Dawsongroup plc

Annual Report & Accounts 2008

Dawsongroup

Operational areas

Dawsongroup plc

Dawsongroup is a leading specialist asset rental business with a proven and consistent track record spanning over 30 years. It operates in several related markets principally within the UK but with a growing European presence and its rental portfolio, which at 31 December 2008 amounted to over 17,000 assets, is focused on high quality premium products typically with high unit values including commercial vehicles, trailers, buses, coaches, sweepers, materials handling equipment, an extensive range of temperature-controlled products and kitchen units. It also provides finance broker services. The group's broad customer base is represented mainly by large reputable companies.

In a year where the 'credit crunch' brought on the worst recessionary climate since the great depression, I am proud to announce the group achieved a 12th consecutive year of revenue growth and once again delivered record profits.

Chairman's Statement

Peter M Dawson

As in 2007 the truck and trailer division, representing 47% of group revenue, was the outstanding performer, in spite of the demanding and competitive marketplace in which it operates.

Revenue growth was achieved in all of the group's 'core' activities and importantly a significant uplift in term contracts signed or renewed was achieved.

At the end of the year the group operated over 17,000 assets, a 6% increase on the previous year.

Results and dividend

On turnover of £153.2m (2007: £144.6m), an increase of 5.9%, profit before tax increased by 3.7% to £28.1m (2007: £27.1m).

After an effective tax charge of 42%, compared to just 22% in 2007, the pre-dividend profit for the year amounted to £16.3m (2007: £21.2m).

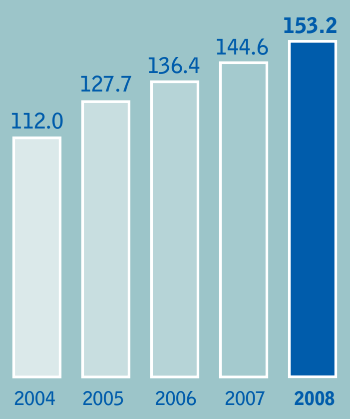
The dividends for the year amounted to £2.28m (2007: £3.77m).

Balance sheet

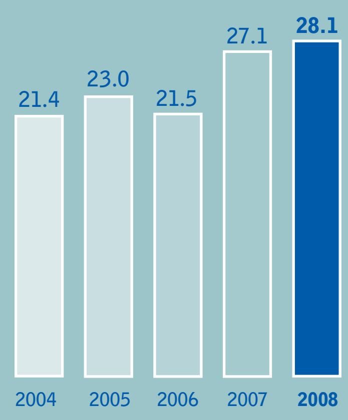
The excellent level of contract business success resulted in capital expenditure for the year of £114.1m (2007: £79.2m). This was underpinned by exceptionally strong operational cash flows of £107m (2007: £87.9m) and asset disposal proceeds of £17.8m (2007: £23.6m).

Net debt increased by £9.8m to £219.5m but gearing fell to 141% (2007: 151%). Unexpired contract revenue stood at £152.4m (2007: £137.9m) and interest was covered 3.7 times (2007: 3.4 times) by operating profit.

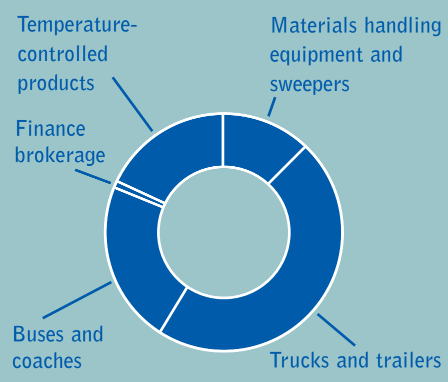
Turnover £m



Profit before tax £m



Market sectors revenue



Paul Kelly

It is with deep sadness that I must report the passing of Paul Kelly, one of our most dedicated and long serving directors. With his trademark laugh and with a smile always on his face, Paul's hard work, dedication and willingness to help were an example to all and he will be sorely missed by all his friends at Dawsongroup.

Outlook

The global economic environment has deteriorated since the year end and this will undoubtedly have an effect on the financial performance of the group in 2009. However, I believe this period will serve not only to reinforce our confidence in the group's strategy, but will demonstrate the resilience of our business model.

The group's core strengths of a diversified premium product range, broad customer base, experienced management team and dedicated and loyal workforce, together with our operational policies, our high level of contractual business and our strong balance sheet, will ensure the effect on the group of the current economic environment is minimised.

More importantly I believe that once more encouraging conditions prevail the group will be well placed for accelerated future growth and continued success in the long term.

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

20 March 2009

Operating and Financial Review

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

Michael J Williams

Anthony Coleman

Operating Review

	2008 £m	2008 %	2007 £m	2007 %
Trucks and trailers	**72.2**	**47.1**	68.9	47.7
Materials handling equipment and sweepers	**15.8**	**10.3**	16.6	11.5
Temperature-controlled products	**31.2**	**20.4**	27.5	19.0
Buses and coaches	**33.6**	**21.9**	31.4	21.7
Finance brokerage	**0.4**	**0.3**	0.2	0.1
Group revenue	**153.2**	**100.0**	144.6	100.0

The 6% increase in group revenue has arisen entirely through organic growth. The group operating profit margin reduced to 25.1% of revenue from 26.5% and operating profit for the year was very much in line with the previous year at £38.5m (2007: £38.4m).

Trucks and trailers

Dawsonrentals Truck and Trailer was once again the outstanding performer, delivering increased revenues of £72.2m (2007: £68.9m) in a year of two halves. The favourable market conditions of the previous year carried over into the first half of the year but deteriorated rapidly in the summer with the onset of the economic downturn resulting in very difficult operating conditions for the final six months of the year.

