Company number: 3080279

Dawsonrentals Truck and Trailer Limited

Annual Report and Accounts

Year ended 31 December 2016

Directors and advisers

Directors

Peter M Dawson, B Eng, FIMI
Michael J Williams (resigned 15 September 2016)
Stephen J Miller
Anthony Coleman, FCA
Adrian J P O'Reilly, ACMA
John Fletcher
Peter Snowden
Peter S Smith
Paul M Fegan (appointed 1 April 2016)

Secretary and registered office

Lucinda Kent, FCA
Delaware Drive, Tongwell, Milton Keynes, MK15 8JH

Auditors

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

Bankers

Barclays Bank PLC
Ashton House, 497 Silbury Boulevard, Central Milton Keynes, MK9 2LD

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Strategic report
for the year ended 31 December 2016

The directors present their strategic report for Dawsonrentals Truck and Trailer Limited for the year ended 31 December 2016.

For further information on key performance indicators and risks and uncertainties please refer to the Dawsongroup plc financial statements (note 19).

Activities and Business review

The principal activity of the company is the rental and contract hire of commercial vehicles and trailers.

Business dynamics were broadly neutral, showing slight growth in revenues but with profitability constrained by used vehicle disposal values. Encouragingly, long term contract growth was significant.

The company's decision to lead the market in investing in new trailers and Euro 6 Trucks, together with a high profile marketing campaign, enabled demand for our well defined flexible contract hire and rental product to be maintained.

Changes to the fleet mix will, over time, reduce the division's exposure to short term variations in used vehicle values – as will Dawsongroup's focus on new technologies and safety that will differentiate its downstream product offering. Recent purchases have included significant safety enhancements. We are proud to be the first UK rental fleet to specify autonomous full emergency braking, exceeding any current or proposed legislation. This pioneering first for Dawsonrentals has been well received by operators who recognise the value and peace of mind offered.

Significant investments are being made to assist customers in meeting regulatory and compliance requirements in both truck and trailer operation, as well as systems to provide real time operating data. In particular, provision of customer on-line access to maintenance and compliance data and our iPhone check in/check out App have been well received by customers and continue to position the company as market leader in customer care and innovation.

Risks and uncertainties

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

The company minimises credit risk by selecting blue chip companies or by taking deposits where appropriate.

Approval

This report was approved by the board on 22 March 2017 and signed on its behalf by:

Anthony Coleman
Director

Stephen J Miller
Director

Report of the directors
for the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Results and dividends

Turnover amounted to £96,364,000 (2015: £94,361,000) and profit before tax was £10,981,000 (2015: £18,932,000).

During the year £80.4m of interest rate swaps were settled which resulted in a net credit of £13.0m.

The following dividends have been paid during the year:

	Date payable	**Pence per share**	**2016 £'000**	**2015 £'000**
1st Interim	6th September	14.7p (2015: 3.6p)	4,350	1,050

Directors

The current directors of the company, who served throughout the year and to the date of signing this report (unless otherwise stated), are set out on page 1.

Directors' indemnity

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

Employment policies

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

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

Future developments

The directors do not expect any material differences going forward.

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) Regulation 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 page 2. These matters relate to activities and business review and risks and uncertainties.

Report of the directors (continued)
for the year ended 31 December 2016

Statement of directors' responsibilities

The directors are responsible for preparing the 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 company and of the profit or loss of the company 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Company'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 Company'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.

By order of the board on 22 March 2017.

LKent

Lucinda Kent, FCA
Secretary

Independent auditor's report to the members of Dawsonrentals Truck and Trailer Limited

We have audited the financial statements of Dawsonrentals Truck and Trailer Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of directors and auditor:
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements:
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements:
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its 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.

Opinion on the other matter 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 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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Stephen Brown

Stephen Brown (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes MK9 1FF
Date: 22nd March 2017

Statement of comprehensive Income for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	1	96,364	94,361
Cost of sales		65,254	59,842
Gross profit		31,110	34,519
Other operating income		438	353
Administrative expenses		11,421	11,507
Operating profit	2	20,127	23,365
Gains on fair value of investment property		2,606	-
Profit on ordinary activities before interest, fair value of derivative instruments and taxation		22,733	23,365
Interest receivable and similar income	3	12,988	2
Interest payable and similar charges	4	12,670	13,051
Profit on ordinary activities before fair value of derivative instruments and taxation		23,051	10,316
(Losses) / gains on fair value of derivative instruments		(12,070)	8,616
Profit on ordinary activities before tax		10,981	18,932
Tax	6	1,745	3,778
Profit for the year attributable to owners		9,236	15,154
Total comprehensive income attributable to owners		9,236	15,154

The notes on pages 9 to 24 are an integral part of these financial statements.

