2019

Dawsongroup plc

ANNUAL REPORT & ACCOUNTS

Contents

Corporate Statement

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

Dawsongroup owns over 28,000 high quality premium assets, rented to a broad customer base of large reputable companies.

Chairman's Statement

2019 was the most successful year in the history of Dawsongroup.

My 2018 statement led by recognising the great contribution made by the management team and staff. Dawsongroup has continued to prosper, delivering another record year of revenue and profit growth, as well as consolidating the core strengths of the business.

Peter M Dawson

I would like to express my personal thanks to the board, management team and all the staff involved in this notable achievement.

2019 was a difficult year from many perspectives – political uncertainty; restricted bank liquidity; low business confidence and declining UK investment levels. However, Dawsongroup has continued to invest in modern, reliable high-quality assets – now totaling over 28,000 units – while maintaining the low gearing, low risk and tight control policies that have been a foundation of the company.

Growth was mainly organic aided by the acquisitions of Lift Truck Services Ltd and its parent P M R Holdings Ltd plus a small trade and assets only deal for Oughtred & Harrison (Facilities) with others under consideration. The temporary kitchen business was successfully sold at the end of 2019 and Dawsongroup have withdrawn from that sector.

The European businesses have all performed well and now contribute nearly a quarter of Dawsongroup's profitability, with further growth anticipated. This reduced reliance on the UK economy should prove invaluable as the UK exits from the EU at the end of 2020 and will assist in mitigating some of the currency exchange risk associated with our principal European suppliers.

Dawsongroup has also made a number of property investments to ensure that key UK locations will be supported with dedicated facilities tailored to the needs of the operating companies. Recent investments include the acquisition of a substantial site at Avonmouth and adjacent land at Brighouse to expand and modernise the sweeper business.

Results and dividend

On turnover of £269.8m (2018: £236.2m), profit before tax and fair value adjustments increased by £1.6m to £40.3m (2018: £38.7m). The dividends for the year amounted to £3.0m (2018: £4.3m).

Balance sheet

Capital expenditure for the year amounted to £231.7m compared with £218.3m in the previous year. Asset disposal profits of £9.8m (2018: £8.8m) were achieved from proceeds of £64.5m (2018: £56.2m). These, together with operational cash flows of £172.6m (2018: £141.1m), meant that net debt increased by £10m to £278.7m.

Gearing decreased to 92.2% which is exceptionally low for an asset rental business. Unexpired contract revenue stood at £199.8m compared with £189.4m last year. Interest was covered 4.9 times by operating profit (2018: 5.0 times).

People

Dawsongroup has a highly experienced and loyal workforce and is keen to further develop staff investing in a range of training schemes in addition to the well-established business mastery programme. An evolution group has been established with a particular focus on developing our business leaders of the future as part of expanded succession planning.

In 2019, Freya Dawson took on the board responsibility for developing the group's corporate social responsibility programme which has included Dawsongroup becoming a key sponsor of Transaid as well as supporting Breast Cancer Now.

Outlook

As we enter 2020, coronavirus (COVID-19) has significantly impacted global markets which have experienced unprecedented falls. The virus continues to escalate quickly in many countries and measures, including self-isolation, quarantine, lock down and the closure of non-essential shops, have been put in place to combat its spread. (See page 9 for more information).

Dawsongroup will not be immune to the economic effects of these measures. At this stage, it is too early to predict how severely this will affect market conditions and for how long. We will continue to monitor developments closely and react accordingly.

The board remain confident for the long-term future of the group and consider that despite the uncertainties of the time, the group is well positioned to deal with any downturn while exploring a number of opportunities for continued profitable growth.

Peter M Dawson
B Eng, FIMI
Chairman
12 May 2020

Strategic Report

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

Stephen J Miller

Strategic Review

	2019 £m	**%**	2018 £m	%
Trucks and trailers	**113.3**	**42.0**	101.0	42.7
Vans	**50.4**	**18.7**	40.3	17.1
Material handling and sweepers	**27.0**	**10.0**	21.9	9.3
Temperature-controlled products	**52.5**	**19.4**	46.0	19.5
Buses and coaches	**24.8**	**9.2**	25.1	10.6
Finance brokerage	**1.8**	**0.7**	1.9	0.8
Group revenue	**269.8**	**100.0**	236.2	100.0

Anthony Coleman

Recognising that there were many uncertainties surrounding the business environment during 2019, including the failure of a number of competitors, it is pleasing to note that Dawsongroup's growth in 2019 came largely from improved utilisation and quality of business, rather than just fleet expansion.

Furthermore, investments in improving used asset sales through increased resource and better on-line platforms has helped to ensure that Dawsongroup can optimise its position when markets are buoyant as well as respond quickly and effectively to changes in demand or technology. Not only does this deliver better revenues per unit, but more importantly, enables Dawsongroup to respond quickly to market changes.

Dawsongroup continues to evolve from a rental provider to a business solution partner, with a focus on asset management. This is realising a step change in all aspects of the Dawsongroup business, management style and customer care culture that is supporting the move towards quality, longer term customer and supplier relationships. Not only is this approach delivering revenue and profit growth, but also stability and reduced commercial risk, as the proportion

Strategic Report continued

Vans

Sweepers

Material handling

of revenue from long term contracts has continued to rise.

Engagement through customer integrated IT has expanded, with a range of applications being rolled out that support paperless transactions, remote access to compliance and maintenance documentation and account management with customer portal access.

Exceeding environmental compliance is also a key feature of our business strategy, with the Dawsongroup fleet now almost exclusively to Euro 6 standard, with a number of electric, hybrid and gas-powered vehicles in service to accommodate specific customer demand. With an increasing number of UK cities applying or planning low emission zones, this places Dawsongroup at the forefront of customer's provider choice.

Inter-company business generation has also continued to grow, as customers increasingly utilise the range of resources within Dawsongroup. This is particularly relevant within Dawsongroup Finance, where inter-company trading has more than trebled in three years.

Trucks and trailers

Dawsongroup Truck and Trailer was awarded "Rental, Leasing and Contract Hire Provider of the Year" at the 2019 Commercial Motor Awards, reflecting the market leading position of this business.

Revenues rose by 12%, although margins remained under severe pressure due to market oversupply and higher maintenance costs of older vehicles. Some significant contracts were still secured however, increasing the percentage of long-term revenue gained.

There was continued investment in fleet, infrastructure and people – resulting in 98% of the fleet meeting the current Euro 6 standard – and the roll out of customer focused IT applications has been successful.

A new head of remarketing has been appointed and used truck and trailer sales have had a strong performance, with some innovative finance packages being created to add appeal.

Quality of product, service and backup are the key focus of the business with engineering and compliance a key factor – so an achievement of 96% MOT first time pass rate sets a market leading standard.

Vans

With the Transflex fleet now fully absorbed, all key financial indicators showed positive growth, and the two businesses and staff have been successfully integrated and staff retained.

In 2019, over 4,000 new vehicles were added to the van fleet with an increase of vehicle types and options, in particular refrigerated vans, supporting the overall group policy of expansion in this sector.

