TIP Trailer Services
TRAILERMADE SOLUTIONS

TIP Trailer Services | Annual Report 2016

ANNUAL REPORT 2016

TIP Trailer Services
TRAILERMADE SOLUTIONS

TIP Trailer Services
TRAILERMADE SOLUTIONS

ANNUAL REPORT 2016

CONTENTS

OUR COMPANY

REVIEW OF THE YEAR

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

OUR COMPANY

REPORTING IMPROVEMENTS

We are committed to ensuring that our annual report is of a high quality, easy to understand and transparent. This year we took the opportunity to expand and simplify our annual report. We have:

- Added a new strategic section; TIP 2020
- Added a new section 'Potential impact of new lease accounting' showing the potential impact and our interpretation of IFRS 16 (Leases) which is effective from 1 January 2019
- Clarified and simplified our business combinations note
- Cross referenced significant accounting policies with their relevant notes to the financial statements

WE ARE TIP TRAILER SERVICES

TIP Trailer Services is one of Europe and Canada's leading equipment service providers. We specialise in trailer leasing, rental, maintenance and repair, as well as other value added services and provide these to transportation and logistics customers across Europe and Canada. Headquartered in Amsterdam, we service our customers from 80 locations spread over 17 countries in Europe and Canada.

With approximately 64,000 units in our fleet, TIP Trailer Services is considered an industry leader with one of the largest and most diverse trailer fleets in Europe and Canada. In addition to maintaining our own fleet, we also provide maintenance and repair and other value added services for circa 40,000 equivalent units.

Our pan-European and Canadian reach enables us to assure our customers of convenience and flexibility, as we have the capabilities to serve them wherever and whenever they need us. Furthermore, our business scale allows us to provide customers with competitive offerings.

With more than 48 years of experience, we are experts in providing all services that a customer will require during the life cycle of a trailer, making us a one-stop shop for all our customers' equipment needs.

Our services include everything from specifying and sourcing of equipment to financing, daily operations, maintenance and repair, as well as the buying and selling of used assets. Our customers therefore need only to deal with one service partner, simplifying their fleet management and enabling them to focus on their core business activities.

OUR SERVICES

Leasing and rental

We have approximately 64,000 units in our fleet available for leasing or rental.

Leasing: we lease a wide range of equipment with flexible financing options, including long-term lease solutions and innovative sale and leaseback structures that add true value.

Rental: we offer short-term rental solutions that deliver total flexibility to our customers enabling them to maximise the utilisation of their fleet. Short-term rental solutions are for an initial term of up to 12 months, sourced from the existing fleet and always includes maintenance services.

Damage protection: a suite of services that can be tailor made to protect our customers' business against the cost of accidental damage, fire, theft or total loss caused to leased and rented equipment.

Maintenance and repair

We have a proud history of maintaining trailers for more than 48 years. This proven experience provides a solid base with extensive expertise for our maintenance and repair services.

Our extensive pan-European and Canadian workshop and supplier network provides our customers with a comprehensive range of maintenance and repair services, reducing unplanned downtime while ensuring compliance and the safety of their equipment.

All of our maintenance and repair services are offered on a contracted or non-contracted basis. This allows our customers to choose a solution that best suits their needs.

Used assets

We offer a comprehensive range of high quality 2nd hand trailers from our own fleet, as well as from 3rd party fleets across Europe and Canada. Our Remarketing team looks after the international sale of used equipment. We provide high specification trailers including the latest models and a full service history.

OUR VISION, MISSION AND STRATEGY

Our vision

To be the trusted advisor and provider of choice for companies active in the transport and logistics industry.

Our mission

We provide the most complete and innovative solutions for trailer equipment covering the full life cycle and thereby deliver value for our customers.

Our strategy

Our focus is to strengthen our leadership position within the transportation and logistics industry by continuously improving our service offerings, diversifying our portfolio and further expanding our network, in order to continuously deliver value to our customers around the world.

TIP 2020

To achieve our strategy and to reach €1 billion revenue by 2020, we have developed a number of key focus areas which will underpin this strategy. These form the cornerstones of "**TIP 2020**":

1. Our growth ambition

Revenue: Doubling our revenue by 2020 using 4 key growth levers:

A Organic growth in our existing markets
B Inorganic growth in our existing markets
C Inorganic growth in new markets
D Organic growth in new markets

KPI: 20% annual revenue growth

Profit: We need to leverage our scale while controlling our costs to drive improved margins and profits.

KPIs: 55%, 40%, 10% contribution, EBITDA and operating margins respectively by 2020.

2. Customer centricity

In everything we do, we need to consider the benefits for our customers. They are critical to achieve our growth strategy. We can only grow if our customers are staying with us and even better, are willing to grow alongside us. Our leading position in the industry combined with our network, will enable us to serve and satisfy their needs.

KPI: NPS score above 50%.

3. Our people

Without our people we will not be able to reach our goals. We have a unique combination of highly experienced people who are willing to share their knowledge, combined with energetic new people who are given the room to explore new ideas and take initiatives.
We wish to nurture and further develop both. This starts with giving our leaders the tools and skills to get the most out of their teams and give all of our employees the possibility to further grow and develop themselves.

KPI's: Staff attrition and accident rates below 10% and 1% respectively

4. Our assets

The largest part of our current fleet consists of standard trailer equipment (curtainsiders, vans and swap bodies). These trailer types will continue to be the largest share of our equipment but we want to diversify our fleet further. We have the skills, expertise and capabilities to focus on other types of equipment and we can distinguish ourselves from our competition while creating higher added value for our customers. We aim to diversify into other various road transportation equipment types such as walking floor trailers, car carriers, drawbars, waste tankers, fuel tankers, electric vehicles, trucks and rigids.

KPI: 15% of our fleet will be specialised equipment

5. Our services

Grow our M&R services by:

A Attracting more non-contracted maintenance and repair business to our workshops
B Intensively target fleet owners to outsource their maintenance activities
C Offer new services in our workshops such as tyre fitting, reefer maintenance and other auxiliary activities

Other

D Digitisation of our services processes
E Drive new concepts related to the sharing economy and equipment pooling

KPI's: Reach 100 workshops by 2020, 20% of our revenue from M&R 3rd party with 23% contribution

6. Our footprint

We will continue to grow our footprint in Europe and Canada. We also need to expand outside Europe and Canada in both developed but also developing higher growth markets. We aim to be a global player with the support of our shareholder, HNA.

KPI: 4 new countries by 2020

GROWING OUR REVENUE TO €1b

> %15 of the fleet will be specialised equipment

Further expanding our footprint to 100 workshops

100% digitised rental processes

20% of our revenue coming from services

OUR VALUES

Integrity

...underpins the way we do business
Integrity, honesty and ethical behaviour are at the core of our business. Being trustworthy and honourable is the basis of the way we do business.

Experts

...in our industry and profession
Using our proven industry knowledge and professionalism, we are committed to applying our expertise to further develop the most economical solutions for our customers.

Committed to delivering

... excellence as standard
We deliver what we promise and add value that goes beyond what is expected. We achieve excellence through thinking ahead and shaping our future.

Innovation and change

...drive us shaping our future
We see the bigger picture, employing people with vision, who embrace new ideas and have a clear picture of the future. By challenging the norm we can anticipate our customers' changing needs with new innovative products and services.

Passionate

...about our company and what we do
We are practical and committed to making things happen. We drive progress with pride, high energy and tenacity, together with a sense of urgency.

Respectful and open

...towards each other and in our approach to business
We embrace different cultures, communities and points of view with humility; building open and long-term relationships externally and within our company, through clear communication.

Accountable

...for our decisions, actions and results
In all our dealings we are focused on delivering what we promise to our shareholders, customers, suppliers and colleagues. We take full responsibility for our decisions, actions and results.

Enviromentally and socially responsible

...towards people and our planet
We are committed to minimising the impact of our operations on the environment and to promoting social responsibility that benefits the communities in which we live and work. We care about people and our planet.

WHERE WE OPERATE

UK and Ireland

Branches:	17
Workshops:	17
Combined EAuM:	26k

Benelux

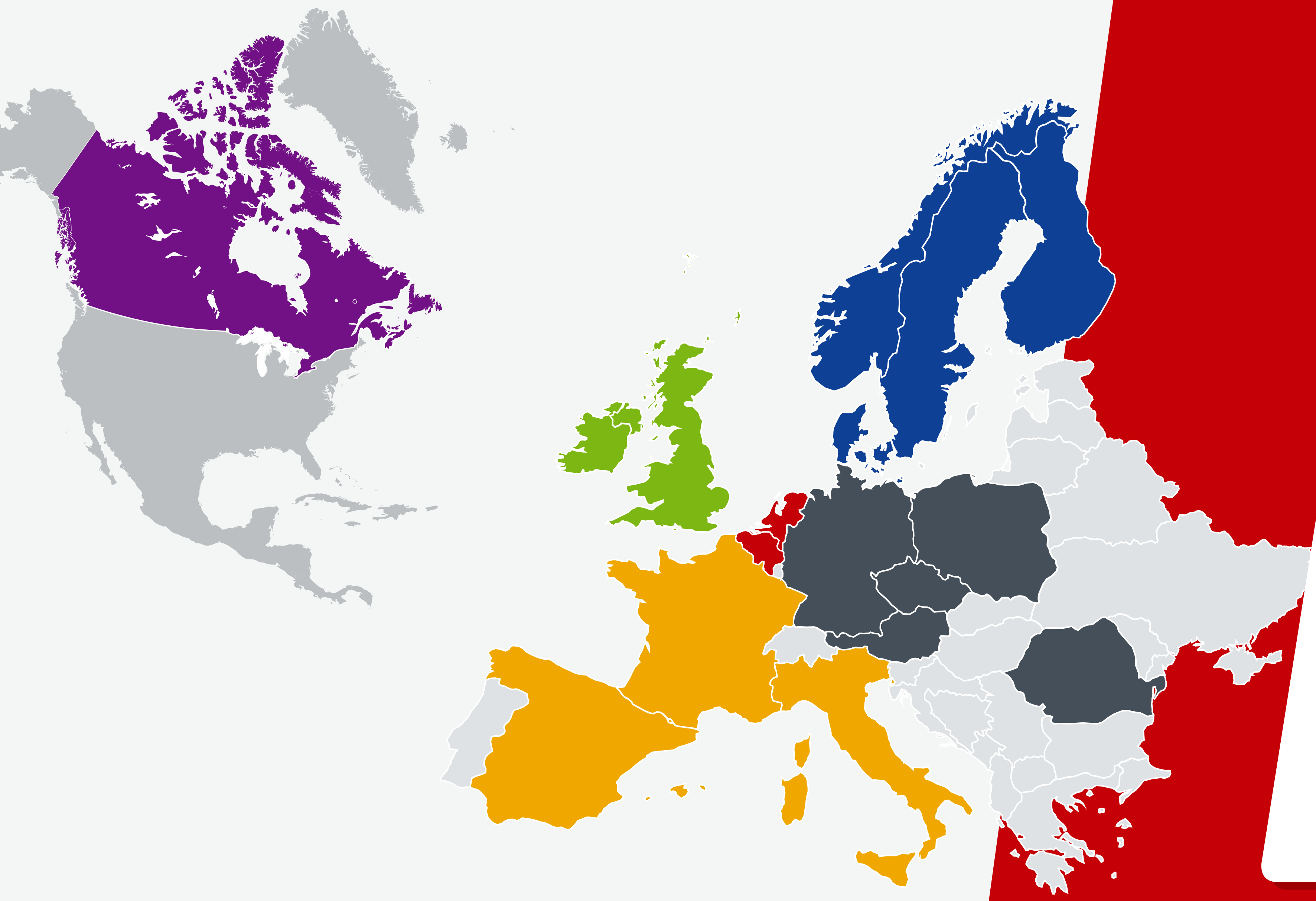
The Netherlands and Belgium

Branches:	9
Workshops:	14
Combined EAuM:	21k

Mediterranean

France, Italy and Spain

Branches:	19
Workshops:	16
Combined EAuM:	21k



Central Europe

Germany, Austria, Poland, Czech Republic and Romania

Branches:	16
Workshops:	15
Combined EAuM:	18k

Nordics

Denmark, Norway, Sweden and Finland

Branches:	8
Workshops:	13
Combined EAuM:	10k

Canada

Branches:	5
Workshops:	5
Combined EAuM:	8k

PERFORMANCE HIGHLIGHTS

EBITDA
€143m
€105m

Fleet investment
€262m
€175m

Revenue
€448m
€372m

UTE%
86%
84%

Gearing ratio
51%
41%

Workshops
80
63

Net operating assets
€871m
€624m

Employees
1,671
1,352

ADR
€16.5
€18.1

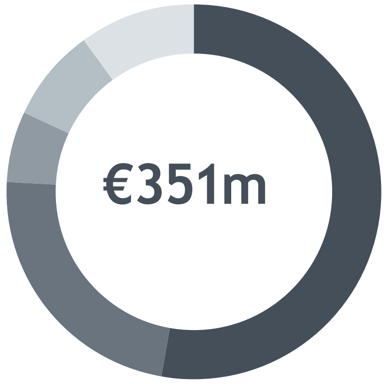
Branches
74
59

= 2016

= 2015

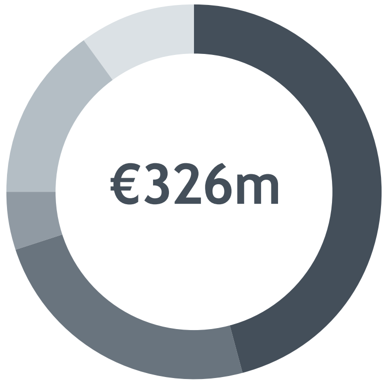
REVENUE

2012



- 53% Leasing
- 23% Rental
- 6% Damage protection
- 8% M&R 3rd party
- 10% Fleet sales and other