DAWSONRENTALS TRUCK AND TRAILER LIMITED **Company number: 3080279**

Statement of financial position as at 31 December 2016

	Notes		2016		2015
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		244,707		248,962
Investment property	9		17,812		13,395
			262,519		262,357
Current assets					
Inventory	10	36		24	
Debtors	11	28,609		27,805	
Cash at bank and in hand		192		378	
		28,837		28,207	
Creditors due within one year					
Borrowings	12	64,419		52,263	
Creditors	13	94,513		101,179	
		158,932		153,442	
Net current liabilities			130,095		125,235
Total assets less current liabilities			132,424		137,122
Creditors due after one year					
Borrowings	12	77,688		89,115	
Creditors	13	163		74	
			77,851		89,189
			54,573		47,933
Provisions for liabilities and charges	15		2,877		1,123
Net assets			51,696		46,810
Capital and reserves					
Called up share capital	16		29,500		29,500
Revaluation reserve			2,143		2,143
Profit and loss account			20,053		15,167
Equity shareholders' funds			51,696		46,810

The financial statements on pages 6 to 24 were approved and authorised for issue by the board of directors on 22 March 2017.

A Coleman
Director

S J Miller
Director

The notes on pages 9 to 24 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital	Revaluation reserve	Profit and loss account	Equity shareholders' funds
	£'000	£'000	£'000	£'000
At 1 January 2015	29,500	2,143	1,063	32,706
Profit for the financial year	-	-	15,154	15,154
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	15,154	15,154
Dividends paid	-	-	(1,050)	(1,050)
At 31 December 2015	29,500	2,143	15,167	46,810
Profit for the financial year	-	-	9,236	9,236
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,236	9,236
Dividends paid	-	-	(4,350)	(4,350)
At 31 December 2016	29,500	2,143	20,053	51,696

Reserves

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

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

The notes on pages 9 to 24 are an integral part of these financial statements.

Accounting policies

General information
Dawsonrentals Truck and Trailer Limited ("the company") is a private limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Delaware Drive, Tongwell, Milton Keynes, MK15 8JH. The principal activity of the company is the rental and contract hire of commercial vehicles and trailers.

These 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 revaluation 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 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*.

Details of where the consolidated financial statements, in which the company is included, can be obtained as set out in note 19.

Going concern
The financial statements have been prepared on the going concern basis which assumes that the company 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 company 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 and contract hire activities is recognised on a straight line basis over the term of the relevant lease.

Accounting policies

Income from the sale of vehicles and equipment is recognised when the company 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.

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.

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 they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write down the cost or valuation of fixed assets by equal instalments to their estimated residual values over the period of their estimated useful lives with the company in accordance with the table below:

	Useful life with the company	Residual value
Hire fleet:		
Commercial vehicles	5 years	20% - 25%
Car transporters and drawbar trailers	9 years	10%
Trailers	10 – 15 years	2.5% – 15%
Other:		
Plant and equipment	5 – 10 years	Nil
Portable office buildings	7 – 12.5 years	15%
Computer hardware	4 years	Nil
Cars	4 years	25% – 40%

Limestone reserves are depreciated based on the annual extraction amount each year.

Land is not depreciated.

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

Accounting policies

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.

Impairment of assets
At each reporting date, the company 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 company becomes party to the contractual provisions of the financial instrument. The company holds basic financial instruments, which comprise cash at bank and in hand, trade and other debtors, borrowings, trade and other creditors and derivative financial instruments. The company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments.*

Financial assets – classified as 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.

Financial liabilities – classified as basic financial instruments
Trade and other creditors and borrowings
Short term trade and other creditors and borrowings are 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.

Accounting policies

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.

Employee benefits
Retirement benefits
The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company 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 company operates a long-term incentive scheme for certain employees. Liabilities for the scheme are recognised when the company 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.

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 company 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 the statement of comprehensive income 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.

Operating leases
The company as a lessor
Amounts due from lessees under operating leases are credited to income on a straight-line basis over the term of the relevant lease.

