120,814 | 51,203 |

# Notes to the Financial Statements continued

## 17. Reserves

| | Share premium account £'000 | Capital reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| As at 1 January 2007 | 1,285 | 9,980 | 101,492 | 112,757 |
| Profit for the year | – | – | 21,172 | 21,172 |
| Dividends | – | – | (3,768) | (3,768) |
| Exchange rate adjustment | – | – | 686 | 686 |
| As at 31 December 2007 | **1,285** | **9,980** | **119,582** | **130,847** |
| **Company** | | | | |
| As at 1 January 2007 | 1,285 | 6,658 | 35,203 | 43,146 |
| Profit for the year | – | – | 4,489 | 4,489 |
| Dividends | – | – | (3,768) | (3,768) |
| As at 31 December 2007 | **1,285** | **6,658** | **35,924** | **43,867** |

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:

| | **2007 £'000** | 2006 £'000 |
|---|---|---|
| As at 1 January 2007 and 31 December 2007 | **4,165** | 4,165 |

## 18. Net cash inflow from operating activities

| | **2007 £'000** | 2006 £'000 |
|---|---|---|
| Operating profit | **38,382** | 34,530 |
| Depreciation | **55,152** | 51,144 |
| Amortisation of goodwill | **417** | 644 |
| Profit on sale of tangible fixed assets | **(3,127)** | (2,191) |
| (Increase)/decrease in stocks | **(206)** | 90 |
| (Increase)/decrease in debtors | **(3,006)** | 186 |
| Increase/(decrease) in creditors and other provisions | **266** | (1,716) |
| Net cash inflow from operating activities | **87,878** | 82,687 |

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

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Decrease in cash | (3,889) | (2,280) |
| Cash outflow from asset finance repayments | 95,008 | 81,022 |
| Cash outflow from loan note repayments | 250 | 44 |
| Cash inflow from asset finance advances | (79,915) | (65,746) |
| Cash outflow from change in deposits | 1,241 | 2,965 |
| Change in net debt resulting from cash flows | 12,695 | 16,005 |
| Exchange adjustment | (445) | 64 |
| Movement in net debt | 12,250 | 16,069 |
| Net debt as at 1 January | (222,016) | (238,085) |
| Net debt as at 31 December | (209,766) | (222,016) |

## 20. Analysis of net debt

| | As at 1 January 2007 £'000 | Cash flow £'000 | Exchange adjustment £'000 | As at 31 December 2007 £'000 |
|---|---|---|---|---|
| Cash at bank | 3,495 | (1,938) | 93 | 1,650 |
| Overdrafts | (1,326) | (1,951) | – | (3,277) |
| | 2,169 | (3,889) | 93 | (1,627) |
| Loan notes | (250) | 250 | – | – |
| Asset finance due within one year | (65,284) | (1,736) | (141) | (67,161) |
| Asset finance due after more than one year | (161,910) | 16,829 | (397) | (145,478) |
| | (227,194) | 15,093 | (538) | (212,639) |
| Cash placed on deposit | 3,259 | 1,241 | – | 4,500 |
| Total | (222,016) | 12,695 | (445) | (209,766) |

# Notes to the Financial Statements continued

## 21. Financial commitments

### Future capital expenditure

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Outstanding contracts for capital expenditure | **63,013** | 12,232 |

### 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 2007 the maturity periods and maximum amount of these undertakings were:

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Between one and two years | **1,633** | – |
| Between two and five years | **4,129** | 5,426 |
| After more than five years | **–** | 336 |
| | **5,762** | 5,762 |

### Operating lease commitments

At 31 December 2007 the group was committed to making the following payments in the year to 31 December 2008 under operating leases which expire:

| | 2007 Land and buildings £'000 | 2007 Hire fleet assets £'000 | 2006 Land and buildings £'000 | 2006 Hire fleet assets £'000 |
|---|---|---|---|---|
| Within one year | **262** | **73** | 206 | 321 |
| Between one and two years | **287** | **92** | 521 | 136 |
| Between two and five years | **256** | **81** | 267 | 190 |
| After more than five years | **25** | **–** | 90 | – |
| | **830** | **246** | 1,084 | 647 |

### Parent company guarantees

Dawsongroup plc guarantees certain financial obligations of its subsidiary undertakings in the normal course of business. At 31 December 2007 these obligations amounted to £212,534,000 (2006: £228,463,000).