2014



- 46% Leasing
- 24% Rental
- 5% Damage protection
- 15% M&R 3rd party
- 10% Fleet sales and other

2016

- 41% Leasing
- 22% Rental
- 4% Damage protection
- 19% M&R 3rd party
- 14% Fleet sales and other

HOW WE HELP OUR CUSTOMERS

~2,000,000
Work orders handled

~250,000
Internal workshop events

~330,000
Supplier invoices matched and paid

OUR INVESTMENT CASE

Attractive market fundamentals

- Transportation volumes growing at/above GDP, European **road market share stable at 82%**
- Limited expansion capacity and financing available for rail, sea, and air freight
- Truck-trailer is the leading method of road transportation with European **trailer registrations stable**

Competitive advantage

- **Pan-European and Canadian scale and coverage** enables us to respond to demand shifts
- **Focused** trailer service offerings ensure **unrivalled expertise**, with highly recognised brand
- Our **portfolio diversification** offers customers a wide range of trailer types and service offering

Premium customer profile

- **Deep customer relationships** with an average tenure of 20+ years for the top 20 customers
- Customers in food retail and specialised road transport equipment provide counter cyclical resilience
- **Broad customer diversification** with European top 10 representing less than 23% of revenue

Strategy

- **Serving** leading international and national **companies**; optimising fleets across Europe and Canada
- **Maintenance and repair** for customer-owned trailers and fleet management provides value added services
- Fragmented markets offer **consolidation opportunities**

Operational model

- **Pro-active life cycle management** identifies optimal timing for purchasing and remarketing of assets
- High volumes to drive strategic sourcing
- Unrivalled knowledge and **experience in remarketing used assets**

Experienced management team

- Management with 15+ years at both TIP and GE, and 16+ in transportation and logistics
- **Demonstrated track record** of delivering results through business cycles
- Low attrition at key customer facing positions, 45% of sales force has 5+ years of TIP experience

REVIEW OF THE YEAR

REVIEW OF THE YEAR

JANUARY
Acquisition of

FEBRUARY
New workshop in Madrid and leasing ~1,000 units with Eddie Stobart

MARCH
Acquisition of AmHire and new workshops in Rugby and Stoke

APRIL
Acquisitions of P.A.D.S. Trailer and haartztankers new workshop in Nancy

MAY
Acquistions of and Officine Caldera and new workshop in Jönköping

JUNE
Maintenance contract with BURGERS

JULY
Maintenance contract with LA POSTE

AUGUST
Acquisitions of TRAM and wts

SEPTEMBER
New workshop in Stavanger and Inaugural TIP bankers day at IAA

OCTOBER
New workshop in Castelnuovo

NOVEMBER
Acquistions of and and new workshop opened in Linz

DECEMBER
New workshops in Poznan and Halle

Workshop Major contract Acquisition

We had a year of **strong execution**, **growing revenue** by **24%**, at **constant exchange rates**, which positions us to achieve **our goal** of **€500m revenue in 2017**. We had a particularly **busy year** on the **acquisition front investing €149m** and made a **significant geographic expansion** into North America with **our first acquisitions in Canada**. As we increased our scale, we have **improved** both our **contribution** and **EBITDA margins** by **2%** and **4%** respectively

Bob Fast, President and CEO, TIP Trailer Services

CEO REVIEW

Dear stakeholders,

I am pleased to present the 2016 annual report for our company. 2016 was a year of growth, enhancing our geographical footprint and further establishing our foundation for future success. I would like to share some key highlights with you.

Strategy - getting to €500m, working on TIP 2020

During 2016, we completed a major review of our strategy (TIP 2020), which supports reaching €500m+ revenue in 2017, as well as positioning us to achieve our goals for 2020. This strategy is focused on our customers' needs and we continue to build on the 4 key pillars which support our success. Our people enable us to offer a broad range of assets according to the needs of our customers at the highest service standards supported by our extensive network and customer platform.

As part of our TIP 2020 strategic review we identified scale as a key factor to drive financial performance, further diversify our risk profile and provide quality services to meet our customer needs. We identified the need to reach €1 billion revenue by 2020 as a key cornerstone and a common objective for all our people to rally around.

The key focus areas to achieve our TIP 2020 strategy of building a €1 billion revenue company are:

- Our assets – grow and diversify our number of units and digitise our leasing and rental process to accelerate growth and innovation
- Our services – grow our workshop network in Europe and become a truly independent solution provider
- Our footprint – strengthen our European leadership position, accelerate our global expansion while broadening our acquisition strategy to other accretive transport and equipment lease portfolios

Investments

In 2016, we continued to invest organically in our leasing and rental fleet acquiring ~7,000 units (2015: ~6,000 units) for ~€262m (2015: €175m) and selling ~6,500 units (2015: ~5,000) for ~€38m (2015: ~€28m). In addition, we acquired ~11,000 units (2015: ~3,000 units) via acquisitions. As a result, our net operating assets grew by 40% (2015: 35%) at year end.

We invested ~€16m (2015: €8m) to open 10 (2015: 5) new workshops. We added 10 (2015: 17) workshops through acquisitions. This further enhanced our maintenance and repair infrastructure and geographic presence. We also added 36 (2015: 28) mobile service units to support customer mobility and provide maintenance and repair services at our customers' own facilities.

Revenue, contribution and EBITDA

With a low but stable growth of the European economy, we delivered a strong set of results with revenue increasing by 24%, at constant exchange rates, (2015: 14%) and EBITDA increasing by 42%, at constant exchange rates, (2015: 9%). We increased our total contribution margin by 2% to 49% and EBITDA margin by 4% to 32%. This was driven by our capex, workshop and acquisition investments, attracting new customers and retaining existing customers.

With the continued investment in our fleet, we substantially grew our leasing backlog by 41% to €530m (2015: €377m). Despite a challenging interest rate pricing environment for leasing equipment with substantial central bank rate reductions during the year, we improved our leasing and rental contribution margin by 3% to 58%. Customers have continued their preference for full service maintenance leases as they continue to look for efficiencies and outsourcing solutions for both their trailer equipment and maintenance and repair requirements.

We have continued to develop our 3rd party maintenance and repair offering both organically and through bolt-on acquisitions. Revenue has grown by strong double digit levels in each of the past 5 years. During 2016 it grew by 32% (2015: 33%) supported by acquisitions, new workshops and the addition of new mobile service units. Over the year contribution margin improved by 1% to 19%.

Acquisitions

During 2016 we accelerated our acquisition strategy closing 10 (2015: 8) deals worth €149m (2015: €44m). Transactions included both lease portfolios and maintenance and repair businesses as we looked to expand our geographical footprint, workshop infrastructure and acquire new leasing and rental customers. In particular, the acquisition of Twan Heetkamp Trailers strengthened our market position in the Netherlands and the acquisition of Train Trailer established a strong platform in the higher growth Canadian market. Our acquisition of Williams Tanker Services in the United Kingdom broadened our tanker offering into more specialised tanker solutions, such as fuel tankers.

We are pleased to welcome ~235 (2015: 190) employees who joined the TIP family in 2016 through these acquisitions and look forward to learning from and with them while growing our businesses together.

In 2016, we continued to provide management support to Grayrentals, an affiliate trailer leasing and rental business in the United Kingdom. We are in the early stages of jointly developing a truck lease programme for United Kingdom customers which will give us an additional exciting growth opportunity.

Risk management

In 2016 we maintained robust risk management processes covering credit and asset risks as well as treasury, tax and operational risks. In particular, the quality of our customer portfolio and our credit processes resulted in net bad debt recoveries of €1m vs an expense of €1m in the prior year. Against continued difficult export markets in Russia and the Middle East we were able to sell ~6,500 used assets demonstrating the strength of our remarketing network and our team's deep knowledge of the industry. Our expansion into the higher growth North American market through our acquisition of Train Trailer in Canada further diversifies our asset risk profile.

Outlook

Brexit, the election of Donald Trump and the Italian referendum all caused turmoil in financial markets during 2016. However, economists are generally predicting that slow but stable European growth will continue during 2017. The impact of Brexit may result in lower capital investment demand in the United Kingdom resulting from the increased cost of imports due to the reduced value of sterling. The uncertain political environment in Europe will also present some surprises during 2017. We enter 2017 cautiously positive but ready to flex both our capex and acquisition investments to any sudden economic or market shifts. With energy prices stabilising, Canada should also see stable economic growth. Overall, we anticipate that investment in road freight equipment will remain solid, benefiting our leasing and rental business.

The challenging economic environment in emerging markets has little direct impact on our business and low oil prices are generally positive for our customers. For used trailers, Russia, an important export market, is expected to remain economically challenged during 2017. We will need to continue to sell into other Eastern and Southern European countries, the Middle East and Africa.

We expect to maintain or further increase our volume of new leases during 2017. In addition, we anticipate a continued shift towards full service maintenance leases, as well as continued growth for our maintenance and repair service offerings. We continue to take advantage of the increasing demand for outsourcing maintenance and repair services through our strong and growing workshop geographic presence complemented by our pan-European roadside assistance platform and our extensive supplier network.

Word of thanks

I am enormously proud of the dedication of our employees who drive customer service excellence every day across all areas of our business. On behalf of the senior leadership team, I would like to express our heartfelt gratitude to all our employees for their hard work, commitment and their willingness to embrace change; they make TIP Trailer Services a very special place to work.

I would also like to congratulate our shareholder, HNA, in completing a number of significant international acquisitions including Avolon, Swissport, Ingram Micro and Carlson Rezidor Radisson during 2016. With these acquisitions HNA is now a truly global company with more than 33% of assets outside China.

Today, together, we are bigger and stronger from where we were 3 years ago. Our accomplishments and achievements would not have been possible without the trust and support of our loyal customers, key suppliers, business partners, shareholders and our dedicated team.

With our commitment to delivering excellence, innovation and change, I am confident that we will achieve solid business results over the coming years.

SENIOR LEADERSHIP TEAM

DEEP INDUSTRY AND INTERNATIONAL EXPERIENCE

The senior leadership team (SLT) has responsibility for the day-to-day management of our company, the deployment of our strategy and policies, and the achievement of our objectives and results. Together with the Board of Directors, the SLT determines the values by which the company is run while ensuring compliance with all applicable regulations. The SLT and the Board of Directors are responsible for the integrity of our financial reporting and control environment.

Bob Fast - American
President and Chief Executive Officer

Bob was first appointed CEO in 2003. In 2009 he assumed the position of President and CEO of GE Equipment Services. He led the carve out and sale of TIP Trailer Services to HNA and was reappointed President and CEO of TIP Trailer Services when the transaction closed. Bob joined GE in 1982 and held leadership positions in a number of GE divisions including roles in Finance, Sales, Business Development, Marketing, Leasing, and General Management. He was appointed as a Board member of Global TIP Holdings One B.V. in 2014.

Malachy Mc Enroe - Irish
Chief Financial Officer

Malachy was appointed CFO in 2013 on the completion of the acquisition by HNA. He had been CFO for GE Equipment Services since 2008. In this role he led the financing and deal structuring for the carve out and sale of TIP Trailer Services. Malachy joined TIP/GE in 1997 and has held various finance roles within the asset leasing, rental and services divisions, as well as with GE's Consumer Finance division. Prior to TIP/GE, he worked for various multinational companies in a number of different industries operating across Europe.

Yiqun (Tom) Zhuo - Chinese
Deputy Chief Executive Officer

Tom was appointed Deputy CEO following HNA's acquisition of TIP Trailer Services in 2013. From 2010 to 2013, he served as Deputy CEO of Hong Kong Aviation Capital, based in Sydney, Australia. Tom joined HNA in 2001 as an in-house lawyer at Xinhua Aviation. In 2004, he joined HNA Finance Company as Head of Capital Management and from 2006 as Head of Investment Banking. In 2009, Tom was appointed Deputy General Manager for Capital Management at HNA Capital. He was appointed as a Board member of Global TIP Holdings One B.V. in 2014.

Paul Beadle - British
Chief Operating Officer

Paul joined TIP/GE as a trainee manager in 1986. He has extensive transportation and trailer services industry experience having worked through numerous operations positions including branch and regional management, culminating in his appointment as UK Operations Director in 2004. Paul assumed the position of European Operations Director for GE Equipment Services in 2006 and was appointed to the position of European Operations Director for TIP Trailer Services in 2013 on completion of the acquisition by HNA. In 2015, he was appointed Chief Operating Officer.

Philippe Lapeyre - French
Chief Risk Officer

Philippe has been TIP Trailer Services Chief Risk Officer since 2010. He joined GE in 1991 and worked for a number of GE Capital businesses in Risk and Asset Management leadership positions in Canada, the United Kingdom and Western Europe. He is responsible for the Risk, Asset Management and Pricing functions within TIP Trailer Services.

Hiske Damhuis - Dutch
Chief **Human Resource Officer**

Hiske was appointed as HR Director when she joined TIP/GE in 2006. She was appointed as HR Director GE Equipment Services in 2009. Hiske was reappointed Chief Human Resource Officer of TIP Trailer Services in 2013 on the completion of the acquisition by HNA. In addition to her role in TIP/GE she was a board member of the GE Pension fund in the Netherlands from 2010 until 2013. Prior to joining TIP/GE, Hiske worked for Nortel Networks as Senior HR Manager for the Benelux and Nordics.

Arjen Kraaij - Dutch
Vice President Corporate Development

Arjen joined TIP/GE in 1997 and over the years has held several commercial and general management roles, including Commercial Director for the Benelux Region, and General Manager for Eastern Europe. His previous role was leading the European Marketing and Services organisation, as well as the International and Strategic Accounts Group. Arjen was appointed Vice President Corporate Develpoment in 2013.