New web site developments support further expansion, facilitating customers to explore vehicle specification options and pricing, as well as establishing contractual key performance indicators and standards.

Used vehicle sales have expanded dramatically, again assisted by the web site development, with the launch of an online e-auction site enabling retail customers to participate.

Used van retail sites at Milton Keynes and Stockton have further strengthened the success in used vehicle sales.

Bus and Coach

A strong performance throughout 2019 with a record order book at the end of the year. All financial criteria were positive, in particular improvement in return on capital employed and used vehicle disposals.

A key feature of this business has been the steady improvement in customer relations and satisfaction, gained through reputational growth and engagement programmes.

Growth has come largely from the welfare and patient transport sectors, in part from the acquisition of the fleet assets and customer contracts of Oughtred & Harrison (Facilities) Ltd, which have been successfully integrated into the core bus and coach business.

Sweepers

The sweeper business has continued to go from strength to strength with another record year of revenue and profit growth. This has justified the decision to continue to invest in new quality assets, as well as expand the product portfolio.

The adjacent land at our main Brighouse site has been acquired, which will enable a new purpose-built facility to be developed doubling the site space available. In addition, a new purpose-built site is planned for the land acquired in Avonmouth and the new Glasgow workshop and service centre is now operational. All of which will further enhance the sweeper business's excellent reputation for customer service.

In addition to investment in infrastructure, further high-calibre recruitment in the service and sales teams strengthen our market leading position.

Material Handling

The relocation or failure of a number of key customers severely held back the material handling business in 2019, however good management and cost control ensured that revenue and margins were maintained.

The acquisition of Lift Truck Services Ltd in the West Midlands has helped to restore the fleet size and customer base and also provide additional service support between Leeds and our London support centre, to further enhance our market leading service reputation.

A commercial partnership has been established with Combilift, whose pioneering product range has revolutionised storage and handling solutions for companies that operate in awkward load or limited space sectors. This is a major investment for Dawsongroup and should provide a platform for future growth.

Temperature Control

TCS remains the industry market leader, with a substantial blue-chip customer portfolio and an outstanding customer satisfaction score.

Significant management effort is focused on reliability, energy management and environmental impact – and in all these areas the TCS business performed well. Utilisation was up, breakdowns reduced, and new technologies were trialed, introduced and are all showing promise for the future.

Temperature-controlled products

Buses and coaches

Trucks and trailers

Strategic Report continued

Inflatables

Tectoniks

One key investment to improve environmental and energy performance levels was the decision to replace 9,300 tonnes of refrigerant gas ahead of revised EU legislation and ensure that rented units remained market leading.

All the European businesses performed well, in particular Germany and Spain, with record growth across the business units, and a contribution of nearly a quarter of Dawsongroup profits.

Areas for geographical expansion, such as Italy, continue to be evaluated and firm plans are now in place to establish a business presence in Austria.

Finance

Dawsongroup Finance is an integral part of the Dawsongroup customer proposition, with finance to Dawsongroup customers more than trebling over the last three years.

As part of the group, acting in support of all group companies, it offers a flexibility and speed of response that banks and independent providers are unable to match. Recent improvements in IT infrastructure, to improve the customer experience and reduce paper requirement, enables a transaction to be completed, signed up and third-party suppliers paid, all on the same day.

With access to the wider resources of Dawsongroup – sourcing assets, providing driver training, residual value underwriting and vehicle storage and disposal, are all part of the total asset management package that can be provided.

Dawsongroup continues to invest in the business and plans for a significant headcount increase in the coming year.

International Development

Charles Dawson has now returned from his MA studies, re-joining the business as International Development Director, leading the exciting development of inflatable cold stores and structures, specifically aimed at the aid and disaster recovery sectors. His role will also encompass overseeing global expansion plans for a new range of products, particularly in the refrigerated sector.

This new business unit is focused on developing relationships with the humanitarian and international aid sectors, introducing new products that have been developed from research, feedback and field trials to address the unique requirements that location, climate and local resource place on providing temperature controlled storage in such challenging circumstances.

Other

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

Employees

We would like to express our gratitude to our workforce, now numbering over 1,000, for their continued dedication and hard work which will ensure the continued success and growth of Dawsongroup.

Brexit

The group has carried out a detailed study of the risks attached to the UK exiting the European Union. It has also made preparations to allow for a disruption of supply of new equipment in the event of a disorderly exit. In view of the current uncertainty regarding the terms of any exit, it is not possible to evaluate the effects that the introduction of, for example, new tariffs, may bring but the group considers that any adverse effect of leaving the European Union is more likely to come from a general economic downturn than a specific issue within the group. The directors consider that the group is as well prepared for exiting the European Union as it can be.

COVID-19

A COVID-19 response team was formed early March 2020 to establish business continuity and disaster recovery policies and to monitor all regulations and guidelines from the relevant government authorities and advise the business accordingly. Overall, the impact on the business has been negative with unprecedented returns, stand downs, requests for payment breaks and cancelled direct debits but parts of the business are enjoying unprecedented demand and in others the effects are minimal. The risk to the group is lockdown being extended for a prolonged period causing cash flow issues to our customers resulting in administrations and liquidations. Dawsongroup has an excellent credit rating, a strong balance sheet and the directors are confident that it has adequate resources to weather the storm and to respond to opportunities in the future that may arise as and when the crisis is over.

S172 (1) Statement

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

(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between members of the company.

The following summarises how the directors fulfil their duties:-

Risk Management

It is vital that we effectively identify, evaluate, manage and mitigate the risks we face as a business. For details of the risks and uncertainties and how they are dealt with see the strategic report page 10.

Our people

Our employees are fundamental to the long-term success of the business. We aim to be a responsible employer with regard to pay and benefits that our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we conduct business. Established communication and consultation procedures exist which aim to ensure that employees are informed about and involved in matters which are of interest and concern to them. For more details see the directors' report page 14.

Business relationships

We strive to develop and maintain strong long-term relationships with our suppliers, customers and asset finance providers all of whom are

Strategic Report continued

key to our business. We achieve this without a dependency on any single supplier of product or finance or any individual customer – our largest customer represented just 4.6% of our group revenue in 2019.

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

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

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

Financial review

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

Interest
On average net borrowings during the year of £273.7m (2018: £235.6m), net interest payable increased by £0.8m to £10.3m (2018: £9.5m).

Interest cover is 4.9 times (2018: 5.0 times).

Tax
The 2019 tax charge is £7.7m which is comprised of corporation tax payable of £8.7m less deferred tax credit of £1.0m. Corporation tax actually payable in respect of 2019 profits was £7.0m (2018: £8.9m).

Cash flow
The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £172.6m (2018: £141.1m). A further £64.5m (2018: £56.2m) was generated from the disposal of fixed assets. Cash outflow for interest paid, tax and dividends, together amounted to £21.5m (2018: £23.9m).

Capital expenditure
Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £231.7m (2018: £218.3m). The acquisition cost a further £1.2m (2018: £0.3m).