The short term truck fleet, which on average was 8% smaller than 2007, averaged good utilisation of 87% (2007: 89%) in the first half of the year but as the difficult operating conditions prevailed reduced to 74% (2007: 91%) for the traditionally stronger second half of the year. Hire rates improved marginally over the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Operating and Financial Review continued

Trucks and trailers

Temperature-controlled products

course of the year. Utilisation in the short term trailer fleet was more consistent and averaged 75% (2007: 77%) throughout the year but hire rates deteriorated by 5%.

The year proved to be a very good one for contract hire activity both in trucks and trailers. Contracts were concluded for a total of 958 trucks and 745 trailers providing total revenues of £51.7m (2007: £51.3m) over the life of the contracts. The strategic focus has been on increasing the proportion of revenue from contract hire and it is therefore pleasing that this increased further, accounting for 57% of total revenues in 2008, up from 48% last year.

As a result of this new and resigned contract hire business hire fleet investment increased to £64.0m (2007: £43.2m) which further modernises our fleet and reduces what was an already excellent age profile. Due to the current economic recession fleet investment for 2009 will be limited to that required to fulfil term contracts.

The increased investment allowed the disposal of some of our older hire fleet assets keeping future operating costs to a minimum. Profits on disposal increased by 36% as our reputation for a well maintained premium fleet provided more opportunities than we could meet including the sale of a number of tractor units and rigids to Russia.

Materials handling equipment and sweepers

It was a challenging but successful year for Dawsonrentals Materials Handling Equipment. Rental rates, utilisation and fleet size remained broadly in line with the previous year but through tight cost control profits were increased by 5% on turnover down by 2%.

Capital expenditure amounted to £1.7m (2007: £2.1m) continuing to reduce the age profile of the fleet of principally Toyota fork-lift trucks. This was once again targeted towards contract hire activity which represents over 77% (2007: 78%) of the total hire revenue.

The sweeper division endured a very challenging year with revenue dropping 4% and profits falling 44% before exceptional costs.

The Board remains confident in the long term prospects for this business which must continue to search for new markets, including exports, for the disposal of used sweepers and to widen its contract base across more industry sectors.

Temperature-controlled products

2008 was a most satisfactory year for the temperature-controlled products division with revenue up 13% and profits up 16%.

In the UK, Dawsonrentals Portable Cold Storage performed strongly with a 13% uplift in profits on turnover up 6%. The strategy over the past decade has been focussed on providing a solution based installation, good customer service and a first class product through longer term bespoke temperature-controlled storage solutions with comprehensive refrigeration support which has resulted in a high customer retention level with a high proportion of contract renewals.

The company continues to focus on delivering value and currently has a number of projects in development such as the Power Factor Correction Unit (PFCU) which reduces the energy consumption and therefore operating costs to our customers.

The construction build projects which were successfully introduced in 2007 have continued and the 40,000 square foot facility incorporating 2,300 pallets of chill space, 2,000 pallets of ambient space plus offices for McCormick (UK) Ltd is expected to be completed in the first quarter 2009.

Also in the UK, Dawsonrentals Temporary Kitchens had a successful year with the further improved new style kitchen unit improving the order book significantly with a number of deals concluded in the educational sector. Dawsonrentals Display Refrigeration had a disappointing year as the supermarkets delayed or postponed their store refurbishment programmes.

The overseas portable cold store businesses, in France, Germany, The Netherlands, Ireland and Poland, produced excellent results, increasing both combined profits and turnover by 37%. Good levels of fleet growth, utilisation and rate increases were achieved in all of the businesses which now account for almost 10% of group profit.

These businesses are now well established in the markets in which they operate and continue, through telemarketing and the internet, to increase awareness of our entire product range. With excellent support provided by our UK operation, a high level of term business secured, strong management teams and a loyal and dedicated workforce the prospects for the continued growth and success remain encouraging.

Buses and coaches

Dawsonrentals Bus and Coach produced an excellent performance, increasing revenues by 7.1% and built on its industry reputation for quality products and services. New business was secured in all sectors of operation with notable achievements in the growing air travel support sector. Contracts were secured for the complete

Materials handling equipment and sweepers


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Operating and Financial Review continued

integrated landside and airside passenger and staff transport system at Stansted airport, the completion of deliveries for the Heathrow Terminal 5 transfer vehicles and the supply of the new transfer fleet at Dublin airport.

Hire fleet investment amounted to £17.1m (2007: £19.6m) with the contract value of installations totalling £36.0m (2007: £26.6m). Of particular importance was the successful negotiation of extensions to a large quantity of vehicles supplied to operate within the TfL regulated London bus market.

The coach market experienced a difficult year as the tourist coach market was hit by the recession. Although utilisation remained consistent at 73%, average hire rates fell by 14%. The outlook is more positive as the UK shows signs of being the target destination for international holiday makers and with the British tourists more inclined to consider previously overlooked domestic holidays.

A key strategy has been to develop and grow the disposal arm, Ventura, and a new site was established in Sheffield to serve our Northern customer base. This has enabled the division to dispose of its non-accessible buses leaving a hire fleet which is compliant with planned legislative changes regarding accessibility and is now suitable for some considerable time ahead.

Finance Brokerage

2008 saw LHE Finance reap the benefit of previous changes in its strategic development resulting in a substantially improved financial performance. Particularly encouraging was the performance of Dawsonrentals Finance, which expands the finance product offering across the group's established markets.