David Coupar - British
Chief Remarketing Officer

David has spent his entire career in the commercial vehicle industry, primarily in international sales in Europe, the Middle and Far East. He joined TIP/GE in 1994 and has been responsible for developing and leading Remarketing at TIP/GE for the past 15 years. In addition he was a board member of the GE pension fund in the Netherlands from 2004 until 2013.

Supriti Singh - Indian

Chief Information Officer

Supriti has spent the past 25 years working in global IT in various industry sectors. She joined GE in 2000 at the John F Welch Technology Centre, Bangalore, India and has been working with TIP/GE since 2005. In 2009 she was appointed as CIO for GE Equipment Services. Supriti was appointed CIO of TIP Trailer Services in 2013 on the completion of the acquisition by HNA. Prior to joining TIP/ GE, Supriti held several leadership positions with a number of companies across India, including most extensively with Tata Motors.

Jan Ihlau - German

Chief Legal Officer and Company Secretary

Jan was appointed Chief Legal Officer and Company Secretary for TIP Trailer Services in 2013 on the completion of the acquisition by HNA. He joined TIP/GE in 2003 as Legal Counsel for the TIP, Rail and Modular Space businesses of GE Equipment Services in Central Europe and was appointed General Counsel in 2010. He is an experienced General Counsel with more than 19 years of broad international legal leadership experience. Prior to joining TIP Trailer Services, Jan was a senior lawyer with a major German law firm, where he led their corporate and commercial law department.

Willem Duijf - Dutch

Chief Marketing Officer

Willem re-joined TIP Trailer Services in 2015 as Chief Marketing Officer. Prior to this he led Novacom Europe, a telematics provider. Willem started his career at GE in their Financial Management programme, moving on to become a Quality Master Black Belt at GE Plastics. In 2004, he first joined TIP as a Quality Master Black Belt, and subsequently took a number of commercial roles, including Product Manager and Marketing Leader for the Benelux Region. In 2010, Willem joined Novacom Europe as Sales and Marketing Director.

Mathijs Slangen - Dutch

Vice President Strategic Accounts and Strategy

Mathijs joined TIP Trailer Services in 2013 to develop the European Solution Development team and later took responsibility for Strategic Accounts and partnerships. In 2015, he was promoted to Vice President Strategic Accounts and Strategy. Prior to joining TIP, Mathijs worked for Seabury Group, a U.S. based management consulting company, where he was responsible for setting up the maritime cargo practice. He has more than 10 years of experience in the transportation and logistics industry, having also worked for Maersk and EY.

Oliver Bange - German

Vice President Central Europe Region

Oliver re-joined TIP Trailer Services in 2015 on his appointment as Vice President for the Central Europe Region. Oliver started his career at BTZ as Country Manager for Italy. He joined GE in 1998 and held various commercial roles in GE Capital. In 2004, he joined TIP as Tankers Director Continental Europe. Oliver left TIP in 2010 to join DKV Euro Service as European Director of Sales.

Mark Crossland - British

Vice President Tankers UK

Mark joined TIP/GE in 1996 and has extensive transportation and tanker services industry experience. Over the years he has held several commercial and operational roles in the tanker part of TIP's business including serving as European Operations Director. He has led the development and growth of the UK Tanker business following the HNA acquisition of TIP and was promoted to Vice President Tankers UK in 2015.

Didier Felice - French

Vice President Mediterranean Region

Didier joined TIP Trailer Services in 2005 as General Manager for France. In 2009, he was appointed as European Business Development Director for TIP. In 2011, Didier assumed the role as Commercial Leader for the Mediterranean Region. In 2015 he was promoted to Vice President for the Mediterranean Region. Prior to joining TIP, Didier held several general management roles for various global IT companies. During this period, Didier developed a strong expertise in the outsourcing services industry.

Michael Furnival - British

Vice President UK and Ireland Region

With more than 28 years' experience in the transportation and trailer services industry, Michael initially joined TIP Trailer Services as a UK Area Sales Manager in 1988. He left to become Sales Director at Transrent in 2000. Michael re-joined TIP in 2007 as Sales Director for the UK and Ireland. He was promoted to his current position as Vice President for the UK and Ireland Region in 2015.

Rick Kloepfer - Canadian

Vice President Canada

Rick joined TIP Trailer Services in 2016 as part of the Train Trailer acquisition in Canada. He served as President and Chief Operating Officer of Train Trailers since 2012 and was appointed Vice President for Canada following TIP's acquisition of Train Trailer. He originally joined West Van Trailers as General Manager in 2005 and led the subsequent acquisition and integration of Blue Star, West Van and Train to form the current Train Trailer business in Canada. He brings over 24 years of equipment leasing and rental experience in the Canadian market.

Rogier Laan - Dutch

Vice President Benelux Region

Rogier joined TIP/GE in 1989. He held various international commercial and general management roles within TIP, Key Lease and GE in The Netherlands, Spain and Italy, culminating in his appointment as the Director of Pan-European Accounts. Rogier was appointed European Commercial Director for TIP Trailer Services in 2009. In 2015 he was promoted to Vice President for the Benelux Region. Prior to working for TIP/GE, he worked as a financial controller for the Dutch local government authorities, Gelco and Citicorp.

Christian Petersen - Danish

Vice President Nordic Region

Christian re-joined TIP Trailer Services as Commercial Leader for the Nordic Region in 2014 and was promoted to Vice President for the Nordic Region in 2015. Prior to re-joining TIP, he was General Manager for Northern and Eastern Europe for UTC Fire and Security Products EMEA from 2008 to 2014. Christian originally joined TIP in 2003 as Sales Director for the Nordic Region.

FINANCIAL REVIEW

Financial information

The financial information in this section is derived from the consolidated financial statements including comparative information for the years 2014 and 2015. For the basis of comparatives for 2012 and 2013 please refer to the glossary section of this report. The focus is on the underlying EBITDA excluding exceptional items, which provides the best basis for evaluating the operating and financial performance of our company.

2016 financial highlights and key components of performance

Financial highlights €m	2014	2015	2016	% change
Leasing	150	161	184	+15%
Rental	79	92	98	+7%
Damage protection	16	17	20	+11%
Leasing and rental	**245**	**270**	**302**	**+12%**
M&R 3rd party	48	64	84	+32%
Fleet sales	27	28	38	+34%
Other	6	10	24	+147%
Total revenue	**326**	**372**	**448**	**+21%**
Contribution	**159**	**174**	**220**	**+27%**
Operating expenses	(63)	(68)	(78)	+14%
Bad debt expenses	-	(1)	1	-
EBITDA	**96**	**105**	**143**	**+37%**
Net operating assets	464	624	871	+40%
Capital efficiency	**25%**	**19%**	**20%**	**+1%**

The reported revenue, contribution, operating expenses, bad debt and EBITDA have been affected by movements in exchange rates during the year principally due to £ decline vs €. Please refer to table below which outlines the impact of exchange movements, acquisitions and organic growth on our key performance components for 2016.

Key components of performance €m	Revenue	Contribution	Operating expenses and bad debt	EBITDA
2015	**372**	**174**	**69**	**105**
Exchange effects	(10)	(5)	(1)	(4)
2015 at 2016 rates	**362**	**169**	**68**	**101**
Incremental impact in 2016 of:				
2015/2016 acquisitions	39	16	5	11
Organic growth	47	35	4	31
2016	**448**	**220**	**77**	**143**
% Total reported change	21%	27%	14%	37%
% Total 2015 at 2016 rates	24%	30%	13%	42%
% Organic change	13%	21%	6%	31%

Group revenue for the year increased by 21% (24% at constant exchange rates) to €448m (2015: €372m) with double digit growth in most revenue components.

Leasing and rental revenue increased by 12% and maintenance and repair (M&R 3rd party) revenue increased by 32% compared to 2015 as we supplemented organic growth with bolt-on acquisitions of both leasing portfolios and workshops. We invested €262m (2015: €175m) in our fleet and a further €16m (2015: €8m), principally in workshops, to broaden our platform and support future growth. Other revenue grew by €13m, principally driven by a €5 customer indemnification payment for damages and new buy to sell revenue of €4m. Fleet sales increase also included €2m in relation to the customer who paid indemnification damages.

We sold over 6,500 used trailers, a volume ~28% higher compared to prior year, despite weaknesses in a number of key industry export markets: Russia, Ukraine and the Middle East. The increased volume of used trailer sales has principally been driven by an increase in manufacturer trade-ins.

We increased contribution by 27% (30% at constant exchange rates) to €220m (2015: €174m). This was driven by strong overall revenue growth with improved contribution percentages versus prior year for leasing and rental, M&R 3rd party and fleet sales. This reflects our strong and continuous emphasis on cost control.

Operating expenses increased by €9m. €5m of this increase was driven by additional employee benefit expenses, rental and other facilities costs associated with acquisitions during this year and the full year impact of prior year acquisitions. The remaining €4m increase was largely driven by commercial and operation resources required to support revenue growth. The high quality of our customer portfolio and our thorough due diligence and vetting processes resulted in bad debt recoveries of €1m versus an expense of €1m in the prior year. Bad debt recoveries included €2m in 2016 in relation to the customer who paid indemnification damages.

Our EBITDA increased by 37% (42% at constant exchange rates) to €143m (2015: €105m). The increase in EBITDA was driven by our investments in new fleet, contract renewals and acquisitions while managing our operating expenses efficiently. Our investment in acquisitions contributed to €11m of the improvement in EBITDA. These acquisitions, combined with new investments in fleet, will have an additional positive impact in 2017. Net operating assets increased by 40% to €871m (2015: €624m) principally driven by fleet purchases, workshop investments and acquisitions.

Robust long-term cash flow model and performance

We generally purchase new fleet when new leasing contracts with customers have been secured. When economic activity is slow, we have demonstrated the flexibility of our business model by appropriately reducing and deferring fleet purchases and generating substantial cash flow, as shown in the table below:

€m	2012	2013	2014	2015	2016
EBITDA (excluding gain on fleet sales)	**131**	**105**	**90**	**101**	**135**
Fleet purchases	(15)	(23)	(123)	(175)	(262)
Acquisitions	-	-	(17)	(44)	(149)
Fleet sales	35	28	27	28	38
Other net investment	(1)	(1)	(8)	(17)	(17)
Net investment	**19**	**4**	**(121)**	**(208)**	**(390)**
EBITDA - net investment	**150**	**109**	**(31)**	**(107)**	**(255)**

During the years 2012 to 2013, only limited capital resources were available to our business, driven by the policy of our former shareholder, GE, to repatriate cash from our business as it focused on selling its financial services businesses globally. Despite a reduction in net operating assets of 32% during that period we successfully restricted the decline in revenue to 8% through a combination of lease renewals and a 25% growth in 3rd party maintenance and repair revenue. Under HNA ownership from 2014 we have refocused on growth through fleet purchases, workshop investments and acquisitions. As a result, in 2016 our revenue grew by €76m (2015: €46m) and net operating assets grew by €247m (2015: €160m).

As a result of the growth in our EBITDA, our capital efficiency increased to 20% in 2016 (2015: 19%). At 20% it is higher than before the global financial crisis due to a more balanced business portfolio mix (leasing and rental versus 3rd party maintenance and repair). Our capital efficiency also benefits from ongoing rigorous management of our cost base, and by effective deployment of our assets.

We have a very disciplined and robust administrative and other operating expenses ('overhead') model, divided into 2 key components:

Regional operating expenses are mainly comprised of compensation and benefits and 3rd party services, which are focused on customer service delivery. These costs are primarily related to our regional General Management, Commercial, Operations, Remarketing, Risk and Collections functions.

Centralised costs are comprised of centralised SLT related costs together with the costs of support functions which are principally centralised and run through Centres of Excellence for IT, Human Resources, Asset Management, Finance (covering Treasury, Accounting, Tax/VAT) and Operations (covering Fleet Sourcing, Indirect Sourcing, Accounts Payable, Billing, Integration and Business Intelligence).

This model allows us to avoid duplicating costs for support functions, leveraging our unique pan-European IT platform. In addition, this cost management model allows us to further utilise low cost countries (LCC) for support functions, particularly in IT, Finance and Operations. Using our platforms and partners in Poland and India provides additional flexibility to our overhead cost base. Centralised 3rd party supplier management allows us to effectively consolidate our purchasing power to achieve the best prices. From 2007 to 2016, we have achieved a reduction in overheads of 22% while revenue declined by 11% in the same period.

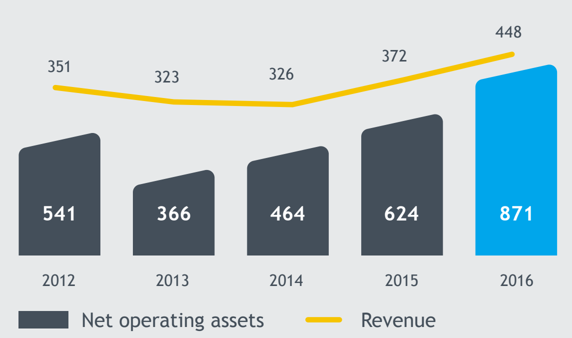
Taxation

Our approach to tax is aligned with the SLT and the Board's strategy. It applies to all taxes, both direct and indirect, in the countries where we operate. Our goal is to ensure that we pay the appropriate tax proportionate to our activities in each country. Our tax strategy is reviewed and revalidated periodically and would be adapted when needed in the light of factors such as material changes to our business strategy, business model or tax legislation. We endeavour to comply with the applicable tax legislation in the countries where we operate and utilise, where appropriate, available legislative reliefs.