Borrowings
Net debt increased to £278.7m (2018: £268.7m), comprising hire fleet asset finance of £323.6m (2018: £290.6m), bank loans of £0.1m (2018: £nil) less net cash of £45.0m (2018: £21.9m). Year end gearing was 92% (2018: 97%).

Risks and uncertainties

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

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

Financing

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

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

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

Interest rates

The exposure to variable rate debt is hedged through interest rate swaps. At the year-end these totalled £200.0m (2018: £120.0m), effectively fixing the relevant variable rate asset finance debt at an average base rate of 2.9%.

Foreign currencies

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

Overview

In 2019 Dawsongroup once again demonstrated its reputation as a successful asset rental company in its markets in the UK and Europe.

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

- a wide asset portfolio – over 28,000 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2019 represented just 4.6% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – numbering over 1,000 across 7 countries; and
- a proven track record in the asset rental and contract hire industry spanning over 40 years.

This report was approved by the board on 12 May 2020 and signed on its behalf by:

Stephen J Miller
Group chief executive

12 May 2020

Anthony Coleman
Group finance director

Directors and Advisers

Peter M Dawson
B Eng, FIMI,
EXECUTIVE CHAIRMAN
Peter joined the family haulage business in 1956 and spearheaded the early growth and development of the group.
AGED 81

Stephen J Miller
GROUP CHIEF EXECUTIVE
Stephen joined the group in 1986 and was appointed managing director of Dawsongroup Truck and Trailer in 2002. In October 2009 he was appointed group managing director. In September 2016 he was appointed group chief executive.
AGED 55

Anthony Coleman
FCA
GROUP FINANCE DIRECTOR
Appointed group finance director in January 2006, Anthony is now in his 20th year with the group having joined as group financial controller and company secretary.
AGED 47

Freya Dawson
GROUP PROPERTY DIRECTOR
Freya joined the group in October 2011 and was appointed a director of Alexena Limited, the group's property company in January 2014. In October 2018 she was appointed to the board of Dawsongroup plc.
AGED 32

Ian Jones
NON-EXECUTIVE DIRECTOR
Ian was appointed a non-executive director of Dawsongroup plc on 1 August 2012, having spent the previous ten years as managing director of commercial vehicles and vans at Mercedes-Benz UK.
AGED 66

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Statutory Directors' Report

Lucinda A Kent

The directors present their report and the audited financial statements of the group for the year ended 31 December 2019.

Activities and business review

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

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

Results and dividends

The consolidated trading results and year end financial position are shown in the financial statements on pages 18 to 43.

The profit after tax for the financial year was £30.1m (2018: £35.1m). Ordinary dividends paid in the year amounted to £3.0m (2018: £4.3m). The retained profit of £27.1m has been transferred to reserves.

Directors

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

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

Appropriate directors' and officers' indemnity insurance cover is in place in respect of all the company's directors.

Donations

The group made charitable donations during the year amounting to £3,716 (2018: £6,821). No political donations were made in either year.

Employment policies

The group continues to encourage the participation of its employees in the business in which they work. Established communication and consultation procedures exist which aim to ensure that employees are informed about, and involved in, matters which are of interest and concern to them.

The group is an equal opportunities employer and its policies for the recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned. The policies also allow disabled persons to compete on an equal basis. Any existing employee who becomes disabled is given the training required to ensure that, wherever possible, continuity of employment can be maintained.

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

Creditor payment policy

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

At 31 December 2019 the amount *for trade creditors in the statement of* financial position represented 24 days (2018: 16) of average daily purchases for the company and 32 days (2018: 21) in respect of the group's main UK operating subsidiaries.

Going concern

The directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis for accounting in preparing the annual financial statements. For further information regarding the directors' assessment of the going concern status of the company and group, refer to the accounting policies on page 24.

Disclosure in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 4 to 12. These matters relate to activities, business and financial review, future developments and risks and uncertainties.

Directors' responsibilities statement

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

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

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

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

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

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

Statement as to disclosure of information to auditor

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

Auditor

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

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

By order of the board
Lucinda Kent, FCA
Secretary
12 May 2020

Report of the Auditors

Independent auditor's report to the members of Dawsongroup plc

Opinion

We have audited the financial statements of Dawsongroup plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the group financial statements, which is not modified, we draw your attention to the directors' view on the impact of COVID-19 as disclosed on page 9, and the consideration in the going concern basis of preparation on page 24 and non-adjusting post balance sheet events on page 43.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK and Europe.

The full impact following the recent emergence of COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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

Stephen Brown
(Senior Statutory Auditor)

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

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

Date: 12 May 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

Continuing operations	Notes	2019 £'000	2018 £'000
Turnover	1	**269,755**	236,152
Cost of sales		**169,482**	145,800
Gross profit		**100,273**	90,352
Other operating income	1	**820**	819
Administrative expenses		**50,549**	42,927
Operating profit	2	**50,544**	48,244
Gains arising on fair value of investment property	10	**–**	–
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		**50,544**	48,244
Interest receivable and similar income	5	**1,140**	1,186
Interest payable and similar charges	6	**11,432**	10,729
Profit on ordinary activities before fair value of derivative instruments and taxation		**40,252**	38,701
(Losses)/gains arising on fair value of derivative instruments	16	**(2,451)**	4,957
Profit on ordinary activities before tax		**37,801**	43,658
Taxation	7	**7,680**	8,585
Profit for the year attributable to owners		**30,121**	35,073
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**(2,433)**	521
Gain on revaluation of freehold property		**–**	685
Deferred tax charge on revaluation of freehold property		**–**	116
Total comprehensive income attributable to owners		**27,688**	36,163

The notes on pages 24 to 43 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019 Company number: 1902154

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	*8*		**(240)**		(735)
Tangible assets	*9*		**668,680**		614,818
Investment property	*10*		**21,169**		21,169
			689,609		635,252
Current assets					
Inventory		**1,707**		1,427	
Trade and other debtors	*12*	**45,039**		45,813	
Investments – short-term deposits	*13*	**41,715**		37,245	
Cash at bank and in hand	*13*	**15,415**		2,206	
		103,876		86,691	
Creditors due within one year					
Borrowings	*14*	**163,780**		161,006	
Trade and other creditors	*15*	**132,886**		111,778	
		296,666		272,784	
Net current liabilities			**192,790**		186,093
Total assets less current liabilities			**496,819**		449,159
Creditors due after one year					
Borrowings	*14*	**172,067**		147,124	
Trade and other creditors	*15*	**6,777**		7,281	
			178,844		154,405
Provisions for liabilities and charges			**317,975**		294,754
Employee benefits	*17*	**3,368**		3,033	
Deferred tax	*17*	**11,095**		12,188	
Other provisions	*17*	**1,682**		2,367	
			16,145		17,588
Net assets			**301,830**		277,166
Capital and reserves					
Called up share capital	*18*		**8,057**		8,057
Share premium account			**1,285**		1,285
Capital reserve			**9,980**		9,980
Revaluation reserve			**4,308**		4,335
Profit and loss account			**278,200**		253,509
Equity shareholders' funds			**301,830**		277,166

The financial statements on pages 18 to 43 were approved and authorised for issue by the board of directors on 12 May 2020.