The reduced liquidity and lending appetite will cause difficulties but also provide opportunities for LHE to showcase its talents as highlighted by the number of key mandates secured and high profile complex transactions completed. 2009 has started in a similarly positive vein and the prospects for the year look encouraging.

Other

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

These sales and marketing efforts, together with the group's prudent depreciation policies, provided record disposal profits of £3.2m (2007: £3.1m) from proceeds of £17.8m (2007: £23.6m).

Employees

The continued success and growth of Dawsongroup is a credit to our dedicated and hard working management and employees, now numbering well over 600 across 6 countries. We thank them for their contribution to the group's continued development.

Financial Review

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

Interest

On slightly lower average net borrowings during the year of £214.6m (2007: £215.9m), net interest payable decreased by £0.93m to £10.39m (2007: £11.32m).

The average rate was significantly lower at 4.8% (2007: 5.2%) and interest cover increased to 3.7 times (2007: 3.4 times). This was achieved through a number of interest rate swaps, the hedging instrument used by the group.

Tax

The 2008 tax charge is £11.73m which comprised of corporation tax payable of £7.73m and deferred tax of £4m. The high effective rate of 42% (2007: 22%) is due to the reduction in the discount factor applied in which the deferred tax provision is discounted in accordance with FRS19 and,

Operating and Financial Review continued

in addition, to the reduction in the corporation tax capital allowance rate from 25% to 20%. Using the discount factor that was applied in 2007 the deferred tax charge would reduce by £3.46m resulting in an effective rate of tax of 29.5%. Corporation tax actually paid in respect of 2008 profits was £5.58m (2007: £4.02m).

Cash flow

The group cash inflow from operating activities, essentially profit plus depreciation and changes in working capital, totalled £107m (2007: £87.9m). A further £17.8m (2007: £23.6m) was generated from the disposal of fixed assets. Cash outflow for interest, tax and dividends, together amounted to £18.8m (2007: £19.6m).

Capital expenditure

Capital expenditure, almost entirely relating to investment for hire fleet growth and replacement programmes, amounted to £114.1m (2007: £79.2m).

Borrowings

Net debt increased to £219.5m (2007: £209.8m), comprising hire fleet asset finance of £223.8m (2007: £212.6m) less net cash balances of £4.3m (2007: £2.9m). Year-end gearing was 141% (2007: 151%).

Finance and treasury

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

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

Financing

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

Asset finance repayments are matched, conservatively, against the revenue stream from the related assets over their income-generating lives. In the case of trucks this policy has been set at 4 years and, for all other assets, at 7 years. As a result, 42% of such borrowings at the year-end were due to mature in more than 2 but less than 7 years.

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

Interest-rates

The exposure to variable-rate debt is hedged through interest-rate swaps. At the year-end these totalled £202m, effectively fixing 92% of the relevant variable-rate asset finance debt at an average base rate of 4.7%.

Foreign currencies

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

Overview

In 2008 Dawsongroup once again demonstrated its reputation as the leading and most consistently successful asset rental company in its markets in the UK.

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

- a wide asset portfolio – over 17,000 hire fleet assets at the year-end;
- a high contractual base;
- a broad customer base – the largest customer in 2008 represented just 5% of group revenue;
- first-rate supplier relationships – without a dependency on any single supplier of product or finance;
- a committed and motivated management team supported by hard-working and enthusiastic employees – now numbering over 600 across 6 countries; and
- a proven track record in the asset rental and contract hire industry spanning over 30 years.

Michael J Williams
Group Chief Executive

Anthony Coleman
Group Finance Director

20 March 2009

Directors and Advisers

Peter M Dawson

T.Eng(CEI), FIMI, FCIT

Executive Chairman

Peter joined the family haulage business in 1956 and spearheaded the early growth and development of the group.
AGED 70

Michael J Williams

Group Chief Executive

Having been managing director of Dawsonrentals since 1979, Michael was appointed group chief executive in 1993 and is now in his 34th year with the group.
AGED 61

Anthony Coleman

ACA

Group Finance Director

Appointed group finance director in January 2006, Anthony is now in his ninth year with the group having joined as group financial controller and company secretary.
AGED 35

Group headquarters and registered office

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

Registered number

1902154

Website

www.dawsongroup.co.uk

Secretary

Anthony Coleman, ACA

Auditors

Mazars LLP
Sovereign Court
Witan Gate
Milton Keynes
MK9 2HP

Principal bankers

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

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

Fortis Bank
5 Aldermanbury Square
London
EC2V 7HR

Statutory Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2008.

Activities and business review

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

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

Results and dividends

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

The profit after tax for the financial year was £16,339,000 (2007: £21,172,000). A first interim ordinary dividend of 5p per share (2007: 11p) was paid on 7 April 2008 and a second interim ordinary dividend of 5p per share (2007: 5.5p) was paid on 12 November 2008. The retained profit of £14,055,000 has been transferred to reserves.

Directors

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

Directors' indemnity

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

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

Donations

The group made charitable donations during the year amounting to £2,990 (2007: £3,027). No political donations were made.

Employment policies

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

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

Statutory Directors' Report continued

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

Creditor payment policy

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

At 31 December 2008 the amount for trade creditors in the balance sheet represented 28 days (2007: 34) of average daily purchases for the company and 33 days (2007: 25) in respect of the group's main UK operating subsidiaries.

Directors' responsibilities statement

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

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

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

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

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

The maintenance and integrity of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

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

Statement as to disclosure of information to auditors

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

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

Auditors

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

By order of the board

Anthony Coleman
ACA
Secretary

20 March 2009

Report of the Auditors

Independent auditors' report to the members of Dawsongroup plc

We have audited the financial statements of Dawsongroup plc for the year ended 31 December 2008 which comprise of the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Company's Balance Sheet and related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's and the group's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's report is consistent with the financial statements.