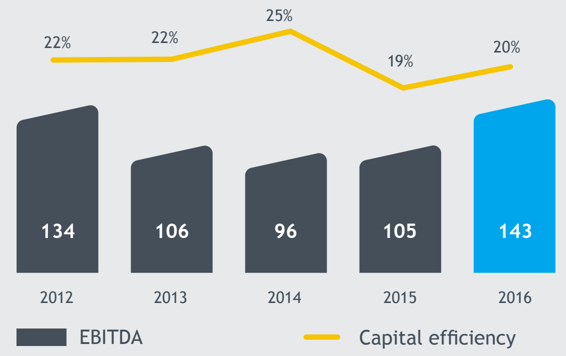
Responsibility for tax risk and tax operations rests with our CFO while day-to-day responsibility is delegated to the Tax Director and our tax team. To ensure that we fully understand our tax obligations and keep up to date with changing legislation across the Group we engage advisers as required. We seek to proactively engage with tax authorities. Where practical, we seek opportunities to meet with tax authorities to ensure that our business and tax positions are understood and we aim to file our tax obligations in a timely and accurate manner.

During 2016 we continued to monitor developments in the OECD's work on Base Erosion and Profit Shifting ("BEPS") and Country-By-Country Reporting ("CBCR"). We do not expect our tax positions to be materially impacted by legislative changes arising from the BEPS and CBCR recommendations although related compliance cost may increase.

Net operating assets and revenue (€m)



EBITDA (€m) and capital efficiency (%)



Below is the detail of taxation paid/collected over recent years:

Tax paid/(collected) €m	2012	2013	2014	2015	2016
VAT (based on contribution)	41	35	29	36	40
Payroll	19	20	23	28	33
Corporate	-	-	3	-	1
Other (principally real estate related)	1	1	1	1	1
Total	**61**	**56**	**56**	**65**	**75**
% of revenue	17%	17%	17%	18%	17%

Liquidity and financing

Following our acquisition by HNA at the end of 2013, we obtained equity funding totalling €513m. Prior to that, the business was funded directly by our former shareholder, GE.

During 2016 we continued to make solid progress on our debt financing programmes. Our objectives were to:

- diversify our funding sources
- increase funding to support growth through fleet purchases, workshop investments and acquisitions
- secure competitive funding costs in a declining European interest rate environment

We ended 2016 with total committed facilities primarily for fleet of €814m (2015: €736m), at average margins of 2.7% (2015: 2.8%) and with four diversified funding sources:

- revolving credit facility (RCF)
- asset backed securitisation (ABS)
- finance leases (FL)
- operating leases (OL)

I. RCF:

We have a RCF facility of €600m. This is a multicurrency facility which allows us to borrow in the major currencies in which we operate. We have the flexibility to expand this facility by a further €100m. Margins on this facility are ~2.7% and there are minimum interest rate hedging requirements. There are 3 key financial covenants which we fully complied with during the year. The actual covenants are shown below:

Covenants	2016	2015
Interest cover	2.3x	3.0x
Solvency	25%	29%
Loan to value	84%	89%

II. ABS:

The ABS facility was originally concluded on 10 September 2014 and is a private financing transaction using a common Dutch law securitisation structure for operating leases which established a cross-border revolving securitisation facility. The committed senior facility in this transaction is €80m of which €69m was drawn at the end of 2016 (2015: €37m). This facility can expand to €160m in future years. A margin of ~2.25% is applicable on this financing. The senior facility requires interest rate hedges to be taken out to match the operating lease cash flows.

III. FL:

At the end of 2016 we have finance lease facilities totalling €62m (2015: €15m) of which €49m (2015: €10m) were drawn. These principally arose as part of our acquisitions where the cost of early termination was high, and where we could obtain low rates. Interest rates on these leases are ~2.9% (2015: 2.7%).

IV. OL:

At the end of 2016 we have operating lease facilities for fleet totalling €72m (2015: €41m) of which €46m (2015: €31m) were drawn. These facilities are with various funders, manufacturers and operating lease providers principally in the United Kingdom, the Netherlands, Germany and France where, in some cases, we can share credit or asset risk for fleet.

In addition, we also make use of operating leases for PP&E assets such as land, buildings and motor vehicles. We ended 2016 with €71m (2015: €53m) of operating leases committed and drawn for PP&E.

In the section "Potential impact of new lease accounting" we address how these operating leases are likely to affect our profit or loss, cashflow, balance sheet and related financial statement notes after the implementation of IFRS 16.

"When you eliminate the impact of exchange effects, 2016 was a notably strong year with revenue growth of 24%, contribution up by 30% and EBITDA up even more impressively by 42%. Effectively leveraging our cost base and increased scale were key drivers in this performance and will continue to be fundamental drivers for our success in the coming years"

Malachy Mc Enroe, Chief Financial Officer, TIP Trailer Services

We ended the year with a strong liquidity position as shown below:

Liquidity overview €m	2013	2014	2015	2016	% change
Cash	69	38	38	17	-55%
Committed unused facilities:					
RCF	55	49	228	121	-47%
ABS	-	80	43	11	-74%
Finance leases	-	-	5	13	+160%
Operating leases	-	-	10	26	+160%
Total	**124**	**167**	**324**	**188**	**-42%**
% change		**+35%**	**+94%**	**-42%**	

The extra flexibility to increase our RCF by a further €100m and our ABS facility by €80m provides additional liquidity to support growth.

We believe that with the support of our shareholder and by further expanding our financing programmes, we are in a strong position to continue to build our fleet base, expand our workshops and pursue advantageous acquisitions of both lease portfolios and workshops. We are also well positioned to take advantage of any improvements in the European and Canadian economies and markets.

Interest rate and foreign exchange risk management

Both our RCF and ABS facilities are at floating rates and require minimum interest rate hedging. We continue to take a more conservative position than required under these facilities and we ended the year with the following profile of floating rate debt swapped to fixed on our principal borrowing facilities:

	2014		2015		2016	
	% hedged	Duration (years)	% hedged	Duration (years)	% hedged	Duration (years)
Term loan	70%	1.1	-	-	-	-
RCF	-	-	72%	3.3	83%	2.3
ABS	-	-	86%	3.5	93%	4.5
Weighted average	**70%**	**1.1**	**73%**	**3.3**	**85%**	**2.6**

In addition most of our finance and operating leases have fixed term rates.

Our principal foreign currency risk are with the £, C$, NOK and SEK as we have both assets and cash flows in those currencies. We substantially hedge this risk by borrowing in £'s, C$, NOK's and SEK's to fund our activities in the United Kingdom, Canada, Norway and Sweden respectively. Our RCF facility allows us to draw down in €'s, £'s, C$, NOK's and SEK's. Our ABS facility also allows us to draw down in €'s, £'s, NOK's, SEK's and DKK's.

In addition to FX impacts as outlined in "2016 financial highlights and key components of performance" we incurred a €2m cost related to the impact of Brexit on the £ and €3m related to interest rate swaps driven by reductions in base rates during the period and negative ECB interest rates in the Euro area resulting in our € interest rate swaps becoming ineffective for hedge accounting purposes.

Cash flow and gearing

Our net cash outflow was €220m (2015: €158m) and was principally financed by an increase in debt from our RCF, ABS and FL facilities. This, combined with our EBITDA cash flow, allowed us to invest €240m (2015: €167m) in net capital expenditures and €149m (2015: €44m) in acquisitions.

A summary of the Group's cash flow is shown below:

€m	2014	2015	2016
EBITDA	**96**	**105**	**143**
Net capital expenditures	(106)	(167)	(240)
Acquisitions	(17)	(44)	(149)
Lease in cost	(5)	(7)	(11)
Net interest and taxation payments	(17)	(2)	(10)
Net working capital/other non-cash items	(1)	(30)	12
Net underlying cash generation	**(50)**	**(145)**	**(255)**
Debt issuance fees	(4)	(13)	-
Net funding from shareholder/HNA loan repayment	33	-	35
Net cash (outflow)/generated	**(21)**	**(158)**	**(220)**
Opening net debt	200	222	379
Net cash outflow/(generated)	21	158	220
Exchange differences	1	(1)	(17)
Closing net debt	**222**	**379**	**582**

The ongoing strong EBITDA cash flow, together with the diverse forms of financing in place, will enable us to continue to renew our fleet, capture leasing opportunities, expand our services business while executing additional bolt-on acquisitions.

We ended the year with a modest gearing ratio of 51% (2015: 41%).

Events after the reporting period and other significant items

On 3 January 2017 we completed the acquisition of a leasing portfolio in Germany for approximately €3m. The group has not finalised the accounting treatment for this acquisition.

On 23 January 2017, Willi Betz, an inactive distressed customer, paid €9m for a combination of unpaid account receivables which were provisioned in 2013, fleet sales and indemnification for damages. €5m was recorded in other revenue, €2m in fleet sales and €2m as recoveries in bad debt. The Group's legal and risk teams have used, over a number of years various 'out of court' debt recognition processes and several land and property charges to successfully secure this payment. This transaction has been recorded in the 2016 financials. Proceeds were received after the year end but before the financial statements were approved by the board and in such a situation, IFRS requires the transaction to be recorded in 2016.

We manage more than

7,000

suppliers in our network

Each year we see more than

1,000,000

tyres for inspection

We handle

80,000

roadside incidents per year

We manage maintenance on

104,000

trailers per year

We spend

€76,000,000

on parts annually

Our managed fleet covers

7,000,000,000

kilometers per year

COMMERCIAL AND OPERATIONAL REVIEW

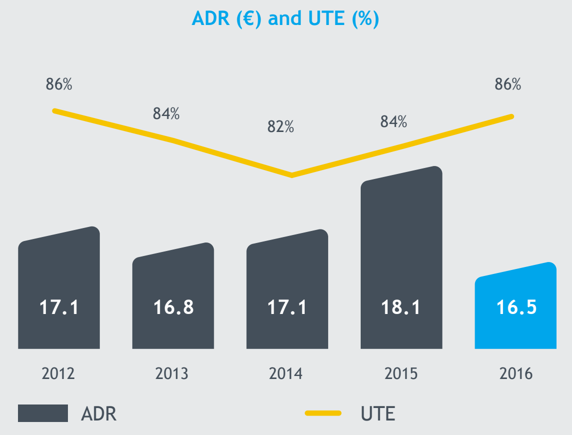
Market, customers and operational model

The European road freight market accounts for over 82% of the European freight market in terms of value. It grew at 1.5% compound annual growth rate (CAGR) from 2012 to 2016, and is forecasted to continue to grow at a rate of approximately 1.5% CAGR until 2018.

In line with the trend in the road freight market, the European trailer market has seen steady growth. During the year new trailer registrations grew by 12% (2015: 16%) with a CAGR of 11% from 2012 to 2016. The key growth drivers are replacement demand, which is dependent on the age and size of the existing trailer parc, and new demand which relies on investment growth.

With slow stable growth in the European market and by supplementing our organic growth with acquisitions, we continue to benefit from our pan-European scale to sustain utilisation rates by transferring trailers across countries and taking advantage of demand and pricing conditions. Stable growth is also expected in the Canadian market. We continue to benefit from our scale and are well positioned for good organic growth going forward.

Furthermore we have a proven track record of maintaining average daily rates (ADRs) and utilisation (UTE) through a flexible and scalable operational business model.



The change in ADR over the past two years is explained as follows:

€	2015	2016
Prior year	17.1	18.1
FX impact £ vs €	0.4	(0.5)
Declining interest rates	(0.2)	(0.4)
Canada mix	-	(0.4)
Other/mix impact	0.8	(0.3)
Current year	**18.1**	**16.5**

Over the past years, an increasing number of our customers have chosen to maintain their fleet with us. We have seen this through an increased proportion of leases with a full service maintenance option (rising from 66% in 2007 to 82% in 2016). With growth in 3rd party maintenance and repair (up by 32% in 2016), our customers clearly see our expertise in managing their assets, maintenance and repair requirements. Our fleet maintenance and repair offering enables our customers to focus on their core business, to ensure compliance with regulatory standards, and provides predictability of maintenance costs.

We have a large customer base with strong relationships. The average tenure of our top twenty customers is more than twenty years. We are not significantly exposed to any single customer, benefiting from a diversified portfolio, with our top ten customers representing 20% of leasing and rental revenue and 31% of M&R revenue. Our maintenance and repair business has achieved significant penetration with 90% of our top fifty customers taking four or more of our services. Due to our experience and competencies we are able to deliver customer value from a wide range of services. Our service offerings are categorised into:

- Leasing
- Rental
- Damage protection
- 3rd party maintenance and repair

Our aim is to offer first class services to our customers and to become the trailer provider of choice and trusted advisor in the transportation and logistics industry. To do this we offer a great variety of services throughout the whole trailer asset life cycle ranging from high quality products and services at our workshops, to a full range of leasing and rental service offerings as well as complete outsourcing or fleet management solutions.

We have 4 pillars which are the foundation of our business model: Our **people** allow us to offer a broad range of **assets** according to the needs of our customers at the highest **service** standards supported by our extensive network and customer **platform**.

Pillar	Purpose	How
1.Assets	Having the right equipment, at the right locations, at the right time and in good condition for our customers	› Diversified equipment portfolio › Large volumes to drive strategic sourcing › Proactive asset management › Vast experience in different equipment types › Strong sourcing capabilities › Different financing capabilities › Highly experienced Remarketing team
2. People	Create a passionate environment where industry expertise, innovation, talent, leadership and analytical skills come together to create winning solutions for our customers	› Develop entrepreneurial leaders › Trainee/talent development programmes › Robust training curriculum and a learning culture › Cross-functional teamwork › Over 48 years of trailer experience and expertise › Reward and recognition
3. Service	Ability to offer tailor made service levels to a vast variety of customers with different needs (from transactional to value-add)	› Strong focus on new product development and net promoter score (NPS) › Telematics capabilities › Service offering throughout the full asset life cycle › Dedicated service teams centered around our customers
4. Platform	To have the right tools to create insights for our customers. To offer high quality, flexible solutions and proactive advice at multiple locations across Europe and Canada	› Strong European footprint › Strategic partnerships with other key industry players › 80 workshops (2015: 63) and 159 MSUs (2015: 123) › Large vendor network (7,000+ suppliers) › 24/7 roadside services across Europe › Integrated systems and processes › Intelligent fleet management tools

"Last year we aimed to grow our M&R 3rd party business, expand our network, add capacity to drive productivity and deliver on our service and quality commitments. These are now all playing out in our financial performance with improved productivity, contribution margins up 2%, and in the service excellence we deliver to our customers day in and day out. In 2016, we have successfully expanded our footprint from 63 to 80 workshops, bay capacity increased from 367 to 470, and we now have over 900 highly skilled mechanics and workshop staff delivering on our customer commitments and leading the market with innovative maintenance packages.