Directors: S J Miller
A Coleman

The notes on pages 24 to 43 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2018	8,057	1,285	9,980	3,766	222,234	245,322
Profit for the financial year	–	–	–	–	35,073	35,073
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	521	521
– Profit on fair value of freehold property	–	–	–	569	–	569
Total comprehensive income	–	–	–	569	35,594	36,163
Dividends paid (note 19)	–	–	–	–	(4,319)	(4,319)
At 31 December 2018	8,057	1,285	9,980	4,335	253,509	277,166
Profit for the financial year	–	–	–	–	30,121	30,121
Other comprehensive income:						
– Exchange differences arising on translation of foreign operations	–	–	–	–	(2,433)	(2,433)
– Loss on fair value of freehold property	–	–	–	(27)	–	(27)
Total comprehensive income	–	–	–	(27)	27,688	27,661
Dividends paid (note 19)	–	–	–	–	(2,997)	(2,997)
At 31 December 2019	**8,057**	**1,285**	**9,980**	**4,308**	**278,200**	**301,830**

Reserves

Share premium account

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

Capital reserve

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

Revaluation reserve

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

Profit and loss account

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

The notes on pages 24 to 43 are an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Operating activities			
Profit on ordinary activities before tax		37,801	43,658
Adjusted for:			
Losses/(gains) arising on fair value of derivative instruments	16	2,451	(4,957)
Depreciation of tangible assets	9	121,260	107,330
Amortisation of goodwill	8	(359)	(263)
Profit on disposal of tangible assets	2	(9,777)	(8,802)
Interest receivable	5	(1,140)	(1,186)
Interest payable	6	11,432	10,729
Operating cash flows before movement in working capital		161,668	146,509
Increase in inventory		(313)	(83)
Decrease/(increase) in trade and other debtors		856	(4,912)
Increase in trade and other creditors		17,107	8,065
Decrease in provisions		(329)	(246)
Interest received	5	607	651
Income tax paid		(7,037)	(8,902)
Net cash flows from operating activities		172,559	141,082
Investing activities			
Proceeds from disposal of tangible assets		64,537	56,199
Purchase of tangible assets	9	(231,655)	(218,319)
Purchase of subsidiary/trade and assets		(1,226)	(266)
Net cash acquired with purchase of subsidiary/trade and assets		461	6
Net cash flows used in investing activities		(167,883)	(162,380)
Financing activities			
Increase in obligations under finance lease	14	33,002	17,237
Dividends paid	19	(2,997)	(4,319)
Interest paid	6	(11,432)	(10,729)
Collateral deposit		(4,470)	4,970
Repayment of bank loans		(3)	-
Net cash flows used in financing activities		14,100	7,159
Net increase/(decrease) in cash and cash equivalents		18,776	(14,139)
Cash and cash equivalents at the beginning of the year		(15,282)	(1,174)
Effect of exchange rates on cash and cash equivalents		(192)	31
Cash and cash equivalents at the end of the year		3,302	(15,282)
Unrestricted cash and cash equivalents	13	15,440	2,231
Overdraft	14	(12,138)	(17,513)
Total cash and cash equivalents at the end of the year		3,302	(15,282)

The notes on pages 24 to 43 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2019 Company number: 1902154

	Notes	£'000	2019 £'000	£'000	2018 £'000
Fixed assets					
Tangible assets	9		**909**		1,042
Investment in subsidiary undertakings	11		**49,111**		49,111
			50,020		50,153
Current assets					
Inventory		**1**		1	
Trade and other debtors	12	**84,689**		88,363	
Investments – short-term deposits	13	**41,690**		37,220	
Cash at bank and in hand	13	**855**		403	
		127,235		125,987	
Creditors due within one year					
Borrowings	14	**12,595**		15,083	
Trade and other creditors	15	**61,285**		65,927	
		73,880		81,010	
Net current assets			**53,355**		44,977
Total assets less current liabilities			**103,375**		95,130
Creditors due after one year					
Trade and other creditors	15	**6,233**		6,766	
			6,233		6,766
			97,142		88,364
Provisions for liabilities and charges	17		**543**		513
Net assets			**96,599**		87,851
Capital and reserves					
Called up share capital	18		**8,057**		8,057
Share premium account			**1,285**		1,285
Capital reserve			**6,658**		6,658
Profit and loss account			**80,599**		71,851
Equity shareholders' funds			**96,599**		87,851

The company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the company's profit and loss account. The company's profit for the year was £11,745,000 (2018: £5,590,000).

The financial statements on pages 18 to 43 were approved and authorised for issue by the board of directors on 12 May 2020.

Directors: S J Miller
A Coleman

The notes on pages 24 to 43 are an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2018	8,057	1,285	6,658	70,580	86,580
Profit for the financial year	–	–	–	5,590	5,590
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	5,590	5,590
Dividends paid (note 19)	–	–	–	(4,319)	(4,319)
At 31 December 2018	8,057	1,285	6,658	71,851	87,851
Profit for the financial year	–	–	–	11,745	11,745
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	11,745	11,745
Dividends paid (note 19)	–	–	–	(2,997)	(2,997)
At 31 December 2019	**8,057**	**1,285**	**6,658**	**80,599**	**96,599**

Reserves

Share premium account

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

Capital reserve

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

Profit and loss account

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

The notes on pages 24 to 43 are an integral part of these financial statements.

Accounting Policies

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

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

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

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

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

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

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

Basis of consolidation
The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Intangible assets

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

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

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

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

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses, with the exception of freehold property which is initially measured at cost, which comprises the purchase price and any directly attributable expenditure and is subsequently remeasured to fair value at each reporting date with changes in fair value recognised in other comprehensive income.

Depreciation is provided to write down the cost of fixed assets by equal instalments to their estimated residual values up to the period of their estimated useful lives with the group in accordance with the table below:

	Useful life with the group	Residual value
Hire flee		
Commercial vehicles	5 years	20% – 25%
Trailers	10-12.5 years	2.5% – 15%
Car transporters and drawbar trailers	9 years	10%
Vans	4-6 years	Nil – 1%
Cars	4-5 years	25% – 35%
Purpose built portable cold stores	9-20 years	Nil – 25%
Buses and coaches	9-15 years	10% – 15%
Minibuses	4 years	20%
Material handling	7-9 years	5% – 15%
Sweepers	5-8 years	5% – 30%
Scissor lifts	10 years	15%
Kitchen units	15 years	10%
Coldrooms, inflatables and kitchen equipment	8 years	Nil
Other	4-12.5 years	Nil – 15%

Accounting Policies continued

	Useful life with the group	Residual value
Non hire flee		
Freehold buildings	20-50 years	Nil
Long leasehold	Life of lease	Nil
Plant and equipment	5-10 years	Nil
Portable office buildings	7-12.5 years	15%
Computer hardware	4 years	Nil
Carc	4 years	15%