The company 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.

Asset purchase rebates
Rebates and bonuses from manufacturers and distributors are credited to the statement of comprehensive income over a three to five year period from the date of installation of the relevant assets to coincide with their expected life within the company.

Accounting policies

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

Critical accounting judgements and key sources of estimation uncertainty
In applying the company'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.

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

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

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

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

(i) Residual values and useful economic lives of tangible assets
The company depreciates tangible 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. When determining the residual values, the directors have assessed the amount that the company 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.

Accounting policies

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) 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.

(iii) Employee benefits – long-term incentive schemes
The company operates a long-term incentive scheme in respect of directors and certain senior employees. The company'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.

(iv) 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.

(v) 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.

1 Turnover

The turnover is attributable to the principal activity of rental and contract hire of commercial vehicles and trailers.

The company operates in the UK and substantially the whole of its turnover is to the UK market.

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

	2016 £'000	2015 £'000
Operating lease rental income	94,388	94,229
Sale of vehicles and equipment	1,976	132
	96,364	94,361

Notes to the financial statements (continued)
for the year ended 31 December 2016

2 Operating profit

	2016	2015
This is stated after charging:	£'000	£'000
Depreciation – owned assets	46,238	44,084
Impairment provision	666	-
Auditors' remuneration – audit services	23	23
Repairs and maintenance	13,718	13,465
Assets hired in	367	369
Operating lease – rental of property	994	951
and after crediting:		
Profit on disposal of fixed assets	1,965	2,807
Property rental	194	180
Licence fee income from mineral resources	244	173
Manufacturers' rebates	128	166

3 Interest receivable and similar income

	2016	2015
	£'000	£'000
Other interest receivable	-	2
Release of fair value provision following settlement of swap contracts	23,706	-
Termination fee on cancellation of swap	(10,718)	-
	12,988	2

4 Interest payable and similar charges

	2016	2015
	£'000	£'000
On borrowings wholly repayable within five years:		
Asset finance arrangements	3,672	3,499
Group swap arrangements	8,866	9,539
Group interest payable	132	13
	12,670	13,051

All borrowings repayable after five years and all asset finance arrangements are repayable by instalments.

5 Directors and employees

Employees

Average number of employees, including directors, during the year:

	2016	2015
	Number	Number
Management	9	11
Sales and administration	140	130
Fitters and others	44	37
	193	178

5 Directors and employees (continued)

The payroll costs of these employees amounted to:

	2016 £'000	2015 £'000
Wages and salaries	5,537	5,836
Social security costs	553	601
Pension contributions	240	293
	6,330	6,730

Pension scheme

The Dawsongroup of companies operates a defined contribution pension scheme, the assets of which are held separately from those of the group in funds administered by insurance companies. The pension contributions above represent amounts paid by the company to the fund.

No contributions have been prepaid at the year-end (2015: £nil).

Directors' emoluments	2016 £'000	2015 £'000
Executive remuneration and benefits	577	677
Pension contributions	89	106
	666	783

		2016 £'000	2015 £'000
Highest paid director	- Remuneration and benefits	158	261
	- Pension contributions	16	30
		174	291

The emoluments of those directors who are also directors of the parent company are disclosed in the financial statements of Dawsongroup plc. One of the directors of Dawsonrentals Truck and Trailer Limited included in the emoluments above is paid by Dawsongroup plc for his services in respect of this and other group entities. As it is not practicable to allocate this amongst the subsidiaries, his total emoluments have been included in this entity.

The number of directors to whom benefits were accrued under money purchase pension schemes was 5 (2015: 4).

The company operates long term incentive schemes in respect of its directors and certain senior employees. In accordance with the accounting policy set out on page 12, provision has been made in the accounts in respect of the directors as per the following table:

	2016 £'000	2015 £'000
Provision as at 1 January	129	234
Charged to profit and loss	142	83
Utilised in year	-	(188)
Provision as at 31 December	271	129

6 Tax

		2016		2015
	£'000	£'000	£'000	£'000
Tax charge for the year comprises:				
Corporation tax	407		2,359	
Adjustments in respect of prior periods	(64)		(12)	
Total current tax		343		2,347
Deferred tax				
Origination and reversal of timing differences	1,398		1,370	
Effect of decreased tax rate on deferred tax balance	(54)		61	
Adjustment in respect of prior periods	58		-	
Total deferred tax (see note 15)		1,402		1,431
		1,745		3,778

The UK standard rate of corporation tax for the year is 20.00% (2015: 20.25%). The actual charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2016	2015
	£'000	£'000
Profit on ordinary activities before tax	10,981	18,933
Tax on profit on ordinary activities at standard rate	2,196	3,834
Factors affecting charge for the period		
Difference in tax rates	(300)	(69)
Expenses not deductible for tax purposes	13	25
Indexation allowance	(158)	
Adjustments in respect of prior periods	(6)	(12)
Total tax	1,745	3,778

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 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% (2015: 18.5%).