During the year we increased opening times at numerous locations, opened our first workshops in Austria, Spain and Poland and expanded to a new continent with our Train Trailer acquisition in Canada.

2017 will be another exciting year for our workshops network, valued suppliers and with our continued investment we should further improve our productivity and contribution margins."

Paul Beadle, Chief Operating Officer, TIP Trailer Services

Our services

We offer a range of services to improve our customers' fleet performance and reduce operating costs, making their operations more agile and profitable. From annual road worthiness inspections to tyre servicing; our maintenance and repair service provides our customers with full flexibility in terms of minimising their trailer down time through Europe's fastest growing workshop network and on-site, with the help of our pan-European fleet of mobile service units (MSUs).

Our 3rd party maintenance and repair offerings consist of:

- Non-contracted maintenance and repair: quality maintenance, repairs and parts at competitive prices provided on demand
- Contracted maintenance and repair: a modular service for customer-owned units, giving the certainty of fixed monthly rates. The individual needs and preferences of our customers' specific operation determines the most appropriate solution for them
- Roadside assistance: a pan-European breakdown recovery service for your transport equipment, with round the clock, multi language support, 365 days per year

Maintenance and repair service offers:

- Annual road worthiness inspections
- Periodic equipment checks and inspections for brakes, axles and general trailer body based on manufacturers recommendations and expected annual mileage
- Fleet management
- Tyre maintenance
- Roadside assistance services
- Damage repair management
- Reefer engine servicing
- Tail lift servicing

Our maintenance offering was enhanced organically through the expansion of our own maintenance infrastructure. We added 10 (2015: 5) new workshops:

- Norway (Stavanger)
- Sweden (Jönköping)
- Germany (Halle)
- Austria (Linz)
- France (Nancy)
- Italy (Castlenuevo)
- Spain (Madrid)
- United Kingdom (Stoke and Rugby)
- Poland (Poznan)

We added a further 10 (2015: 17) workshops via acquisitions in 2016 of which 5 were in Canada as part of our acquisitions of Train Trailer and Load King Trailer.

We have also added bays to a number of our existing workshops and added numerous shifts increasing our overall capacity. In 2016 we added 36 mobile service units (MSU's) (2015: 28) and plan to further grow our MSU's in 2017. Our continued investment in maintenance infrastructure will not only address the strong demand for maintenance, but will also support those customers who require full service maintenance leases.

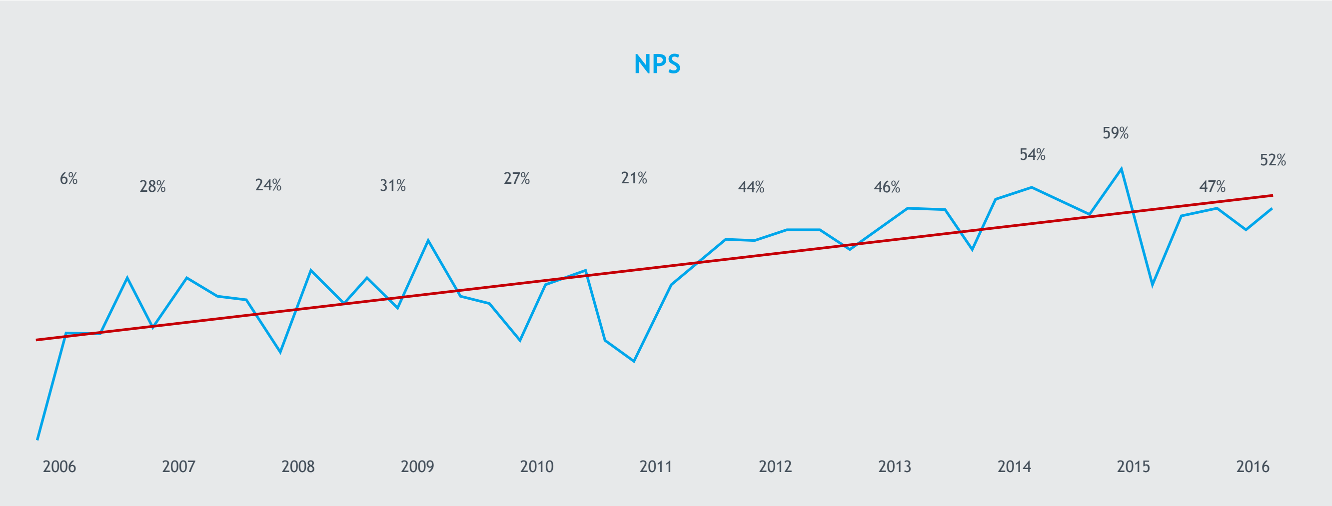
We have continued to provide our customers with strong analytics on their trailer fleets through the use of KPI reporting that forms part of our fleet management offering. Fleet management supports customers by ensuring that their equipment has completed all required maintenance and road worthiness inspections on a timely basis to provide maximum uptime.

In addition, we supply state of the art telematics products to our customers. These products provide tracking solutions on equipment, and enable our customers to monitor and control their fleet. The telematics products are supplied through Novacom. Novacom is a leading telematics manufacturer, with which we have a joint venture. Novacom's services help fleet managers monitor their fleet and optimise performance via remote vehicle diagnostics. It provides solutions for a broad range of applications, including job dispatch, navigation, driver communication, tracking utilisation, on-time maintenance and security.

Net promoter score

We value our customers and are committed to building a strong relationship with them. It is important for us to understand and track the level of customer satisfaction. We employ a net promoter score (NPS) as our measure for customer satisfaction. Broadly speaking, it tells us the extent to which our customers are inclined to stay with us the next time they need equipment or services or recommend us to their peers.

We see a positive trend line in customer feedback on our NPS programmes and use this direct feedback to drive actions for continuous improvement in service delivery to our customers.



Awards

During 2016 we received a number of industry awards for our outstanding contributions to health and safety.

From left to right: Michael Low, Ivan Lukic, Jose Littmann, Amir Belkasmi, Nico Hirsch and Paul Heim (TIP Trailer Services, Germany)

From left to right: Darko Illievski, Hamza Seker, Angelo Savio, Daniel Otto and Ludwig Maintz (TIP Trailer Services, Germany)

Received BGHW Employee Safety and Injury Prevention Award

In 2016 TIP Trailer Services received the Employee Safety and Injury Prevention Award from the German Professional Trade and Logistics Association (BGHW) at their annual award ceremony in Hamburg. Our team developed a unique "door lifting frame" device which helps to repair refrigerated trailer doors more easily and safely and a "curtain lifting frame" that allows a mechanic to safely change the side curtain using a forklift.

Received International Safety Award from the British Safety Council

For a second year in a row TIP Trailer Services received an International Safety Award with merit from the British Safety Council in recognition of our commitment to keeping our workers and workplaces healthy and safe. Our United Kingdom and Ireland team developed a video based induction programme to guide employees through the requirements of Environmental Health and Safety (EHS) covering areas such as accident procedures, hazard awareness, risk assessments, personal protective equipment and safe working practices.

Acquisitions and integrations

During 2016, we further accelerated our acquisition strategy to support growth and expand our geographical presence. We closed 10 (2015: 8) acquisitions during the year, comprising 7 leasing and rental portfolios, and 3 maintenance and repair businesses, for a combined total of €149m (2015: €44m). These acquisitions were spread across 6 (2015: 6) countries.

Acquisition	Country	Month closed
Best of	France	January
Aim Hire Limited	United Kingdom	March
P:A:D:S Trailers Limited	United Kingdom	April
Haartz Tanker Rental Limited	United Kingdom	April
Officine Caldera 2 SRL	Italy	May
Thermoparts	Spain	May
Train Trailer Rentals Limited	Canada	August
Williams Tanker Services Limited	United Kingdom	August
Load King Trailer Rentals Limited	Canada	November
Twan Heetkamp Trailers B.V.	The Netherlands	November

5 (2015: 2) of the acquisitions were completed as share purchases, with the remaining completed as asset deals with no legal entities taken over as part of the transactions. We subsequently merged Officine Caldera 2 SRL (a share purchase deal) with our Italian operating entity during 2016. The two share purchase transactions in 2015 were also subsequently merged and/or business transferred to our local operating entities during that year.

With the acquisitions of Train Trailer and Load King Trailer, we made our first move into the Canadian market acquiring two lease portfolios and associated workshops laying a foundation for further expansion in the high growth North American market. Our acquisition of Twan Heetkamp Trailers in the Netherlands further strengthens our market share in that region.

Our 2016 acquisitions have contributed directly to our financial performance with €25m of revenue and €7m of EBITDA and will further add to our financial performance in future years. In addition, Best of, Williams Tanker Services and Twan Heetkamp Trailers have expanded our customer offerings to include buy to sell of trucks, tankers and trailers.

We have effectively and successfully integrated areas such as Finance, IT, Human Resources, Commercial and Operations. These acquisitions will further enhance our revenue and EBITDA over the coming years as we use them as platforms for future growth. During our integration process we aim to:

- Keep the best of knowledge and skills, whilst increasing operational efficiency and taking advantage of economies of scale
- Retain and reward people while providing a great work environment
- Retain existing processes and systems where they add value and enhance our business

We added ~235 (2015: 190) employees during the year. These were principally in the Commercial and Operations functions.

Information technology

The success of our strategy to grow through acquisitions, fleet investment and M&R 3rd party is dependent on the timely delivery and the functionality of information technology systems to support them. We have implemented state of the art IT applications to support many of our back office functions and have moved many of these applications to a cloud based environment. This increases our flexibility to deploy these applications at speed as we grow. We are embracing newer technology and implementing Wi-Fi in our branches and evaluating the use of tablets in workshops.

We continue to focus on our core business applications aiming to enhance their functionality for leasing, rental, M&R 3rd party and workshop management. We have started a project called "Matrix" to drive further digitisation in our operational processes. Phase-I of this project, which should go live during 2018, is focused on workshop and maintenance management. Our objectives are to:

- Increase the speed and quality of customer service
- Increase sales
- Drive productivity and efficiency
- Provide employees with better tools
- Improve business intelligence
- Efficiently integrate all acquisitions
- Position ourselves to take advantage of the Internet of Things and predictive maintenance for trailers in the future
- Increase the speed of application deployment
- Be more agile for new product implementation and future developments

We are also currently working on a telephony project which will be completed by end of 2017 providing following benefits:

- A company-wide fixed and integrated line telephony platform
- Reduce call costs by routing internal telephone calls over voice over internet protocol (VOIP)
- Enable contact centre functionality across TIP
- Integration of land line phone, mobile, video and audio conferencing
- Consistent configuration across all TIP locations, remotely manageable by IT central/outsourced
- A scalable solution - able to meet the needs of a changing business

We have a robust governance infrastructure with a Technology Investment Committee (TIC) for IT related projects including project plans which are approved by the SLT and where material, by the Board. A member of the SLT then leads these projects and we perform regular progress reviews. We aim to minimise business disruption, cost and time to implement.

Environmental, health and safety

We have a rigorous environmental, health and safety (EHS) programme with well-defined guidelines to effectively manage EHS risks, workplace and employee well-being and safety. Internal as well as external audits covering a variety of areas, including hazard analysis, product handling, ergonomics and hygiene are conducted to identify and remedy areas of deficiency. We have strict EHS policies, reinforced by regular training, monitoring and periodical audits.

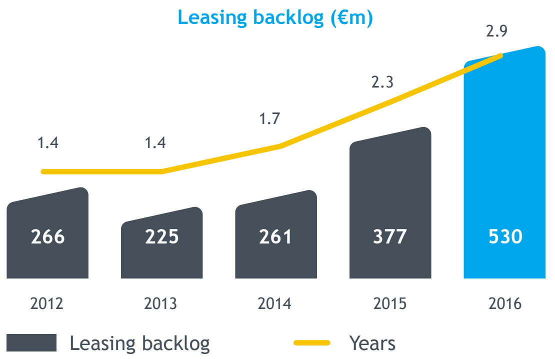
To ensure employee awareness and participation, TIP Trailer Services conducts annual employee surveys to test EHS knowledge and perception of the programme. We tailor training programmes, conduct monthly communications from our Operations leaders and use tools such as scorecards, monthly dashboards and reward programmes to incentivise and motivate employees.

We seek to keep improving the environmental performance of our operations through the efficient use of resources, and by applying the most environmentally friendly technologies such as "silent" refrigerated trailers and low emission tractor units. We also organised a number of other regional projects across Europe to improve recycling and reduce lighting and water consumption.

Focus on leasing and rental performance

With an improving European economy and continued investment in our fleet, we increased our leasing revenue by 15% (2015: 7%). Renewals of expired leases were maintained at a high level of 52% (2015: 51%).

With investments in new trailers and strong lease renewals, we ended the year with an increased leasing backlog of €530m, up 41% from the prior year.



Our ability to reinvest operating cash flows, combined with our unused credit facilities, will enable us to further invest in our fleet during 2017 to satisfy customer demand for new equipment leases.