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

Investment property
The group classifies land and buildings, whether in whole or part, as investment property when it is held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, which comprises the purchase price and any directly attributable expenditure, and are subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

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

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

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

Financial assets – classified as basic financial instruments
The company has chosen to apply the measurement and recognition provisions of Section 11 Basic Financial Instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies continued

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

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

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

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

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

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

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

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

Notes to the Financial Statements
for the year ended 31 December 2019

1. Revenue

Analysis by category
An analysis of turnover by category is as follows:

	2019 £'000	2018 £'000
Operating lease rental income	257,114	230,144
Sale of vehicles and equipment	12,641	6,008
	269,755	236,152

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

	2019 £'000	2018 £'000
Rental income from investment properties	691	671
Royalties	129	148
	820	819

Geographical analysis
The group operates in two geographic segments – the UK and the rest of Europe. The respective turnover is set out below:

	United Kingdom		Rest of Europe		Group	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Turnover	245,727	214,585	24,028	21,567	269,755	236,152

2. Operating profit

	2019 £'000	2018 £'000
This is stated after charging:		
Repairs and maintenance expenditure	33,381	28,615
Depreciation of tangible fixed assets: owned assets	121,260	107,330
Operating leases: land and buildings	2,596	2,530
Operating leases: hire fleet	397	422
Foreign exchange loss	-	123
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	145	119
Fees payable to the company's auditor for other services to the company:		
- Other advisory services	41	10
and after crediting:		
Profit on sale of tangible fixed assets	9,777	8,802
Manufacturers' rebates	46	34
Foreign exchange gain	150	-

Notes to the Financial Statements continued

3. Employees

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

	2019 Number	2018 Number
Average number of employees, including executive directors, during the year:		
Management	56	56
Sales and administration staff	575	540
Drivers, engineers and others	360	318
	991	914

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	35,295	32,308
Social security costs	4,049	3,691
Pension contributions	2,758	1,848
	42,102	37,847

The pension contributions above represent amounts payable by the group to the fund. £nil have been prepaid (2018: £nil).

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

	2019 £'000	2018 £'000
Directors' emoluments		
Executive remuneration and benefits	1,836	1,852
Pension contributions	56	25
Total	1,892	1,877

	2019 £'000	2018 £'000
Highest paid director		
Executive remuneration and benefits	666	747
Pension contributions	15	10
Total	681	757

The number of directors to whom benefits were accrued under money purchase pension schemes was 3 (2018: 2).

Long-term incentive scheme

The group previously operated a long-term incentive scheme in respect of its directors. This ended during 2018. The amounts recognised during the prior year were as follows:

	2019 £'000	2018 £'000
Provision as at 1 January	-	400
Credited to profit and loss account	-	(204)
Utilised in the year	-	(196)
Provision as at 31 December	-	-

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

Directors' interests

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

P M Dawson received a dividend of £2,997,000 during the year (2018: £4,319,000). P M Dawson loaned £3,000,000 to the company in 2014 and a further £3,000,000 in 2016, both loans are repayable on demand. Interest is charged, and being accrued, on this loan at 3.0% per annum. The accrued amount at 31 December 2019 was £42,000 (2018: £42,000). Interest of £180,000 has been charged in the year (2018: £180,000). The amount of capital outstanding at the reporting date was £6,000,000 (2018: £6,000,000).

Key management personnel

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

5. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable on HP agreements	607	651
Income from collateralised debt agreement (note 16)	533	535
	1,140	1,186

6. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable on asset finance arrangements	7,016	6,028
Interest payable on loans and borrowings	549	507
Interest payable on derivative instruments: swap arrangements	3,867	4,194
	11,432	10,729

7. Taxation

	2019		2018	
	£'000	£'000	£'000	£'000
Analysis of pro t or loss charge				
Tax charge for the year:				
Corporation tax	6,643		5,274	
Overseas tax	2,142		1,998	
Adjustments in respect of prior periods	(22)		2	
Total current tax		8,763		7,274
Deferred tax				
Origination and reversal of timing differences	(851)		1,324	
Adjustments in respect of prior periods	(232)		(13)	
Total deferred tax		(1,083)		1,311
Total tax on profit on ordinary activities		7,680		8,585

Tax included in statement of total other comprehensive income

	2019 £'000	2018 £'000
Deferred tax		
Revaluation of freehold property	–	116
Total tax on other comprehensive income	–	116

Notes to the Financial Statements continued

7. Taxation continued

Reconciliation of tax charge included in profit or loss
The UK standard rate of corporation tax for the year is 19% (2018: 19%). The actual charge for the current and the previous year differ from the standard rate for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**37,801**	43,658
Tax on profit on ordinary activities at standard rate	**7,182**	8,295
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**134**	19
Difference in tax rates	**106**	(152)
Adjustments in respect of higher/lower overseas taxes	**512**	434
Indexation allowance	**–**	–
Adjustments in respect of prior periods	**(254)**	(11)
Total tax	**7,680**	8,585

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted in September 2016 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 17% (2018: 17%). Since the year end, on 17 March 2020, it was substantively enacted that the rate of corporation tax would remain at 19%. This has not been reflected in these accounts. If a rate of 19% had been used, the provision for deferred tax at 31 December 2019 would have been £12,301,000.

Deferred tax expected to reverse in 2020 is £nil.

8. Intangible fixed assets

Group	Goodwill £'000	Negative Goodwill £'000	Total Goodwill £'000
Cost:			
As at 1 January 2019	5,954	(1,084)	4,870
Additions (note 20)	136	-	136
As at 31 December 2019	**6,090**	**(1,084)**	**5,006**
Amortisation and impairment:			
As at 1 January 2019	5,873	(268)	5,605
Charge for the year	37	(396)	(359)
As at 31 December 2019	**5,910**	**(664)**	**5,246**
Book value:			
As at 31 December 2019	**180**	**(420)**	**(240)**
As at 31 December 2018	81	(816)	(735)

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

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

Company
The company does not hold any intangible assets.

9. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Group total £'000	Company total £'000
Cost or valuation:						
As at 1 January 2019	9,397	765	963,810	17,108	991,080	2,874
Exchange adjustment	-	(43)	(4,018)	(171)	(4,232)	-
Revaluation	(27)	-	-	-	(27)	-
Reclassifications	-	-	(255)	255	-	-
Additions	3,063	-	224,435	4,157	231,655	340
Acquisition of subsidiary	400	-	412	125	937	-
Disposals	-	-	(144,542)	(2,384)	(146,926)	(186)
As at 31 December 2019	**12,833**	**722**	**1,039,842**	**19,090**	**1,072,487**	**3,028**
Depreciation:						
As at 1 January 2019	349	-	366,172	9,741	376,262	1,832
Exchange adjustment	-	-	(1,561)	(102)	(1,663)	-
Reclassifications	-	-	(93)	93	-	-
Charge for the year	57	-	118,807	2,396	121,260	377
Acquisition of subsidiary	-	-	43	71	114	-
Disposals	-	-	(90,750)	(1,416)	(92,166)	(90)
As at 31 December 2019	**406**	**-**	**392,618**	**10,783**	**403,807**	**2,119**
Book value:						
As at 31 December 2019	**12,427**	**722**	**647,224**	**8,307**	**668,680**	**909**
As at 31 December 2018	9,048	765	597,638	7,367	614,818	1,042

Freehold land and buildings

Freehold land and buildings include £590,000 of capitalised interest which arose on completion of the group's Milton Keynes head office in 1991.