Mazars LLP.

Mazars LLP
Charted Accountants
and Registered Auditors

20 March 2009

Sovereign Court, Witan Gate
Milton Keynes MK9 2HP

Consolidated Profit and Loss Account

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Turnover	*1*	**153,204**	144,638
Cost of sales		**89,314**	83,737
Gross profit		**63,890**	60,901
Administrative expenses		**25,427**	22,519
Operating profit	*2*	**38,463**	38,382
Net interest payable	*5*	**10,391**	11,318
Profit on ordinary activities before tax		**28,072**	27,064
Tax	*6*	**11,733**	5,892
Profit for the financial year	*17*	**16,339**	21,172

Statement of total recognised gains and losses

Profit for the financial year	**16,339**	21,172
Exchange rate adjustment	**3,036**	686
Total gains recognised since the last annual report	**19,375**	21,858

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

Turnover and expenses all relate to continuing operations.

Consolidated Balance Sheet

as at 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Intangible assets	*8*		**2,929**		3,347
Tangible assets	*9*		**450,278**		405,299
			453,207		408,646
Current assets					
Stocks		**1,335**		1,479	
Debtors	*11*	**16,381**		18,803	
Bank deposits and cash	*12*	**10,325**		6,150	
		28,041		26,432	
Creditors due within one year					
Borrowings	*12*	**77,332**		70,438	
Other creditors	*13*	**44,417**		33,465	
		121,749		103,903	
Net current liabilities			**93,708**		77,471
Total assets less current liabilities			**359,499**		331,175
Creditors due after one year					
Borrowings	*12*	**152,526**		145,478	
Other creditors	*13*	**66**		45	
			152,592		145,523
			206,907		185,652
Provisions for liabilities and charges	*14*		**50,912**		46,748
Net assets			**155,995**		138,904
Capital and reserves					
Called up share capital	*15*		**8,057**		8,057
Share premium account	*17*		**1,285**		1,285
Capital reserve	*17*		**9,980**		9,980
Profit and loss account	*17*		**136,673**		119,582
Equity shareholders' funds	*16*		**155,995**		138,904

The financial statements on pages 16 to 34 were approved and authorised for issue by the board of directors on 20 March 2009.

Directors: M J Williams
A Coleman

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow from operating activities	*18*		**106,993**		87,878
Returns on investments and servicing of finance					
Net interest paid	*5*		**(10,391)**		(11,318)
Taxation			**(6,174)**		(4,548)
Capital expenditure					
Purchase of tangible fixed assets		**(114,067)**		(79,150)	
Sale of tangible fixed assets		**17,817**		23,601	
			(96,250)		(55,549)
Equity dividends paid			**(2,284)**		(3,768)
Cash (outflow)/inflow before use of liquid resources and financing			**(8,106)**		12,695
Management of liquid resources					
Cash placed on deposit	*20*		**(3,605)**		(1,241)
Financing					
Increase/(decrease) in loans and asset finance arrangements	*20*		**9,255**		(15,343)
Decrease in cash	*20*		**(2,456)**		(3,889)

Company Balance Sheet

as at 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Tangible assets	*9*		**660**		695
Investment: shares in subsidiary undertakings	*10*		**15,872**		10,828
			16,532		11,523
Current assets					
Stocks		**44**		44	
Debtors	*11*	**67,254**		68,306	
Bank deposits and cash	*12*	**8,126**		4,500	
		75,424		72,850	
Creditors due within one year					
Borrowings	*12*	**7,074**		3,382	
Other creditors	*13*	**26,565**		27,970	
		33,639		31,352	
Net current assets			**41,785**		41,498
Total assets less current liabilities			**58,317**		53,021
Provisions for liabilities and charges	*14*		**732**		1,097
Net assets			**57,585**		51,924
Capital and reserves					
Called up share capital	*15*		**8,057**		8,057
Share premium account	*17*		**1,285**		1,285
Capital reserve	*17*		**6,658**		6,658
Profit and loss account	*17*		**41,585**		35,924
Equity shareholders' funds	*16*		**57,585**		51,924

The financial statements on pages 16 to 34 were approved and authorised for issue by the board of directors on 20 March 2009.

Directors: M J Williams
A Coleman

Accounting Policies

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

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

Consolidation principles
The group financial statements consolidate the financial statements of Dawsongroup plc and all its subsidiary undertakings for the year ended 31 December 2008.

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

Transactions and balances between subsidiary undertakings have been eliminated; no profit is taken on sales between subsidiary undertakings until the products are sold to customers outside the group.

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

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

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

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

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

In accordance with Statement of Standard Accounting Practice No 19, certain of the Group's properties are held for long-term investment and are included in the balance sheet at their open market values. The surpluses or deficits on revaluation of such properties are transferred to the investment property revaluation reserve to the extent that they do not fall below the original cost. Depreciation is not provided in respect of freehold investment properties. This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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

Stock
Stock is valued at the lower of cost and net realisable value.

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

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

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

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

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

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

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

Where commitment has been notified the commercial vehicles and trailers are included within fixed assets at the expected cost of repurchase and the related liabilities are included as creditors.

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

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

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

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

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

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

The group has adopted the presentation requirements of FRS 25.