Slow growth and stable market conditions across Europe combined with portfolio acquisitions had a positive impact on our rental business which grew 7% to €98m (2015: €92m) supporting our customers need for flexibility. Our well maintained rental fleet is an ideal solution in uncertain times as well as providing customers a means to address peak demand effectively.

Damage protection is our damage waiver programme offered on our own equipment and its revenue is linked to the UTE of our fleet. Damage protection revenue increased by €3m in line with the increase in our fleet size and UTE during 2016.

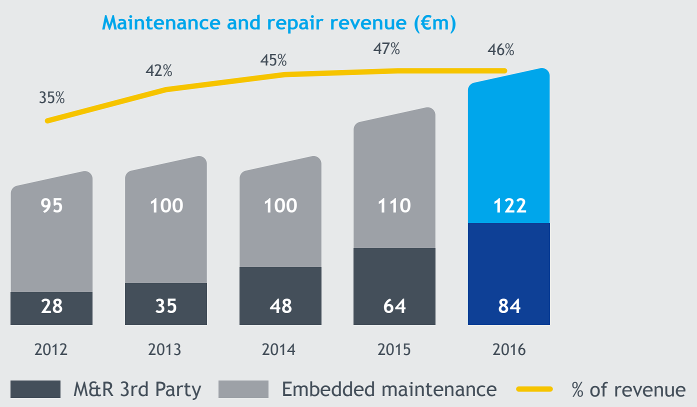
Leasing and rental €m	2012	2013	2014	2015	2016
Leasing	185	164	150	161	184
Rental	82	74	79	92	98
Damage protection	19	18	16	17	20
Revenue	**286**	**256**	**245**	**270**	**302**
M&R own fleet costs	(91)	(95)	(96)	(110)	(115)
Damage protection costs	(13)	(12)	(11)	(11)	(11)
Contribution	**182**	**149**	**138**	**149**	**176**
Contribution %	64%	58%	56%	55%	58%

Leasing and rental contribution % showed its first increase since the aftermath of the global financial crisis with a solid increase in margin of 3% to 58%. The principal drivers were as follows:

- With increased new fleet investment from 2014 onwards, margins have stabilised and are reversing the trend created due to underinvestment by our previous shareholder, GE
- 2016 fleet acquisitions are accretive to overall contribution margin, as the fleets acquired were relatively younger
- Improved productivity and cost control from insourcing - €8m maintenance spend moved in-house
- Damage protection margins have improved during the year, with customers appreciating the security that is provided to them through this offering

Focus on 3rd party maintenance and repair performance

Average annual 3rd party maintenance and repair revenue growth between 2012 and 2016 was 30%. In addition, there is also a significant volume of maintenance and repair revenue generated through the maintenance embedded within our owned leasing and rental portfolios. Total maintenance and repair revenue increased from 35% of revenue in 2012 to 46% in 2016.



3rd party maintenance and repair €m	2012	2013	2014	2015	2016
Revenue	28	35	48	64	84
Contribution	**7**	**8**	**9**	**11**	**16**
Contribution %	26%	21%	19%	18%	19%

The significant growth in maintenance and repair revenue in 2016 has been achieved at a higher margin of 19%, up by 1% from prior year. The principal drivers were as follows:

- Investments in new workshops acquired in 2014 and 2015 are now running at normal operating capacity levels
- We increased capacity utilisation in our workshops. In some of our workshops we added a second and, in some cases a third shift
- Renegotiation of specific low margin customer contracts

We have opened 10 (2015: 5) new workshops in 2016. Not all of these have yet reached normal operating capacity levels. Investments in new workshops generally take 12 to 24 months to achieve normal capacity levels as we need to invest in building our commercial pipeline, to hire and train mechanics. We expect them to further strengthen our margin in later years.

"TIP is a great company to work for, as its values correspond truly to how it operates on a day to day basis, with both employees and customers. TIP innovates and embraces change to be attuned with the needs and wants of our constantly changing and challenging market. Senior management is respectful and open, ensuring any employee, junior or senior, can easily converse with the senior leadership team, ask questions and submit new ideas. TIP develops, educates and promotes its multi-cultural talent, and encourages long-term career opportunities. My 10 year journey from Treasury Intern and regional accountant in Amsterdam to FP&A analyst in Paris, living beneath the Sacre Coeur, in Montmartre back to Amsterdam as a Finance Project Manager and now as a Lead FP&A Manager, is a classic example. It is an added bonus that I also found my wife at TIP along the way"

David Poot, **Lead FP&A Manager, TIP Trailer Services**

PEOPLE

People are what make our business a success. We pay close attention to:

- Our culture
- Development
- Learning
- Engagement
- Talent
- Reward
- Ownership and empower
- Connect

Our culture

At TIP we believe our people are what drives our success and that they perform at their best in a culture that embraces expertise, customer excellence and passion. We believe in empowering our leaders and encouraging entrepreneurship, allowing them to address local needs in their own particular way. Our company values define who we are as a business and what really matters to us. These values are core to the way we conduct business on a daily basis. It is our people that bring them to life every day. To help our people achieve this we translate our values into behaviours, and these behaviours are central in our annual review process and reward strategy.

We believe diversity drives innovation. We have a very broad network throughout Europe and Canada. This results in a highly diversified workforce across 17 countries, on two continents, with multiple cultures. The variety of nationalities, cultures, religious and ethnic backgrounds enriches our workforce by bringing together new ideas, innovations and thinking styles that lead to business success. We use best practices from other countries and using them we improve our company and sometimes even evolve our industry.

We employ over **40 nationalities** and have a stable **20% of females in a predominantly male driven industry**. We continue to push gender equality through growing and developing our female workforce. This year 26% of all promotions and career development moves are made up by our female staff.

Safety of our people is our number one priority and therefore EHS (Environmental, Health and Safety) is a core function in our company getting the highest priority and action. EHS goes beyond accident prevention at our workshops and branches. Our Ombuds network is another safety net. It ensures our employees can address any concerns anonymously and know we apply a rigorous process to ensure these concerns are addressed properly.

We have an informal, down to earth culture that fits with our industry. We keep the organisation as flat as possible with typically 4 to 5 layers of hierarchy and an average span of control of 6.

We operate an open door policy where people are supported in giving their opinion. We are fact based and solution oriented. Change is a constant way of life for us. Our people and our leaders embrace change and work to ensure our strategy is successfully executed.

Development

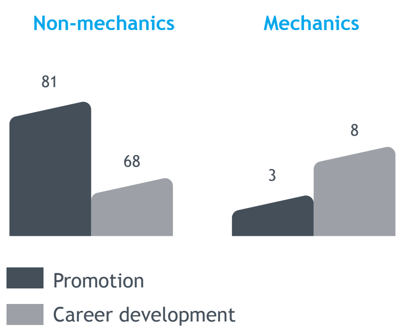
We encourage our people to take personal responsibility for their own development and to take the time to leverage both internal and external resources that can help them improve both personally and professionally.

Our company is more dynamic than ever. Roles that didn't exist yesterday are being created in areas that didn't exist before. At TIP, it is not about finding a single path forward, but exploring, learning, and evolving as you go. We had 84 promotions and 76 lateral moves in 2016.

"There's a sense of camaraderie here, a feeling of belonging, probably because we go out of our way to listen to and involve all our people. Because TIP wants to be the best, the company wants us to be the best. If we're ready to play our part, we'll be richly rewarded. The size and scope of our business means that the opportunities on offer are as diverse as the people that work here"

Jonathan Fath, **Corporate Strategy Advisor, TIP Trailer Services**

Promotions and career development 2016



We have designed a career map that gives our staff insight to the jobs available, potential career paths and moves. We help with career development workshops, training, on the job learning and coaching that will help our people develop the various skills and competences they will need to succeed.

Learning

Training provides our people with an opportunity to develop existing skills and learn new ones. In 2016, we spent ~ €500k on course development and training while our people attended ~2,500 courses.

Training curriculum

Our learning and development curriculum includes courses to improve performance and broaden technical and non-technical skills and abilities. We have an extensive offering of courses and run an annual nomination process. In addition we design trailor made courses every year that address specific learning needs. Programmes are always aimed at attaining operational excellence and delivering world class customer service. In 2016, we launched a TIP tailor made leadership programme, aimed at senior and middle management, conducted recruitment training and ran an engagement workshop. These programmes were key enablers in developing our leaders.

Technical training

Our mechanics safety is of primary importance. We offer continuous training and certification for EHS. In addition, we ensure our mechanics develop skills and are certified in a range of technical trainings from welding, to brake system repairs and bodywork renovation. Our **'TIP University'** e-learning tool offers the latest technical training directly from trailer manufacturers. We build and maintain a pipeline of talent through our apprentice programmes across Europe. We partner locally with the relevant schools and colleges to ensure our apprentices can qualify through these programmes.

Internships

Our Van Dijk internship programme is a first class undergraduate internship whereby we provide students with real learning experience and the opportunity to develop their skills in a multicultural, international and challenging environment. It provides students with unique opportunities of direct exposure to senior management, networking possibilities and regular feedback for professional and personal development. Since its inception in 2006, over 225 students from over 20 nationalities have successfully completed the programme. We currently have 15 Van Dijk intern positions in our corporate functions. Our vision and belief in this programme goes beyond most internships and it serves as a talent pool for entry level positions in our company.

TIPTogether - sharing with our people, by our people

TIPTogether encompasses various programmes to encourage our culture of sharing and learning, social responsibility and team work.

Under this umbrella we organise activities for all employees:

In our **TIPTime** we offer a wide range of in-house training opportunities delivered by our leaders and experts, from negotiation to telephone skills, from stress management to finance for non-finance training. This training is provided by our people, for our people, on-line.

TIPFamily events involve family members of employees. We understand that the family is the foundation for the commitment and loyalty of our people.

TIPCompliance is focused on explaining our code of conduct and integrity policies. Integrity, honesty and ethical behaviour are at the core of our business values.

TIP leadership programme

We believe our leaders have a vision, are entrepreneurial, manage their people, embrace change and above all are authentic to their people. Enabling our people to become a successful leader, we have developed two tailor made TIP leadership programmes, one for middle management and one for senior management. These programmes are well received, scoring a 9 out of 10 amongst participants and help our company to move forward as a cohesive group.

We provide an opportunity to share a career journey best suited to each individual's personality, ability and interests. The development of our people is ongoing and will change as their aspirations change.

"TIP is fun, motivating and it gives you international exposure. We have a Chinese parent and are located throughout many European countries as well Canada. If you are looking for a challenging internship where you can push yourself beyond your comfort zone and develop into a successful young professional, then TIP and its Van Dijk programme are a great choice"

Betty Du, former intern and now FP&A Analyst, TIP Trailer Services

People learn every day. We provide the tools, and encourage our people to take personal responsibility and be proactive in managing their career.

Engagement

We drive engagement and retention by offering a safe working environment, fair remuneration packages, development opportunities, clear communication and well-maintained tools.

We inform staff about what is happening within the organisation, across functions and countries, by sending newsletters in multiple languages. We organise quarterly "all employee meetings" and an annual kick off meeting, which are key communication points ensuring engagement and strategic alignment.

Regularly we organise social evenings, to ensure we keep connected on a more personal level and have fun.

We introduced an "Ideas" platform for all TIP employees to share their ideas and knowledge across the business ensuring while using all the potential within TIP.

Talent

One of our top priorities is identifying, developing and retaining our top talents. It is in our culture to lead in our market and be best in class. We can only achieve this by inspiring our people through a strong performance management methodology and a culture of learning and high performance.

There are three essentials to our philosophy:

- we tell people what is expected
- we help them to achieve these expectations
- and we hold them accountable

For each of these essentials, we have robust processes and strong controls in place:

- the year starts with clear goals that set priorities
- during the year we have multiple touch points with immediate managers to discuss the focus areas for the remainder of the year, including training aspirations and needs
- at the end of the year we have a comprehensive appraisal review of performance against goals, strengths and development needs

Clear goal setting

In telling people what is expected, we share our vision and set clear goals that reflect the results we want to achieve. The setting of goals is the beginning of a comprehensive integrated process at the start of each year. Our goals are aligned with the business strategy and are cascaded throughout the organisation. To enable our people to complete effective goal setting, we have developed training for all employees and managers. It is available in multiple languages.

Regular touch points

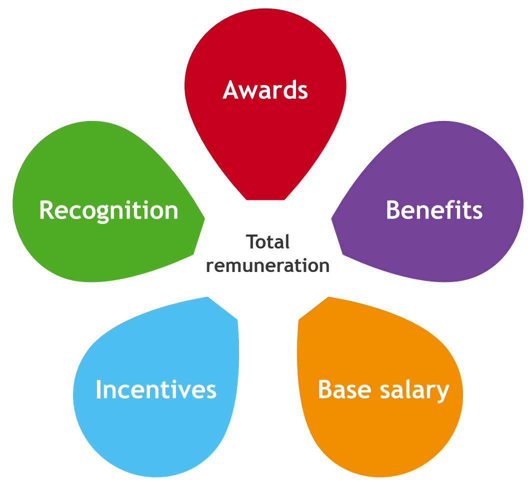
Our people and their managers touch base regularly throughout the year. These touch points can be formal or informal to check the progress of goals, discuss training, career development etc. These touch points enable the employee to take personal responsibility and be proactive in their short-term and long-term career aspirations.

Performance assessment process

In holding our people accountable we follow our performance assessment process. Employees highlight their accomplishments against their goals, identify their strengths and development needs and provide ongoing insight into their career aspirations. The annual appraisal process applies to all employees and is completed once a year. As part of the performance management process we focus not only on whether goals were achieved but how they were achieved as we believe both are important when evaluating employee performance.

Reward

We recognise that everyone is different and values different things, which is why at TIP we practice a total remuneration strategy. This enables us to ensure equality and that performance is rewarded in various forms.



Ownership and empower

We use an integrated human resources system. Our people and managers use it to manage all people related processes. It helps them to be in control of their data, their aspirations and their career.