Included within freehold property is £12,269,000 (2018: £8,997,000) of property held at valuation. The comparable amounts, as determined using historical cost accounting requirements were: cost of £10,973,000 (2018: £7,701,000) and accumulated depreciation of £3,658,000 (2018: £3,490,000).

Included in freehold land and buildings above is an amount of £1,475,000 which relates to limestone reserves on which depreciation of £57,000 has been charged during the year. (Cumulative depreciation to date is £406,000). The directors do not consider that this requires accounting for as a separate component. The historical cost of this is £650,000.

The fair values of the freehold properties were determined as at 31 December 2016 by an independent external valuer, holding a professional qualification with the Royal Institute of Chartered Surveyors and having experience in the locations and classes of the properties valued. The properties are valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuer's knowledge and experience of the property market. During 2018 two of the freehold properties underwent independent valuations on the same basis and were revalued where appropriate.

The directors are not aware of any material change in value of the freehold properties since these valuations and therefore the fair values of these freehold land and buildings have not been adjusted. The additions in the year and the property acquired as part of the acquisition of PMR Holdings Limited have been included at their fair value at the dates of their purchase/acquisition.

Company

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

Notes to the Financial Statements continued

10. Investment property

Group	2019 £'000	2018 £'000
Fair value:		
As at 1 January	**21,169**	21,169
Additions	**-**	-
Net gains on fair value adjustments	**-**	-
As at 31 December	**21,169**	21,169

The comparable amounts, as determined using historical cost accounting requirements were: cost of £17,959,000 (2018: £17,959,000) and accumulated depreciation of £1,803,000 (2018: £1,740,000). Included in investment property above is £17,812,000 (2018: £17,812,000) relating to investment property in an agricultural estate purchased in 2008. The historic cost of this investment property was £12,077,000.

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

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

Company
The company does not hold any investment property.

11. Investment in subsidiary undertakings

	2019 £'000	2018 £'000
Cost or valuation:		
As at 1 January	**49,111**	49,111
As at 31 December	**49,111**	49,111

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

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

11. Investment in subsidiary undertakings continued

The following companies were the trading subsidiary undertakings held indirectly by Dawsongroup plc during the year ended 31 December 2019:

Subsidiary	Country of operation and incorporation	Principal activity
Dawsongroup Truck and Trailer Limited	United Kingdom	Hire of commercial vehicles and trailers.
Dawsongroup Bus and Coach Limited	United Kingdom	Hire of buses and coaches.
Dawsongroup Vans Limited	United Kingdom	Hire of commercial vans.
Dawsongroup Material Handling Limited	United Kingdom	Hire of material handling.
Lift Truck Services Limited	United Kingdom	Hire of material handling.
PMR Holdings Limited	United Kingdom	Property and holding company.
Dawsongroup Sweepers Limited	United Kingdom	Hire of sweepers.
Dawsongroup Temperature Control Solutions Limited	United Kingdom	Hire of temperature-controlled products.
Tectoniks Limited	United Kingdom	Manufacturer of inflatable products.
Dawsongroup Portable Cold Rooms Limited	United Kingdom	Property.
D.G. Finance Limited	United Kingdom	Vehicle finance.
Dawsongroup Temporary Kitchens Limited	United Kingdom	Hire of kitchen units and equipment. (note 1)
Dawsongroup Finance Limited	United Kingdom	Finance specialists.
Ventura Rental Limited	United Kingdom	Buying and selling of fixed assets.
Dawson Road Limited	United Kingdom	Group property.
OSD Limited	United Kingdom	Group property.
Dawsongroup International BV	The Netherlands	Overseas holding company.
Thermobil Mobile Kühllager GmbH	Germany	Hire of temperature-controlled products.
Modulfroid Service SARL	France	Hire of temperature-controlled products.
Dawsongroup Benelux BV	The Netherlands	Hire of temperature-controlled products.
Dawsongroup Polska Sp. z o.o.	Poland	Hire of temperature-controlled products.
Dawsongroup TCS Ireland Limited	Ireland	Hire of temperature-controlled products.
Dawsongroup TCS Iberica S.L.	Spain	Hire of temperature-controlled products.

The registered office address for all UK entities is Delaware Drive, Tongwell, Milton Keynes MK15 8JH, with the exception of Tectoniks Limited whose registered office is Unit 1 Kinton Business Park, Nesscliffe, Shrewsbury, SY4 1AZ. The overseas registered offices are the same as their place of business as shown in the business directory on page 45.

All investments represent 100% of the issued ordinary share capital. 100% of the voting rights in each subsidiary undertaking are held ultimately by Dawsongroup plc.

Note 1 – The trade and assets of Dawsongroup Temporary Kitchens Limited were disposed of in December 2019.

Notes to the Financial Statements continued

12. Trade and other debtors

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Due within one year				
Trade debtors	**25,864**	**42**	27,003	35
Amounts receivable under finance lease	**2,046**	**-**	2,042	-
Other debtors	**9,597**	**999**	8,965	1,282
Prepayments	**5,692**	**286**	5,626	258
Tax recoverable	**30**	**2,534**	-	3,207
Loans receivable from subsidiary undertakings	**-**	**70,758**	-	73,477
Amounts owed by subsidiary undertakings	**-**	**10,070**	-	10,104
	43,229	**84,689**	43,636	88,363
Due after one year				
Amounts receivable under finance leases	**1,810**	**-**	2,177	-
	45,039	**84,689**	45,813	88,363

Included in other debtors are derivative financial instruments of £1,281,000 (2018: £nil). (Note 16).

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

13. Cash and cash equivalents

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Investments – short-term deposits				
Unrestricted	**25**	**-**	25	-
Restricted	**41,690**	**41,690**	37,220	37,220
Cash at bank and in hand	**15,415**	**855**	2,206	403
Total cash and cash equivalents	**57,130**	**42,545**	39,451	37,623
Less: restricted	**(41,690)**	**(41,690)**	(37,220)	(37,220)
Total unrestricted cash and cash equivalents	**15,440**	**855**	2,231	403

Amounts available for use by the group
At the reporting date, £41,690,000 (2018: £37,220,000) of short term deposit investments is not available for use by the group as it is held on deposit as collateral in respect of the collateralised debt agreement (note 16).

Short-term deposit investments are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was 0.7% (2018: 0.5%).

Cash at bank and in hand are subject to variable rates of interest, principally linked to LIBOR. The weighted average interest rate earned during the year was nil% (2018: nil%).