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2008

1. Turnover

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

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

2. Operating profit

	2008 £'000	2007 £'000
This is stated after charging:		
Depreciation: owned assets	**60,508**	54,261
leased assets	**34**	891
Amortisation of goodwill	**418**	417
Auditors' remuneration: audit services	**93**	91
audit of pension scheme	**3**	3
Assets hired in	**293**	302
Operating leases: land and buildings	**1,568**	1,481
hire fleet assets	**293**	677
and after crediting:		
Profit on sale of tangible fixed assets	**3,209**	3,127
Property rental	**318**	308
Manufacturers' rebates	**56**	131
Exchange gain	**106**	262

3. Employees

	2008 Number	2007 Number
Average number of employees, including executive directors, during the year:		
Management	**46**	51
Sales and administration staff	**333**	305
Drivers, engineers and others	**241**	243
	620	599

	2008 £'000	2007 £'000
Employee payroll costs:		
Wages and salaries	**18,693**	17,796
Social security costs	**2,064**	1,988
Pension contributions	**384**	277
	21,141	20,061

Pension scheme

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the group in funds administered by insurance companies. The pension contributions above represent amounts payable by the group to the fund. Contributions totalling £nil (2007: £9,000) had been prepaid at the year-end and are included in debtors.

4. Directors' emoluments and interests

	Basic salary £'000	Performance related bonuses £'000	Other benefits £'000	Pension contributions £'000	2008 Total emoluments £'000	2007 Total emoluments £'000
Directors' emoluments						
Executive directors						
P M Dawson	**77**	**–**	**89**	**–**	**166**	151
M J Williams	**700**	**536**	**25**	**9**	**1,270**	706
A Coleman	**183**	**100**	**11**	**21**	**315**	182
Total	**960**	**636**	**125**	**30**	**1,751**	1,039

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

Performance related bonuses of the executive directors are based upon the group's performance against targets in accordance with the provisions of the respective director's service contract.

A Coleman participates in a defined contribution ('money purchase') pension scheme similar to, but with different contribution levels to, the main company scheme. Employer contributions equate to 10% of basic salary.

Long-term bonus schemes

M J Williams participates in a long-term service bonus scheme dependent upon a loyalty element and the cumulative results of the group over the five years commencing 1 January 2008.

The purpose of the scheme is to reward M J Williams in line with the continuing development of the business and to enhance earnings growth. In order to qualify under the terms of the scheme he is required to remain in service throughout the period ending 2 January 2013 except on the occurrence of ill health, redundancy or death.

The amount payable under the scheme is dependent upon the extent to which actual performance exceeds target levels. The target levels are based on the consolidated pre-tax profit of the group for the year ended 31 December 2007.

The loyalty element of the scheme amounts to a total of £750,000 over the life of the scheme and is payable by increasing instalments annually on 31 March. The performance element is a maximum of a further £750,000. The maximum amount payable under the scheme is £1,500,000.

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

The purpose of the scheme is to reward A Coleman in line with the continuing development of the business and to enhance earnings growth. In order to qualify under the terms of the scheme he is required to remain in service throughout the period ending 2 January 2011 except on the occurrence of ill health, redundancy or death.

The amount payable under the scheme is dependent upon the extent to which actual performance exceeds target levels. The target levels are based on the consolidated budgeted pre-tax profit of the group for the year ended 31 December 2006.

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

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

	As at 1 January 2008 £'000	Charge for the year £'000	Utilised £'000	As at 31 December 2008 £'000
Executive directors				
M J Williams	606	112	(605)	**113**
A Coleman	147	73	–	**220**
	753	185	(605)	**333**

Notes to the Financial Statements continued

4. Directors' emoluments and interests continued

Directors' interests

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

Executive directors	As at 31 December 2008	As at 31 December 2007
P M Dawson:		
Ordinary shares of 25p	22,838,774	22,838,774
Zero coupon shares of 21$^{3}/_{7}$p	10,938,536	10,938,536

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

During the year £6,000,000 was loaned to the group by P M Dawson and £1,750,000 by trusts, the beneficiaries of which are P M Dawson's immediate family. Interest is being accrued on these loans at 6% and amounted to £187,000 at the year end. The amount of capital outstanding at the year end was £7,750,000.

There have been no changes in the directors' shareholdings between the year end and 20 March 2009.

5. Net interest payable

	2008 £'000	2007 £'000
On borrowings wholly repayable within five years:		
Asset finance arrangements	10,334	11,681
Bank loans and overdrafts	383	97
On borrowings repayable after five years	2,268	1,892
	12,985	13,670
Less: Bank and other interest receivable	(499)	(632)
Swap arrangements interest receivable	(2,095)	(1,720)
	10,391	11,318

6. Tax

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Tax charge for the year:				
Corporation tax	7,061		4,582	
Overseas tax	685		473	
Adjustments in respect of prior periods	(21)		604	
Total current tax		7,725		5,659
Deferred tax				
Origination and reversal of timing differences	523		564	
Decrease in discount	3,487		1,997	
Adjustments in respect of prior periods	(2)		(38)	
Effect of decreased tax rate on opening liability	–		(2,290)	
Total deferred tax		4,008		233
		11,733		5,892

6. Tax continued

The UK standard rate of corporation tax for the year is 28% (2007: 30%). The actual charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	**28,072**	27,064
Tax on profit on ordinary activities at standard rate	**7,860**	8,119
Factors affecting charge for the period:		
Capital allowances in excess of depreciation	**(226)**	(3,068)
Expenses/(income) not deductible for tax purposes	**263**	(396)
Other timing differences	**(151)**	400
Adjustments in respect of prior periods	**(21)**	604
Total actual amount of current tax	**7,725**	5,659

7. Dividends

	2008 p per share	2007 p per share	2008 £'000	2007 £'000
Ordinary shares:				
First interim paid	**5.0**	11.0	**1,142**	2,512
Second interim paid	**5.0**	5.5	**1,142**	1,256
	10.0	16.5	**2,284**	3,768