## 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.

In 2006 Praedium Property Limited purchased land independently valued at £325,000 from the P M Dawson 1982 Settlement Trust.

# Five Year Record

| | 2007 £'000 | 2006 £'000 | 2005 £'000 | As restated 2004 £'000 | As restated 2003 £'000 |
|---|---|---|---|---|---|
| **Turnover** | **144,638** | 136,397 | 127,658 | 112,009 | 97,715 |
| **Operating profit before exceptional items** | **38,382** | 34,530 | 37,428 | 34,358 | 30,057 |
| Exceptional items | **–** | – | – | – | – |
| **Profit on ordinary activities before interest** | **38,382** | 34,530 | 37,428 | 34,358 | 30,057 |
| Net interest payable | **11,318** | 13,053 | 14,419 | 12,929 | 10,676 |
| **Profit before tax** | **27,064** | 21,477 | 23,009 | 21,429 | 19,381 |
| Intangible fixed assets | **3,347** | 3,764 | 4,408 | 4,437 | 4,555 |
| Tangible fixed assets | **405,299** | 400,244 | 401,341 | 370,364 | 314,678 |
| Net current liabilities (excluding cash and short-term borrowings) | **(13,228)** | (14,492) | (15,282) | (16,286) | (12,720) |
| Provisions for liabilities and charges | **(46,748)** | (46,686) | (44,298) | (38,071) | (32,266) |
| **Net assets employed** | **348,670** | 342,830 | 346,169 | 320,444 | 274,247 |
| Share capital | **8,057** | 8,057 | 8,057 | 8,057 | 8,057 |
| Reserves | **130,847** | 112,757 | 100,027 | 88,028 | 74,708 |
| **Shareholders' funds** | **138,904** | 120,814 | 108,084 | 96,085 | 82,765 |
| Net borrowings | **209,766** | 222,016 | 238,085 | 224,359 | 191,482 |
| **Capital employed** | **348,670** | 342,830 | 346,169 | 320,444 | 274,247 |

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Operating profit before exceptional items as a percentage of: Turnover | **26.5%** | 25.3% | 29.3% | 30.7% | 30.8% |
| Average capital employed | **11.1%** | 10.0% | 11.2% | 11.6% | 11.9% |
| Borrowing ratio | **151%** | 184% | 220% | 234% | 231% |
| Average number of employees | **599** | 592 | 612 | 477 | 443 |
| Turnover per employee (£) | **241,466** | 230,400 | 208,592 | 234,820 | 220,576 |
| Operating profit per employee (£) | **64,077** | 58,328 | 61,157 | 72,029 | 67,849 |

# 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
Delaware Drive, Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Fax: 01908 218444
Email: 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

### 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

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
Tel: 01484 400111
Fax: 01484 400063
Email: 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

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

Dawsonrentals Temporary Kitchens Limited
Catermaster House
Hadnock Road
Monmouth NP25 3QG
Tel: 01600 716851
Fax: 01600 716048
Email: info@temporarykitchens.co.uk

LHE Finance Limited
21 Headlands Business Park
Ringwood BH24 3PB
Tel: 01425 474070
Fax: 01425 474090
Email: info@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

### Germany

Thermobil Mobile Kühllager GmbH
Jagenbergstrasse 4
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Germany
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Fax: 00 49 2131 40301 20
Email: info@thermobil.de

### The Netherlands

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3088 GK Rotterdam
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Ireland
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