14. Borrowings

Group

	Due within one year £'000	Due after more than one year £'000	2019 Total £'000	Due within one year £'000	Due after more than one year £'000	2018 Total £'000
Bank overdrafts	**12,138**	**–**	**12,138**	17,513	–	17,513
Bank loan	**10**	**76**	**86**	–	–	–
Asset finance arrangements	**151,632**	**171,991**	**323,623**	143,493	147,124	290,617
	163,780	**172,067**	**335,847**	161,006	147,124	308,130

The group has no committed borrowing facilities.

Asset finance arrangements

Asset finance arrangements comprise hire purchase, finance lease and other similar funding effectively secured on specific underlying hire fleet assets. These are all repayable by instalments as follows:

	2019 Total £'000	2018 Total £'000
Within one year	**151,632**	143,493
Between one and two years	**85,181**	68,361
Between two and five years	**83,044**	72,861
After more than five years	**3,766**	5,902
	323,623	290,617

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2019 Total £'000	2018 Total £'000
Variable rate	**323,623**	290,617
Fixed rate	**–**	–
	323,623	290,617

Company

	Due within one year £'000	Due after more than one year £'000	2019 Total £'000	Due within one year £'000	Due after more than one year £'000	2018 Total £'000
Bank overdrafts	**12,595**	**–**	**12,595**	15,083	–	15,083
	12,595	**–**	**12,595**	15,083	–	15,083

Bank overdrafts attract interest at a rate of 2.5% (2018: 2.5%) and are repayable on demand.

Notes to the Financial Statements continued

15. Trade and other creditors

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Due within one year				
Trade creditors	**48,742**	**75**	37,481	38
Accruals	**25,136**	**5,465**	20,822	3,567
Other creditors	**5,750**	**5,750**	5,750	5,750
Tax payable	**4,373**	**–**	2,592	–
Deferred income	**533**	**533**	533	533
Other tax and social security	**1,813**	**149**	1,793	158
Deposits payable to subsidiary undertakings	**–**	**49,313**	–	55,881
Derivative financial instruments (note 16)	**46,539**	**–**	42,807	–
	132,886	**61,285**	111,778	65,927
Due after one year				
Deferred income	**6,233**	**6,233**	6,766	6,766
Other creditors	**544**	**–**	515	–
	6,777	**6,233**	7,281	6,766

Deposits payable to subsidiary undertakings are unsecured, repayable on demand and incur interest at 1% (2018: 1%) above base rate.

16. Derivative financial instruments

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

	2019 Total £'000	2019 Average rate %	2018 Total £'000	2018 Average rate %
Period to expiry:				
Within one year	**120,000**	**4.3**	120,000	4.3
Between one and two years	**–**	**–**	–	–
Between two and five years	**–**	**–**	–	–
After more than five years	**80,000**	**0.8**	–	–
	200,000	**2.9**	120,000	4.3

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

	2019 £'000
Fair value at 1 January 2019	**42,807**
Loss arising on fair value of interest rate swaps	**2,451**
Fair value at 31 December 2019	**45,258**

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

In 2015, the group entered into a collateralised debt agreement with the Royal Bank of Scotland ("RBS"), the interest rate swap counterparty, to partially offset the group's liability payable upon settlement of certain derivative contracts. The swap was novated to HSBC during 2019. As part of the original agreement, £9,220,000 was deposited to the group which is subject to certain conditions over the remaining term of the derivative contracts. The deposit has been recognised within deferred income (note 15) and is being recognised as income over the remaining term of the agreement (note 5).

17. Provisions for liabilities and charges

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Employee benefits	3,368	543	3,033	513
Deferred tax	11,095	-	12,188	-
Other provisions	1,682	-	2,367	-
	16,145	543	17,588	513

Employee benefit	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Long-term incentive schemes	3,368	543	3,033	513
	3,368	543	3,033	513

The provision for long-term incentive schemes at 31 December 2019 was £nil (2018: £nil) in respect of the directors' long-term service bonus scheme (note 4) and £3,368,000 (2018: £3,033,000) relating to schemes in place for other employees.

Deferred tax	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Accelerated capital allowances	19,796	-	19,853	-
Other timing differences	(977)	-	(358)	-
Investment and freehold property held at fair value	-	-	(30)	-
Derivative instruments held at fair value	(7,724)	-	(7,277)	-
Provision for deferred tax	11,095	-	12,188	-
Deferred tax asset	(8,701)	-	(7,665)	-
Deferred tax liability	19,796	-	19,853	-
Net deferred tax liability	11,095	-	12,188	-

The net deferred tax asset/liability expected to reverse in 2020 is £nil.

Other provisions	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Future contractual liabilities	1,682	-	2,367	-
	1,682	-	2,367	-

17. Provisions for liabilities and charges continued

Reconciliation of movements in the year

	Employee benefits £'000	Deferred tax £'000	Other provisions £'000	Total £ '000
Group				
As at 1 January 2019	3,033	12,188	2,367	17,588
Arising on acquisition	–	18	–	18
Charged/(credited) to profit or loss	1,298	(1,083)	(657)	(442)
Charged to statement of comprehensive income	–	–	–	–
Utilised in the year	(941)	–	(20)	(961)
Exchange adjustment	(22)	(28)	(8)	(58)
As at 31 December 2019	**3,368**	**11,095**	**1,682**	**16,145**

	Employee benefits £'000
Company	
As at 1 January 2019	513
Charged to profit or loss	272
Utilised in the year	(242)
As at 31 December 2019	**543**

18. Called up share capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Authorised				
Ordinary shares of 25p each	**51,000,000**	**12,750**	51,000,000	12,750
Allotted, issued and fully paid				
Ordinary shares of 25p each	**32,228,962**	**8,057**	32,228,962	8,057

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

19. Dividends

	2019 p per share	2018 p per share	2019 £'000	2018 £'000
Ordinary shares:				
First interim paid	**9.3**	13.4	**2,997**	4,319
	9.3	13.4	**2,997**	4,319

20. Purchase of Lift Truck Services Limited and PMR Holdings Limited

On 31 July 2019 Dawsongroup Material Handling Limited, a wholly-owned subsidiary undertaking, acquired 100% of the share capital and voting rights in Lift Truck Services Limited, a company engaged in the rental of lifting equipment, together with its holding company – PMR Holdings Limited for a consideration of £1,226,000. The businesses have been included in the group's balance sheet at their fair value at the date of acquisition. A summary of the fair value of net assets acquired is set out below:-

	Fair value on acquisition £'000	Fair value adjustments £'000	Fair value to the group £'000
Hire fleet assets	123	246	369
Other fixed assets	236	218	454
Stock	119	(119)	-
Cash and cash equivalents	461	–	461
Debtors	225	(38)	187
Creditors	(288)	14	(274)
Borrowings	(89)	-	(89)
Deferred tax	(18)	–	(18)
Net assets	**769**	**321**	**1,090**
Goodwill arising on acquisition (note 8)			136
			1,226
Analysis of consideration:			
Cash			1,200
Costs incurred			26
Consideration paid			**1,226**
Total Cost			**1,226**

Additionally on 30 July 2019 Dawsongroup Bus and Coach Limited, a wholly-owned subsidiary undertaking, acquired the hire fleet assets and associated rental contracts of Oughtred & Harrison (facilities) Limited for a consideration of £883,000.