8. Intangible fixed assets

Group

	Goodwill £'000
Cost:	
As at 1 January 2008	5,868
Additions	–
As at 31 December 2008	**5,868**
Amortisation:	
As at 1 January 2008	2,521
Charge for the year	418
As at 31 December 2008	**2,939**
Book value:	
As at 31 December 2008	**2,929**
As at 31 December 2007	3,347

9. Tangible fixed assets

	Freehold land and buildings £'000	Hire fleet £'000	Other vehicles, plant and equipment £'000	Group total £'000	Company total £'000
Cost:					
As at 1 January 2008	10,427	599,936	9,193	619,556	2,109
Exchange adjustment	–	8,754	307	9,061	–
Reclassification	–	26	(26)	–	–
Additions	12,727	98,846	2,494	114,067	291
Sales	–	(35,967)	(1,784)	(37,751)	(776)
Transfers from group undertakings	–	–	–	–	67
As at 31 December 2008	**23,154**	**671,595**	**10,184**	**704,933**	**1,691**
Depreciation:					
As at 1 January 2008	2,486	206,621	5,150	214,257	1,414
Exchange adjustment	–	2,819	180	2,999	–
Reclassification	–	14	(14)	–	–
Charge for the year	217	58,789	1,536	60,542	233
Relating to sales	–	(21,764)	(1,379)	(23,143)	(662)
Transfers from group undertakings	–	–	–	–	46
As at 31 December 2008	**2,703**	**246,479**	**5,473**	**254,655**	**1,031**
Book value:					
As at 31 December 2008	**20,451**	**425,116**	**4,711**	**450,278**	**660**
As at 31 December 2007	7,941	393,315	4,043	405,299	695

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

Included in freehold land and buildings above is £12,727,000 relating to investment property purchased during the year. In the opinion of the directors the open market value at the year end is unchanged.

Leased assets
The net book value of the hire fleet includes assets with a cost of £nil (2007: £8,816,000), and accumulated depreciation of £nil (2007: £2,641,000) held under finance leases. The depreciation charge for the year on these assets was £34,000 (2007: £891,000).

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

10. Investment: shares in subsidiary undertakings

	2008 £'000	2007 £'000
As at 1 January – at valuation	10,828	10,826
Addition	5,000	–
Reversal of impairment	44	2
As at 31 December	15,872	10,828

This represents the investment by Dawsongroup plc in the entire issued share capital of Alexena Limited, Dawsonrentals Limited, Dawsongroup International Limited and Praedium Property Limited. This includes a £2,750,000 surplus which arose on the revaluation of Alexena Limited in 1988. The addition in the year relates to an increase in share capital in Praedium Property Limited.

The principal activities of the companies are:

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

The following companies were the trading subsidiary undertakings of Dawsonrentals Limited and Dawsongroup International Limited during the year ended 31 December 2008:

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

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

*100% owned by Dawsonrentals Materials Handling Equipment Limited.

Notes to the Financial Statements continued

11. Debtors

Due within one year	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Trade debtors	13,062	58	13,156	21
Finance receivables	289	–	238	–
Other debtors	112	1,056	1,852	830
Prepayments	2,031	140	2,380	174
Tax recoverable	–	3,686	–	358
Loans to subsidiary undertakings	–	59,526	–	66,016
Amounts owed by subsidiary undertakings	–	2,788	–	907
	15,494	67,254	17,626	68,306
Due after one year				
Finance receivables	887	–	1,177	–
	16,381	67,254	18,803	68,306

12. Financial instruments

Financial liabilities

Group	2008 Due within one year £'000	2008 Due after more than one year £'000	2008 Total £'000	2007 Due within one year £'000	2007 Due after more than one year £'000	2007 Total £'000
Bank overdrafts	6,078	–	6,078	3,277	–	3,277
Asset finance arrangements	71,254	152,526	223,780	67,161	145,478	212,639
Gross financial liabilities	77,332	152,526	229,858	70,438	145,478	215,916

The group has no committed borrowing facilities.

Company

The company had no borrowings at 31 December 2008 other than a bank overdraft of £7,074,000 (2007: £3,382,000).

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:

	2008 Sterling £'000	2008 Foreign currency £'000	2008 Total £'000	2007 Sterling £'000	2007 Foreign currency £'000	2007 Total £'000
Within one year	69,218	2,036	71,254	65,586	1,575	67,161
Between one and two years	56,078	2,029	58,107	57,571	1,182	58,753
Between two and five years	77,954	3,850	81,804	73,218	2,324	75,542
After more than five years	11,807	808	12,615	10,331	852	11,183
	215,057	8,723	223,780	206,706	5,933	212,639

Foreign currency asset finance arrangements principally comprise Euro aligned currencies.

The interest rate profile of these arrangements is as follows:

	2008 Sterling £'000	2008 Foreign currency £'000	2008 Total £'000	2007 Sterling £'000	2007 Foreign currency £'000	2007 Total £'000
Variable rate	212,106	7,227	219,333	200,584	5,819	206,403
Fixed rate	2,951	1,496	4,447	6,122	114	6,236
	215,057	8,723	223,780	206,706	5,933	212,639

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

12. Financial instruments continued

Asset finance arrangements continued

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

	2008 Sterling	2008 Foreign currency	2007 Sterling	2007 Foreign currency
Weighted average interest rate	**5.7%**	**5.8%**	6.0%	6.4%
Weighted average period for which fixed	**41 months**	**68 months**	8 months	8 months

Financial assets

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Sterling deposits				
Unrestricted	**–**	**–**	–	–
Restricted	**–**	**–**	–	–
Other cash and bank				
Sterling	**9,550**	**8,126**	4,766	4,500
Foreign currency	**775**	**–**	1,384	–
Gross financial assets	**10,325**	**8,126**	6,150	4,500

Foreign currency balances include Japanese Yen to a total value of £7,000 (2007: £250,000) purchased by the group for the specific purpose of 2009 budgeted fleet additions. As such, they are not considered to be monetary assets and are therefore shown in the balance sheet at a weighted average cost. The unrecognised gain at 31 December 2008 based on the year-end valuation of these currencies is £4,000 (2007 gain: £11,000). All other foreign currency balances are regarded as monetary assets and therefore translated at the relevant exchange rate at the balance sheet date.