This online integrated tool provides real time data, clear controls and audits trails. This allows us to track and improve response times to serve our people. Our human resources tool is quick, accurate and provides our people and leaders with a high level of control.

Our integrated tool enables our people to easily see their annual leave balance, request days off, manage their career, skills, and personal details. They have insight into their compensation, can refer a friend for an open position and earn a referral bonus. Managers can action all people processes from one place. Dashboards provide insight into; absentee rates and thus productivity, status of appraisals, compensation and all other talent actions.

Having all data on a single integrated system enables us to drive productivity, better engage and connect with our people and manage the many talented people we have in our organisation.

Connect

We actively engage in volunteer projects through our TIPVolunteers programme, helping those in need within our local communities. We believe our responsibility goes beyond our core business. Progress and prosperity are driving us when we initiate and support educational, social and cultural projects that help people everywhere to fulfil their potential. Our employees have valuable skills; we encourage them to use these to benefit others through involvement in community projects and social enterprises that produce lasting change. We call this building social capital.

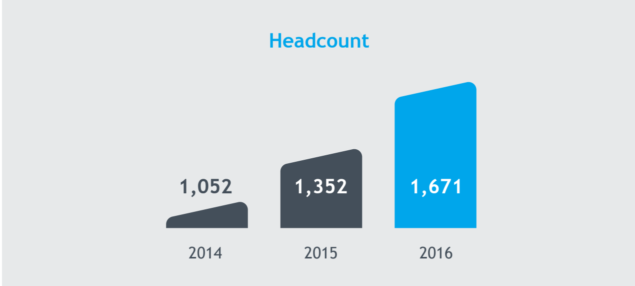
This is how we combine our culture of performance with a culture of responsibility. We drive our success and operations as **one** company, **connected** and **enabled** to do business where the customer sits. Within TIP we see the value of our diversity and engage our people to achieve excellence, but we also understand we are part of a bigger whole and will actively play our part.

We closely monitor a number of key KPI's around people and strive to continuously improve on them as the basis for driving our corporate success. The principal ones are:

- Headcount
- Attrition
- Experienced staff

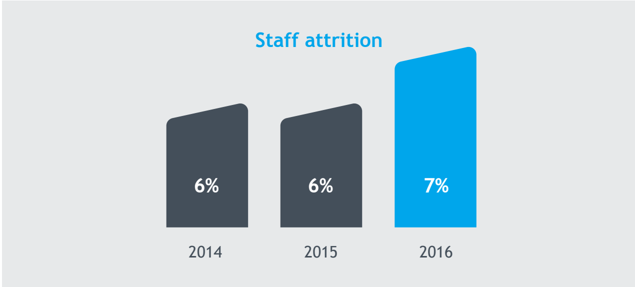
Headcount

As an integrated solutions provider, we have seen our workforce grow mainly in customer focused functions. During 2016 headcount grew by 24% (2015: 29%) principally driven by acquisitions.



Attrition

Attrition has been relatively stable, although a slight increase has been seen. This is related to the increase in the number of mechanics and mix in headcount (66% of increase in attrition is caused by mechanics attrition increase). In 2017 we would closely monitor and manage this, ensuring it does not increase further. But relative to the industry we still think to outperform our competitors.



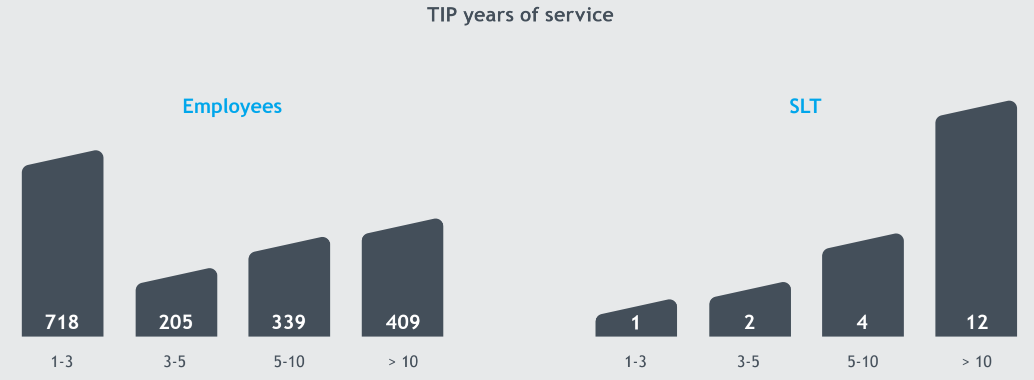
We calculate staff attrition % by dividing the number of permanent employees who left the business voluntarily during the year into headcount at the year end

Experienced staff

The average length of service of our staff is 7 years (2015: 7 years). During the year we added ~235 (2015: 190) employees through acquisitions. These employees, although new to TIP Trailer Services, have extensive industry experience and bring fresh, valuable and different perspectives to our business. We learn as much from them as they learn from us.

The average length of service of our leaders is 13 years (2015: 13 years). In addition to their experience with TIP Trailer Services, our leaders have extensive international, transportation, logistics, outsourcing and trailer industry experience.

At TIP Trailer Services we believe people drive the success of our company.



CORPORATE RESPONSIBILITY

Our corporate responsibility

In our view, being economically successful and internationally competitive generates value for our shareholder(s), customers and society at large. We apply high environmental and social standards to our business to support a sustainable future. We recognise that we have a duty to our stakeholders to be a reliable partner with the highest integrity and ethics. We engage with and learn from others through open dialogue on mutual interests.

We focus our corporate responsibility in 3 principal areas:

- Industry focus through the European Transport Board
- Communities we work with through our TIPVolunteers programme
- Through HNA's global programmes

European Transport Board
frontline expertise connecting the EU

We are the founder and lead member of the European Transport Board (ETB), a group of leading European transport and logistics providers, which together represent a significant part of the industry with almost 300,000 trailers in the combined fleet. The ETB's goal is to share insight and solutions that solve common issues which transcend country borders and individual needs. Its mission specifically aims to:

- Reduce environmental impact
- Reduce congestion from road transport
- Increase road safety
- Improve the effectiveness and efficiency of the industry

With our colleagues in the ETB, we strive to connect:

- Our members to work together more effectively
- With EU priorities
- On environmental and social challenges
- Public and private initiatives
- Demand to supply: reducing congestion and emissions
- The European market to global demand
- All transportation modalities

TIPVolunteers programme

We actively engage in volunteer projects through our TIPVolunteers programme, helping those in need within our local communities. Key events in 2016 included:

A. A charity bicycle ride in Belgium covering around 350km. With more than 40 participants including employees, customers and suppliers, our United Kingdom team raised €50,000 for the United Kingdom National Charity for Cancer Research, Donna Louise Trust for terminally ill children and the Air Ambulance Service

B. Our Netherlands HQ team participated in NL Doet, the biggest annual charity event in the Netherlands. Armed with paint brushes, drills and cleaning supplies, the team of 19 participants worked the entire afternoon to clean and fix up a community center that provides free coaching and activities for children with special needs

C. A European wide charity run in support of UNICEF. In total, more than 150 people participated throughout Europe. The closing run was held in Amsterdam in the Vondelpark with a large representation from Dutch based employees, regional employees and a number of key business partners. We raised and donated more than €11,300 to UNICEF - a great donation for a great cause

A. Participants in the charity bike ride in Belgium

B. Netherlands HQ team participating in NL Doet charity event

C. TIP European wide final charity run at Vondelpark, Amsterdam

HNA's global programmes

One of HNA's majority shareholders is Hainan Province Cihang Foundation ("Cihang"). Cihang is a non-profit organisation with the sole purpose of engaging in charitable and educational activities such as disaster relief and poverty alleviation. Cihang was originally established with a donation of ~€3m from HNA. In 2013, the HNA Group donated 20% of its equity to the foundation. Cihang is based in both Hainan Province and Beijing, China.

In addition to the activities of Cihang, the HNA Group also organises many charitable events.

We believe our responsibility goes beyond our core business. Progress and prosperity are driving us when we initiate and support educational, social and cultural projects that help people everywhere to fulfil their potential. Our employees have valuable skills and we encourage them to use these to others through involvement in community projects and social enterprises that produce lasting change. We call this building social capital.

This is how we combine our culture of performance with a culture of responsibility.

GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance provides our stakeholders with a safe and agile corporate structure designed to maximise shareholder return on investment and ensure effective controls are in place to protect our stakeholders. Our corporate governance principals have been approved by the SLT and Management Board and guide our practices and policies across the countries where we operate ensuring we remain responsive to our shareholders, stakeholders, and communities.

Where appropriate, binding corporate resolutions are implemented to harmonise the policies of our subsidiaries and maximise efficiency. We also participate in the UN Global Compact programme to certify and continuously improve our corporate governance procedures and policies.

We continuously monitor compliance with our policies. Each employee is accountable for his or her actions and our integrity policies require employees to report any compliance concern or breach. The Ombuds system provides a safe and unbiased forum for employees to raise concerns.

Our corporate governance principals are complimented by a strong compliance programme. The compliance programme is comprised of three elements. These elements are:

- The creation of a shared ethical culture within our company
- Providing clear functional guidance to our teams throughout the organisation
- Providing an enforcement and advisory system to defend the high standards of ethical behaviour we demand from our employees

Shareholder

Our primary shareholder is the Employees Union of HNA Group Co. Ltd. (HNA). HNA is a global Fortune 500 company headquartered in Haikou, Hainan province, China, with businesses spanning aviation, real estate, tourism, finance and logistics.

HNA achieved a revenue of €27bn, had total assets of €84bn and around 180,000 employees for the year ended 31 December 2015. In 2016 HNA moved to 353rd position (2015: 464th position) in the Fortune Global 500 list after less than 25 years of existence and has emerged as one of the top 4 Chinese airlines in terms of fleet size.

HNA has established an international presence through various merger and acquisitions over recent years. TIP Trailer Services represented a strategic international acquisition, extending HNA's reach to include road transportation leasing and services, which fits with its related businesses in airlines, aircraft leasing and sea container leasing.

We have successfully integrated into HNA's operations. Several HNA personnel are seconded to our European headquarters in Amsterdam and knowledge exchange programmes with other HNA businesses have continued during the year. Our senior leaders regularly participate in HNA global meetings, and our staff also takes part in HNA's Finance Talent Programme involving work exchange experiences in other HNA businesses.

"The acquisition of TIP Trailer Services into our portfolio is a good strategic fit, complementing our existing investments in worldwide aircraft leasing, marine container leasing and ship leasing. We are very pleased to have acquired an excellent GE management team who we fully support. We continue to strengthen our transportation finance and services capabilities internationally and we intend to grow TIP Trailer Services during the coming years."

Xiangdong (Adam) Tan, Vice-Chairman and CEO, HNA Group

Senior leadership team

We have an SLT with all regions and functions represented. The SLT is responsible for the overall day-to-day management of TIP Trailer Services, the deployment of our strategy and policies and the achievement of our objectives and results. Together with the Management Board, the SLT determines the values by which the company is run while ensuring compliance with all applicable regulations. The SLT and the Management Board are responsible for the integrity of our financial reporting and control environment.

The SLT informs the Management Board regarding all issues related to our strategy implementation, operational and financial objectives, the structure and operation of the internal risk management and control systems, and compliance with legislation and regulations.

Our SLT meets regularly, and strategic decisions of the SLT require approval by the Management Board.

SLT meetings

The SLT met 6 times and the Board of Global TIP Holdings Two B.V. convened and considered resolutions 8 times in Amsterdam during the year. Below are the principal areas covered:

Strategic
- CEO update on strategic and business developments
- HNA management meetings and debriefings
- Post investment reviews, integrations and lessons learnt

Financial
- Annual results
- Budget process updates and approval
- Regional and overall business financial performance including forecasts
- Financial compliance update including taxation

Operational update
- Sales and marketing
- EHS
- Information technology
- Sourcing

People and culture
- People development and succession plans
- Training plans
- Corporate responsibility update

Risk management reviews
- Fleet and remarketing
- Portfolio and delinquency
- Liquidity, financial covenants and derivative positions

Investor relations
- Investor relations updates with analysis and feedback
- Draft results and presentations to analysts
- Annual report

Compliance
- Monitor status of legal claims
- Compliance update

Management Board

Our Management Board is ultimately responsible and accountable for the conduct of the business. The SLT offers advice and guidance to the Management Board on strategic decisions and corporate matters relating to the conduct of the business. Our shareholder appoints the Management Board for an indefinite period of time.

The members of the Management Board of Global TIP Holdings One B.V., are as follows:

Bob Fast - American
President and Chief Executive Officer, TIP Trailer Services
Bob was first appointed CEO in 2003. In 2009 he assumed the position of President and CEO of GE Equipment Services. He led the carve out and sale of TIP Trailer Services to HNA and was reappointed President and CEO of TIP Trailer Services when the transaction closed. Bob joined GE in 1982 and held leadership positions in a number of GE divisions including roles in Finance, Sales, Business Development, Marketing, Leasing, and General Management. He is based in the Netherlands.

Bob has been a Board member since 2014 and a member of the Management Board from 2016.

Yiqun (Tom) Zhuo - Chinese
Deputy Chief Executive Officer, TIP Trailer Services
Tom was appointed Deputy CEO following HNA's acquisition of TIP Trailer Services in 2013. From 2010 to 2013, he served as Deputy CEO of Hong Kong Aviation Capital, based in Sydney, Australia. Tom joined HNA in 2001 as an in-house lawyer at Xinhua Aviation. In 2004, he joined HNA Finance Company as Head of Capital Management and from 2006 as Head of Investment Banking. In 2009, Tom was appointed Deputy General Manager for Capital Management at HNA Capital. He is based in the Netherlands.

Tom has been a Board member since 2014 and a member of the Management Board from 2016.