21. Operating lease commitments

The group as lessee

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

	2019		2018	
	Hire fleet £'000	**Land and buildings £'000**	Hire fleet £'000	Land and buildings £'000
Not later than one year	**370**	**1,728**	27	1,709
Later than one year not later than five years	**267**	**3,266**	1	3,272
Later than five years	**-**	**457**	–	761
Total future minimum lease payments	**637**	**5,451**	28	5,742

Notes to the Financial Statements continued

21. Operating lease commitments continued

The group as lessor

The group leases hire fleet, other vehicles, plant and equipment and land and buildings to third parties. The future minimum lease payments receivable under those non-cancellable leases are as follows:

	2019		2018	
	Hire fleet £'000	Land and buildings £'000	Hire fleet £'000	Land and buildings £'000
Not later than one year	86,210	381	84,931	511
Later than one year not later than five years	106,756	1,503	101,843	1,479
Later than five years	6,876	3,353	2,622	3,620
Total future minimum lease payments	199,842	5,237	189,396	5,610

The above table excludes expired contracts and those contracts that are transient in nature. These are all for less than one year.

The company as lessee

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

	2019 Land and buildings £'000	2018 Land and buildings £'000
Not later than one year	327	327
Later than one year not later than five years	1,309	1,309
Later than five years	1,855	2,183
Total future minimum lease payments	3,491	3,819

22. Capital commitments

Future capital expenditure	2019 £'000	2018 £'000
Outstanding contracts for capital expenditure	74,061	45,094

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 2019 the maturity periods and maximum amount of these undertakings were:

	2019 £'000	2018 £'000
Not later than one year	-	370
Between two and five years	4,236	623
Later than five years	1,504	473
Total future purchase undertakings	5,740	1,466

23. Contingent liabilities

Group

The group entered into a collateralised debt agreement with the Royal Bank of Scotland ("RBS") to reduce the group's liability payable upon settlement of certain derivative contracts (note 16). This was novated to HSBC in 2019. The deposit of £9,220,000 received as part of the original agreement is subject to certain conditions during the remaining term of the derivative contracts. The group consider that these conditions will be met.

Company

The company has given guarantees in respect of certain financial obligations of its subsidiary undertakings in the normal course of business. At 31 December 2019 these obligations amounted to £323,252,000 (2018: £293,047,000).

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

24. Related party transactions

Advantage has been taken of the exemption conferred by Section 33 *Related Party Disclosures* not to disclose transactions with subsidiary undertakings 100% of whose voting rights are controlled within the group.

25. Events after the reporting period

The Covid-19 pandemic has had an effect on the group's trading since the year end. This is regarded as a non-adjusting event and no provision has been made in these financial statements. The financial effect cannot be estimated at this time. The group has a strategy and procedures in place to access further working capital facilities should these be required. (More information on the impact of Covid-19 on the group can be found on page 9).

Five Year Record

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Turnover	**269,755**	236,152	215,345	206,027	197,445
Operating profit before exceptional items	**50,544**	48,244	44,830	46,522	49,490
Gains/(losses) on revaluation of investment properties	-	-	-	2,603	10
Exceptional items	-	-	-	-	-
Profit on ordinary activities before interest and fair value of derivatives	**50,544**	48,244	44,830	49,125	49,500
Net interest payable	**10,292**	9,543	10,577	17,341	18,555
Profit before tax and fair value of derivatives	**40,252**	38,701	34,253	31,784	30,945
Release of fair value provision on settlement of swaps	-	-	-	36,506	-
Termination fee on cancellation of swaps	-	-	-	(16,506)	-
(Losses)/gains on fair value of derivatives	**(2,451)**	4,957	5,437	(12,047)	11,488
Profit before tax	**37,801**	43,658	39,690	39,737	42,433
Intangible fixed assets	**(240)**	(735)	-	-	-
Tangible fixed assets	**668,680**	614,818	517,495	514,895	506,202
Investment property	**21,169**	21,169	21,169	21,169	16,752
Net liabilities (excluding cash and borrowings)	**(47,659)**	(29,012)	(28,726)	(39,929)	(34,668)
Provisions for liabilities and charges	**(16,145)**	(17,588)	(14,403)	(15,657)	(13,165)
Net assets employed	**625,805**	588,652	495,535	480,478	475,121
Share capital	**8,057**	8,057	8,057	8,057	8,057
Reserves	**293,773**	269,109	237,265	204,123	177,344
Shareholders' funds	**301,830**	277,166	245,322	212,180	185,401
Net borrowings	**278,717**	268,679	202,449	215,097	212,060
Derivatives	**45,258**	42,807	47,764	53,201	77,660
Capital employed	**625,805**	588,652	495,535	480,478	475,121
Operating profit before exceptional items as a percentage of:					
Turnover	**18.7%**	20.4%	20.8%	22.6%	25.1%
Average capital employed	**8.3%**	8.9%	9.2%	9.7%	11.0%
Borrowing ratio	**92%**	97%	83%	101%	114%
Average number of employees	**991**	914	797	769	711
Turnover per employee (£)	**272,205**	258,372	270,195	267,916	277,700
Operating profit per employee (£)	**51,003**	52,784	56,249	60,496	69,606

Business Directory

UK business centres

(supported by a branch network of 33 locations)

Dawsongroup Truck and Trailer Limited
Delaware Drive
Tongwell
Milton Keynes MK15 8JH
Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Used vehicle disposals division
Dawsondirect
Delaware Drive
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Tel: 01908 218111
Email:
contactus@dawsongroup.co.uk

Dawsongroup Bus and Coach Limited
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Email:
contactus@dawsongroup.co.uk

Used bus and coach disposals division
Ventura
Wharley Road
Cranfield, Milton Keynes
MK43 0AW
Tel: 01908 218111
Email:
contactus@venturasales.co.uk

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

Lift Truck Services Limited
Unit 1C Old Park Industrial Estate
Old Park Road
Wednesbury
WS10 9LR
Tel: 0121 502 3455
Email:
contactus@dawsongroup.co.uk

Dawsongroup Sweepers Limited
Municipal House
Armytage Road
Brighouse HD6 1PT
Tel: 01484 400111
Email:
contactus@dawsongroup.co.uk

Dawsongroup Temperature Control Solutions Limited
Fulwood Industrial Estate
Sutton-in-Ashfield
Nottinghamshire NG17 6AF
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Email: info@dgtcs.co.uk

Dawsongroup Vans Limited
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Mount Farm
Milton Keynes
Buckinghamshire
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Tel: 01908 335177
Email:
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Used van disposals division
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Buckinghamshire
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Email: info@vanninja.co.uk

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Email: info@tectoniks.com

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