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

Interest rate swaps

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

	2008 Sterling £'000	2008 Foreign currency £'000	2008 Total £'000	2008 Average rate %	2007 Total £'000	2007 Average rate %
Period to expiry:						
Within one year	**62,500**	**1,010**	**63,510**	**4.7**	60,000	4.7
Between one and two years	**58,500**	**–**	**58,500**	**5.0**	28,510	4.8
Between two and five years	**50,000**	**–**	**50,000**	**4.6**	88,500	4.7
After more than five years	**30,000**	**–**	**30,000**	**4.2**	–	–
	201,000	**1,010**	**202,010**	**4.7**	177,010	4.7

At the balance sheet date the above Sterling swaps had a net negative mark to market value, determined by relevant counter-parties, of £40,571,000 (2007: £5,206,000). Changes in the fair value of such instruments are not recognised in the financial statements until each relevant quarterly rate fixing date. The net gains recognised in the year to 31 December 2008 amounted to £2,095,000 (2007 gain: £1,720,000) and the proportion of the net negative market value shown above which is expected to be recognised in 2009 amounts to a loss of £4,924,000.

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

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

Notes to the Financial Statements continued

13. Other creditors

Due within one year	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Trade creditors	**28,061**	**141**	21,280	161
Accruals	**10,505**	**600**	9,065	584
Tax payable	**3,927**	**–**	2,309	38
Other tax and social security	**1,924**	**96**	811	83
Deposits from subsidiary undertakings	**–**	**25,717**	–	27,060
Amounts owed to subsidiary undertakings	**–**	**11**	–	44
	44,417	**26,565**	33,465	27,970
Due after one year				
Other creditors	**66**	**–**	45	–
	66	**–**	45	–

14. Provisions for liabilities and charges

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Deferred tax	**48,405**	**–**	44,279	–
Other provisions	**2,507**	**732**	2,469	1,097
	50,912	**732**	46,748	1,097

Deferred tax	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Accelerated capital allowances	**54,980**	**–**	54,553	–
Other timing differences	**(426)**	**–**	(638)	–
Undiscounted provision for deferred tax	**54,554**	**–**	53,915	–
Discount	**(6,149)**	**–**	(9,636)	–
Provision for deferred tax	**48,405**	**–**	44,279	–

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

Other provisions	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Long-term incentive schemes	**2,342**	**732**	2,296	1,097
Miscellaneous	**165**	**–**	173	–
	2,507	**732**	2,469	1,097

14. Provisions for liabilities and charges continued

Movement in the year	Deferred tax £'000	Long-term incentive schemes £'000	Miscellaneous £'000	Total £'000
As at 1 January 2008	44,279	2,296	173	46,748
Exchange adjustment	118	59	9	186
Charged/(credited) to profit and loss account in the year	4,008	789	(8)	4,789
Utilised in the year	–	(802)	(9)	(811)
As at 31 December 2008	**48,405**	**2,342**	**165**	**50,912**

The provision for long-term incentive schemes at 31 December 2008 included £333,000 (2007: £753,000) in respect of the director's long-term service bonus scheme (note 4) and £2,009,000 (2007: £1,543,000) relating to schemes in place for other employees.

Miscellaneous provisions principally relate to future contractual liabilities.

15. Called up share capital

	2008 Number	**2008 £'000**	2007 Number	2007 £'000
Authorised				
Ordinary shares of 25p each	**41,609,814**	**10,402**	41,609,814	10,402
Zero coupon shares of 21³⁄₇p each	**10,955,917**	**2,348**	10,955,917	2,348
		12,750		12,750
Allotted, Issued and Fully Paid				
Ordinary shares of 25p each	**22,838,776**	**5,710**	22,838,776	5,710
Zero coupon shares of 21³⁄₇p each	**10,955,217**	**2,347**	10,955,217	2,347
		8,057		8,057

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

16. Reconciliation of movements in shareholders' funds

	2008 Group £'000	**2008 Company £'000**	2007 Group £'000	2007 Company £'000
Opening shareholders' funds	**138,904**	**51,924**	120,814	51,203
Profit for the financial year	**16,339**	**7,945**	21,172	4,489
Dividends paid	**(2,284)**	**(2,284)**	(3,768)	(3,768)
Exchange rate adjustment	**3,036**	**–**	686	–
Net movement in shareholders' funds	**17,091**	**5,661**	18,090	721
Closing shareholders' funds	**155,995**	**57,585**	138,904	51,924

Notes to the Financial Statements continued

17. Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
Group				
As at 1 January 2008	1,285	9,980	119,582	130,847
Profit for the year	–	–	16,339	16,339
Dividends	–	–	(2,284)	(2,284)
Exchange rate adjustment	–	–	3,036	3,036
As at 31 December 2008	**1,285**	**9,980**	**136,673**	**147,938**
Company				
As at 1 January 2008	1,285	6,658	35,924	43,867
Profit for the year	–	–	7,945	7,945
Dividends	–	–	(2,284)	(2,284)
As at 31 December 2008	**1,285**	**6,658**	**41,585**	**49,528**