7 Dividends

	2016	2015
	£'000	£'000
1st Interim paid (14.7p per share) (2015: 3.6p)	4,350	1,050
	4,350	1,050

Notes to the financial statements (continued)
for the year ended 31 December 2016

8 Tangible fixed assets

Cost	Land £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Total £'000
As at 1 January 2016	1,710	394,867	1,980	398,557
Reclassification	-	(94)	94	-
Additions	-	58,220	478	58,698
Disposals	-	(55,082)	(45)	(55,127)
Transfers from group undertakings	-	51	10	61
Transfers to group undertakings	-	(20)	(24)	(44)
As at 31 December 2016	1,710	397,942	2,493	402,145
Depreciation				
As at 1 January 2016	210	148,021	1,364	149,595
Reclassification	-	(23)	23	-
Charge for the year	57	45,970	211	46,238
Impairment provision	-	666	-	666
Disposals	-	(39,016)	(29)	(39,045)
Transfers from group undertakings	-	23	3	26
Transfers to group undertakings	-	(19)	(23)	(42)
As at 31 December 2016	267	155,622	1,549	157,438
Net book value				
As at 31 December 2016	1,443	242,320	944	244,707
As at 31 December 2015	1,500	246,846	616	248,962

Included within land 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 £267,000). The directors do not consider that this requires accounting for as a separate component.

9 Investment property

	£'000
Fair value as at 1 January 2016	13,395
Additions	1,811
Revaluation	2,606
Fair value as at 31 December 2016	17,812

The historical cost of investment properties held at fair value is as follows:

	£'000
As at 1 January 2016	11,252
Additions	1,811
As at 31 December 2016	13,938

9 Investment property (continued)

The fair values of the investment properties have been determined as at the reporting date by an independent external valuer, who holds a professional qualification with the Royal Institute of Chartered Surveyors and has experience in the locations and classes of the investment properties valued.

Investment properties are valued using assumptions made by the valuer, namely with regard to market evidence as indicated by sales of comparable properties and the valuers knowledge and experience of the property market.

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.

10 Inventory

	2016 £'000	2015 £'000
Fuel and other	36	24
	36	24

11 Debtors

Due within one year:	2016 £'000	2015 £'000
Trade debtors	13,054	11,131
Other debtors	244	80
Prepayments	2,052	2,018
Amounts owed by group undertakings	43	51
Loans to group undertakings	13,216	14,525
	28,609	27,805

Amounts owed by group undertakings are repayable on demand and are unsecured.

Loans to group undertakings are unsecured, repayable on demand and receive interest paid at 0.25% below base rate.

12 Borrowings

Financial liabilities

	2016 £'000	2015 £'000
Due within one year:		
Asset finance arrangements	64,419	52,263
	64,419	52,263

12 Borrowings (continued)

Due after one year:

Borrowings due after more than one year relate to asset finance arrangements which are repayable by instalments as follows:

	2016 £'000	2015 £'000
Between one and two years	41,596	42,971
Between two and five years	32,147	43,707
After more than five years	3,945	2,437
	77,688	89,115
Gross financial liabilities	142,107	141,378

Asset finance arrangements comprise hire purchase, finance lease and other similar funding effectively secured on the specific underlying assets. The interest charged on the finance during the year equated to 2.6% (2015: 2.8%).

13 Creditors

Due within one year:	2016 £'000	2015 £'000
Trade creditors	15,767	11,984
Tax payable	407	2,359
Other tax and social security	2,345	1,099
Accruals and other creditors	4,144	3,692
Loans from group undertakings	13,893	12,098
Amounts owed to group undertakings	5,323	5,677
Derivative financial instruments	52,634	64,270
	94,513	101,179
Due after one year:		
Other creditors	163	74

Loans from group undertakings are unsecured, repayable on demand and incur interest charged at 1% over base rate.

Amounts owed by group undertakings are repayable on demand and unsecured.

14 Derivative financial instruments

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

14 Derivative financial instruments (continued)

	2016		2015	
	Total £'000	**Average rate %**	**Total £'000**	**Average rate %**
Period to expiry:				
Within one year	145,000	4.50	200,400	4.54
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	-	-	25,000	7.00
	145,000	4.50	225,400	4.81

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

	2016 Fair value - financial liability £'000	**2015 Fair value – financial liability £'000**
Interest rate swaps	52,634	64,270
	52,634	64,270

The fair value of the interest rate swaps have 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.

15 Provisions for liabilities and charges

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

	2016 £'000	**2015 £'000**
Deferred tax	2,013	611
Other provisions	864	512
	2,877	1,123
Deferred tax		
Provided in the accounts:		
Accelerated capital allowances	10,824	12,760
Other timing differences	(172)	(259)
Derivative instruments held at fair value	(8,948)	(11,890)
Revaluation of investment property	309	-
Provision for deferred tax	2,013	611
Deferred tax asset	(9,120)	(12,149)
Deferred tax liability	11,133	12,760
Net deferred tax liability / (asset)	2,013	611

15 Provisions for liabilities and charges (continued)

	2016 £'000	2015 £'000
Other provisions:		
Long-term incentive schemes	546	429
Miscellaneous	318	83
	864	512

Amounts provided have been calculated at future expected rates of corporation tax. Deferred tax balances at the reporting date are measured at 17% (2015: 18.5%).

Movement in the year	Deferred tax £'000	Long-term incentive schemes £'000	Miscellaneous £'000	Total £'000
As at 1 January 2016	611	429	83	1,123
Charged to profit and loss	1,402	217	239	1,858
Utilised in year	-	(100)	(4)	(104)
As at 31 December 2016	2,013	546	318	2,877

Miscellaneous provisions principally relate to future contractual liabilities.

The net deferred tax liability expected to reverse in 2017 is £nil.

16 Called up share capital

Authorised:	2016 Number	2015 Number
Ordinary shares of £1 each	29,500,000	29,500,000

Allotted, issued and fully paid:	2016 £'000	2015 £'000
Ordinary shares of £1 each	29,500	29,500

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

17 Financial commitments

Future capital expenditure

	2016 £'000	2015 £'000
Outstanding contracts for capital expenditure	24,578	22,343

17 Financial commitments (continued)

Operating lease commitments

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:

	2016 Land and buildings £'000	2015 Land and buildings £'000
Within one year	703	670
Between one and two years	624	565
Between two and five years	1,003	893
Over five years	251	259
	2,581	2,387

The company as lessor

The company leases hire fleet and land and buildings to third parties. The future minimum lease payments receivable under those non-cancellable leases are as follows:

	Hire fleet £'000	Land and buildings £'000	2016 Total £'000	Hire fleet £'000	Land and buildings £'000	2015 Total £'000
Within one year	27,960	303	28,263	26,539	260	26,799
Between one and five years	30,023	1,259	31,282	30,197	886	31,083
Over five years	947	4,331	5,278	559	2,121	2,680
	58,930	5,893	64,823	57,295	3,267	60,562

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

Future purchase undertakings

As part of its trade the company 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.

17 Financial commitments (continued)

As at 31 December 2016 the maturity dates and amounts of these undertakings were:

	2016 £'000	2015 £'000
Within one year	1,680	-
Between one and two years	75	-
Between two and five years	555	2,125
After more than five years	420	-
	2,730	2,125

18 Contingent liabilities

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

19 Parent undertakings

The immediate parent company is Dawsonrentals Limited and the ultimate parent company is Dawsongroup plc. Throughout the year Dawsongroup plc was controlled by trusts, the beneficiaries of which are P M Dawson and his immediate family.

The largest and smallest group for which the results of the company are consolidated is that headed up by Dawsongroup plc. The consolidated financial statements of Dawsongroup plc can be obtained from:

Dawsongroup plc
Delaware Drive
Tongwell
Milton Keynes
Bucks
MK15 8JH

20 Related party transactions

Advantage has been taken of the exemption conferred by Section 33 *Related Party Disclosures* not to disclose transactions with fellow members of the Dawsongroup plc group where 100% of the voting rights are controlled within the group.