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

Goodwill

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

	2008 £'000	2007 £'000
As at 1 January 2008 and 31 December 2008	**4,165**	4,165

18. Net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating profit	**38,463**	38,382
Depreciation	**60,542**	55,152
Amortisation of goodwill	**418**	417
Profit on sale of tangible fixed assets	**(3,209)**	(3,127)
Decrease/(increase) in stocks	**156**	(206)
Decrease/(increase) in debtors	**2,684**	(3,006)
Increase in creditors and other provisions	**7,939**	266
Net cash inflow from operating activities	**106,993**	87,878

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

	2008 £'000	2007 £'000
Decrease in cash	**(2,456)**	(3,889)
Cash outflow from asset finance repayments	**82,076**	95,008
Cash outflow from loan note repayments	**–**	250
Cash inflow from asset finance advances	**(91,331)**	(79,915)
Cash outflow from change in deposits	**3,605**	1,241
Change in net debt resulting from cash flows	**(8,106)**	12,695
Exchange adjustment	**(1,661)**	(445)
Movement in net debt	**(9,767)**	12,250
Net debt as at 1 January	**(209,766)**	(222,016)
Net debt as at 31 December	**(219,533)**	(209,766)

20. Analysis of net debt

	As at 1 January 2008 £'000	Cash flow £'000	Exchange adjustment £'000	**As at 31 December 2008 £'000**
Cash at bank	1,650	345	225	**2,220**
Overdrafts	(3,277)	(2,801)	–	**(6,078)**
	(1,627)	(2,456)	225	**(3,858)**
Asset finance due within one year	(67,161)	(3,636)	(457)	**(71,254)**
Asset finance due after more than one year	(145,478)	(5,619)	(1,429)	**(152,526)**
	(212,639)	(9,255)	(1,886)	**(223,780)**
Cash placed on deposit	4,500	3,605	–	**8,105**
Total	(209,766)	(8,106)	(1,661)	**(219,533)**

Notes to the Financial Statements continued

21. Financial commitments

Future capital expenditure

	2008 £'000	2007 £'000
Outstanding contracts for capital expenditure	**17,351**	63,013

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 2008 the maturity periods and maximum amount of these undertakings were:

	2008 £'000	2007 £'000
Within one year	**1,633**	–
Between one and two years	**2,423**	1,633
Between two and five years	**1,706**	4,129
	5,762	5,762

Operating lease commitments

At 31 December 2008 the group was committed to making the following payments in the year to 31 December 2009 under operating leases which expire:

	2008 Land and buildings £'000	**2008** Hire fleet assets £'000	2007 Land and buildings £'000	2007 Hire fleet assets £'000
Within one year	**302**	**28**	262	73
Between one and two years	**168**	**81**	287	92
Between two and five years	**303**	**–**	256	81
After more than five years	**21**	**–**	25	–
	794	**109**	830	246

Parent company guarantees

Dawsongroup plc guarantees certain financial obligations of its subsidiary undertakings in the normal course of business. At 31 December 2008 these obligations amounted to £222,785,000 (2007: £212,534,000).

22. Related party transactions

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

Five Year Record

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	As restated 2004 £'000
Turnover	**153,204**	144,638	136,397	127,658	112,009
Operating profit before exceptional items	**38,463**	38,382	34,530	37,428	34,358
Exceptional items	**–**	–	–	–	–
Profit on ordinary activities before interest	**38,463**	38,382	34,530	37,428	34,358
Net interest payable	**10,391**	11,318	13,053	14,419	12,929
Profit before tax	**28,072**	27,064	21,477	23,009	21,429
Intangible fixed assets	**2,929**	3,347	3,764	4,408	4,437
Tangible fixed assets	**450,278**	405,299	400,244	401,341	370,364
Net current liabilities (excluding cash and short-term borrowings)	**(26,767)**	(13,228)	(14,492)	(15,282)	(16,286)
Provisions for liabilities and charges	**(50,912)**	(46,748)	(46,686)	(44,298)	(38,071)
Net assets employed	**375,528**	348,670	342,830	346,169	320,444
Share capital	**8,057**	8,057	8,057	8,057	8,057
Reserves	**147,938**	130,847	112,757	100,027	88,028
Shareholders' funds	**155,995**	138,904	120,814	108,084	96,085
Net borrowings	**219,533**	209,766	222,016	238,085	224,359
Capital employed	**375,528**	348,670	342,830	346,169	320,444

Operating profit before exceptional items as a percentage of:					
Turnover	**25.1%**	26.5%	25.3%	29.3%	30.7%
Average capital employed	**10.6%**	11.1%	10.0%	11.2%	11.6%
Borrowing ratio	**141%**	151%	184%	220%	234%
Average number of employees	**620**	599	592	612	477
Turnover per employee (£)	**247,103**	241,466	230,400	208,592	234,820
Operating profit per employee (£)	**62,037**	64,077	58,328	61,157	72,029

Business Directory

UK business centres

(Supported by a Branch Network of 30 locations)

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

Used Vehicle Disposals Division

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

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

Used Bus and Coach Disposals Division

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

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

Northern Municipal
Spares Limited
Municipal House
Armytage Road
Brighouse HD6 1PT
Tel: 01484 400111
Fax: 01484 400063
Email: info@northern-
municipal-spares.com

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

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

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

LHE Finance Limited
21 Headlands Business Park
Ringwood BH24 3PB
Tel: 01425 474070
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