Wang Hao - Chinese
Vice Chairman and Chief Executive Officer, HNA Group (International)
Hao joined Hainan Airlines in 1999 and has held various financial, commercial and general management roles within the HNA Group, included Manager of Financing and Planning at HNA Group, CFO and Manager of Aircraft Procurement for Hainan Airlines, CFO of HNA Capital and Chairman of HNA International Investment Holdings. He has also served as the Chairman of Bohai Capital, a Shenzhen stock market listed division of HNA. In 2014, Hao was appointed CEO, and in 2016, Vice Chairman for HNA Group (International). He is based in Hong Kong.

Hao has been a Board member since 2016 and a member of the Management Board from 2016.

Shuang (James) Wang - Singaporean
Chief Financial Officer and Chief Operating Officer, HNA Group (International) and Deputy Chief Financial Officer, HNA Group Company
James joined the HNA Group as the Head of Sales at Changjiang Leasing in 2007. In 2010, he was appointed Vice President of GC Tankers and in 2012 as Assistant to the President of Seaco Asia based in Singapore. In 2014, James was appointed CFO , and in 2016, CEO for HNA Group (International). He also serves as Deputy CEO of HNA Group Company. He is based in Hong Kong.

James has been a Board member since 2016 and a member of the Management Board from 2016.

The Management Board is responsible for day to day management including the following matters:
- Achievement of the business objectives
- Deploying corporate strategy
- The structure and operation of the internal risk management and control systems
- The financial reporting process
- Compliance with legislation and regulations
- Corporate responsibility
- Supervising operations and the SLT

Management Board meetings and activities

The Management Board convened and considered resolutions 5 times in Amsterdam, the Netherlands, during 2016. The main topics discussed were:
- 2015 annual report
- 2016 budget
- Execution of business strategy
- Increase/changes in finance facilities
- Acquisitions
- Significant organisational changes and appointments to the SLT
- Compliance and EHS matters

Individual Management Board members regularly interact with the SLT on both an individual and group basis. They have also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

Supervisory Board

The Supervisory Board of Directors of our top holding company, Global TIP Holdings One B.V., supervises the Management Board and the general course of affairs of the company and its affiliated business. It provides advice to the Management Board and coordinates strategic matters between HNA and TIP Trailer Services. When performing their duties, the Supervisory Directors are guided by the interests of the company and its affiliated businesses. Our shareholder HNA appoints the Supervisory Board members for an indefinite period.

THE SUPERVISORY BOARD PROVIDES ADVICE TO THE MANAGEMENT BOARD AND COORDINATES STRATEGIC MATTERS BETWEEN HNA AND TIP TRAILER SERVICES.

The members of the Supervisory Board of our top holding company, Global TIP Holdings One B.V., are as follows:

Xiangdong (Adam) Tan - Chinese
Vice Chairman and Chief Executive Officer, HNA Group

Adam was one of the initial founders and employees of HNA in 1991. Over the years, he has held various general management positions within the Group. From 1991 to 1997, Adam worked for HNA Airlines. In 1997, he was appointed Chairman of HNA Insurance, and in 2000, Managing Director of HNA Airlines. Adam was appointed as a Director of HNA Group in 2001, and in 2014, CEO and Vice Chairman of the Board of HNA Group. Since 2011 he has also served as Chairman of HNA Capital.

Adam was Chairman of the Board of Directors from 2014 and a member of the Board of Supervisory Directors from 2015 until his resignation on 31 December 2016.

Chris Jin - Chinese
Chairman and Chief Executive Officer, Bohai Capital and Deputy Chief Executive Officer, Seaco

Chris joined HNA in 2010, first as Chairman and President of Hong Kong International Aviation Leasing, and later as Chief Financial Officer of Seaco. In 2015, he was appointed Chairman and Chief Executive Officer of Bohai Capital, a publically listed leasing and financial servicing company on the Shenzhen Stock Exchange. In 2016 he also assumed the position of Deputy Chief Executive Officer of Seaco. Prior to joining HNA, Chris worked at East West Bank in Los Angeles for 8 years, and Bank of China (at its Beijing headquarters and New York branch) for 14 years. He is based in Singapore.

Chris was appointed Chairman of the Board and a member of the Board of Supervisory Directors on 31 December 2016.

Bharat Bhisé - American
Founder and Chief Executive Officer, Bravia Capital

As an entrepreneur, Bharat launched many successful businesses before starting Bravia Capital in 2000. His expertise covers a range of disciplines in the financing of transportation and logistics companies and assets and also extensive transportation expertise. Prior to Bravia, Bharat was CEO of a number of businesses including a Soros owned entity where he acquired and managed a portfolio of 90 aircrafts primarily for freighter conversions and which became the world's first systems integrations company devoted to conversions.

Bharat has been a Board member since 2014 and a member of the Board of Supervisory Directors from 2015.

Stewart Smith - British
Chairman, Bravia Capital

In 2002 Stewart was appointed Chairman of Bravia Capital. Stewart is also Vice Chairman of HNA Group (International), HNA's international holding company and Vice Chairman of Hong Kong Aviation Capital. He is also Director of a number of other HNA Group companies including Norwegian based SinOceanic Shipping, a ship leasing company/tonnage provider, Offshore Heavy Transport , a marine heavy lift transportation business, Swissport, an aviation service company and Azul, a leading Brazilian airline. Over the years Stewart has held many other directorships in banking, transportation businesses and leasing companies.

Stewart has been a Board member since 2014 and a member of the Board of Supervisory Directors from 2015.

Jeremy Matthew - Canadian
Chief Executive Officer, Seaco

Jeremy started his career with PwC working in Vancouver, London and Amsterdam in both their audit and corporate finance practices. He subsequently held various financial management roles at AT&T Unisource in the Netherlands. In 2003 he joined GE as European Controller for its Equipment Services Europe division and was subsequently promoted to CFO for GE Modular Space/Plant Hire. In 2008 he was appointed CFO of Seaco based in Singapore. Jeremy was promoted to CEO of Seaco after its acquisition by HNA in 2012.

Jeremy has been a Board member since 2014 and a member of the Board of Supervisory Directors from 2015.

The Supervisory Board is responsible for the following matters:

- Coordination between HNA and TIP
- Supervising the Management Board
- Providing advice to the Management Board
- Strategic matters

Supervisory Board meetings and activities

The Supervisory Board of Global TIP Holdings One B.V. convened and considered resolutions 3 times during 2016. The main topics discussed were:

- 2015 annual report
- 2016 budget
- Business strategy
- Significant acquisitions
- Significant increases/changes in financing facilities

Individual Supervisory Board members regularly interact with the Management Board and SLT on both an individual and group basis. They have also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

Board of Directors of Global TIP Holdings Two B.V.

There were no changes to the Board of Directors of Global TIP Holdings Two B.V.

The Board of Directors convened and considered resolutions 8 times during 2016. The main topics discussed were:

- 2015 annual report
- 2016 budget
- Execution of business strategy
- Increase/changes in finance facilities
- Acquisitions
- Compliance and EHS matters

Individual directors regularly interact with the SLT on both an individual and group basis. They have also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

The Board of Directors are divided into resident (the Netherlands) directors (Director A) and non-resident directors (Director B). When performing their duties, the Board of Directors are guided by the interests of the company and its affiliated businesses.

The Board of Directors are:

Global TIP Holdings One B.V.	Director A
Bob Fast	Director A
Yiqun (Tom) Zhuo	Director A
Malachy Mc Enroe	Director A
Jan Ihlau	Director B
Jorrit Achterberg	Director A

Gender diversity

We are strongly committed to developing diversity among our leadership, including the SLT and the Board of Directors, with a broad range of experience, skills and capabilities. In nominating candidates for these boards, we support the trend toward higher participation of women. The Group has not met a ratio of at least 30% women on the Board of Directors. However, we will take the requirements of Dutch law into account in the future when proposing candidates for election or re-election to the Board without compromising the company's commitment to hiring the best individuals without discrimination.

Conflict of interest

Decisions to enter into transactions under which members of the Board of Directors would be facing conflicts of interest, which are of material significance to the business and/or to the relevant member of the Board of Directors, require the approval of the Board of Directors. The Board of Directors is responsible for deciding on how to resolve conflicts of interest between members of the SLT, members of the Board of Directors, our shareholder and the external auditor.

During 2016 no significant conflicts of interest were identified.

The financial statements

The Board of Directors is responsible for maintaining proper accounting records, for safeguarding assets and preventing and detecting fraud and other irregularities. The Board is also responsible for the quality and completeness of publicly disclosed financial reports.

On 15 March 2017 the members of the Board of Directors conducted a meeting with Ernst & Young Accountants LLP (EY), the independent external auditors, and discussed the consolidated financial statements for 2016 and the independent auditors assurance report that EY had issued on those financial statements. Following that discussion the Board of Directors authorised the consolidated statutory financial statements for the year 2016 for issuance.

Internal audit

Our Internal Audit (IA) team provides assurance that our governance, risk management and internal control processes are operating effectively. IA conducts independent audits on our processes that include regional head offices, as well as all operational branches, workshops and our centralised functions and processes. IA keeps a regular dialogue with our external auditors, and performs reviews based on the external auditors' view on areas of business risk. IA reports its findings to the Chief Operations Officer (COO) and the Group Financial Controller (GFC). Findings are reported to the SLT and the Board of Directors if material concerns are identified. Regular internal meetings are scheduled between the IA team and the COO and GFC, to ensure sufficient attention and follow-up is given to the outcome of the audits. Measures are in place to maintain the independence of the audit function, including the right to directly approach the CEO and the Board if circumstances so require.

Given the geographically dispersed nature of our business, IA has designed branch and workshop audits so they can be performed by seconded resources from other finance and control functions with the necessary language skills to cover the locations under review. Such seconded resources perform approximately 50% of all branch and workshop reviews, with the balance performed directly by IA. All reports and findings are reviewed by IA. For regional and centralised functions, IA performs all internal audit reviews directly. During the year the IA team held numerous meetings with our external auditors and members of the Controllership, Risk and Asset Management teams to discuss risk analysis and findings, and to put in place the respective audit plans.

Compliance framework

Our compliance framework is our interlocking system of rules, policies, and controls that allow us to realise our core values and is comprised of tools such as our Ombuds system, our code of conduct and extensive integrity policies covering a variety of concerns. This framework allows us to competitively run the company by enforcing and nurturing a culture of accountability and compliance.

Code of conduct

Our code of conduct is an overarching statement of our values and a commitment to our employees and communities to run our business in a socially responsible manner. Our code of conduct is a commitment by employees to act honestly, to ensure a fair and enjoyable work environment, to comply with applicable laws, to embrace our culture of diversity and transparency, and a commitment to balance profitability with accountability.

Integrity policies

Our integrity policies are a series of issue specific policies governing a variety of regulatory and compliance issues that our employees encounter on a daily basis. These issue specific policies provide practical and specific guidance to our teams to ensure company-wide compliance with internal rules and external regulations. All new employees review and agree to abide by these policies and refresher courses are given regularly.

Ombuds system

Our Ombuds system is a parallel reporting system designed to provide employees with a secure way to report possible non-compliance with internal rules and external regulations. The system is comprised of trained volunteers who consult with concerned employees and refer the matter to the compliance team for further investigation where appropriate. We have a strong policy of non-retaliation and the Ombuds system reinforces this policy with an option to raise concerns anonymously to further encourage transparency.

MANAGING OUR RISK

Taking risk is an inherent component of every enterprise that aims to maximise its economic benefit. Having a structured and rigorous risk management process allows us to approach various risks in a controlled manner. Over the past 48 years we have built up our operations and have strengthened our platform through a rigorous approach to systems, processes and risk management.

In this section we describe the primary risk areas that our company faces, and how we approach them. We have aligned these into three main risk pillars - strategic, financial/compliance and operational. The list is not exhaustive.

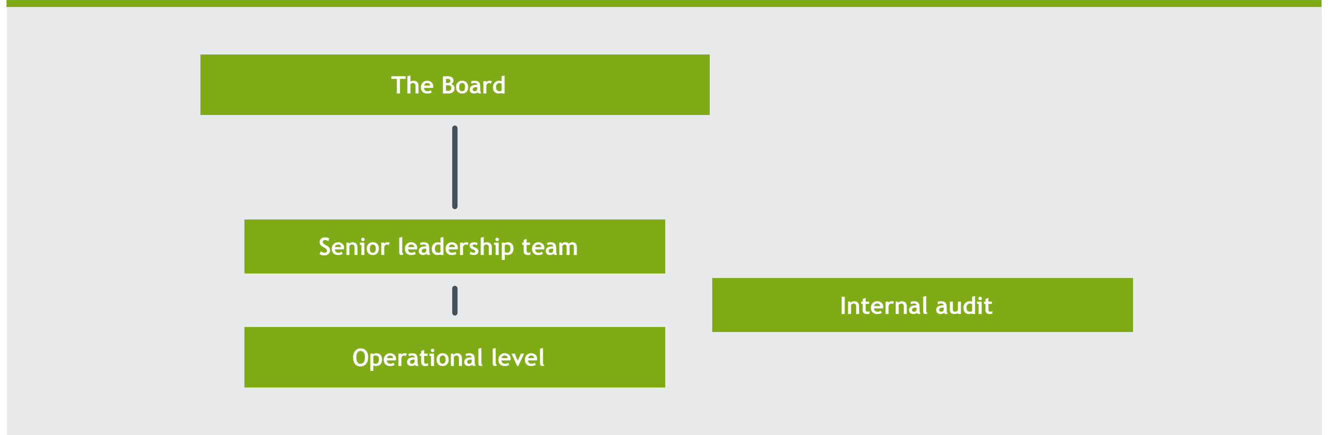
We approach risk management as follows:

- The Board is responsible for the overall risk management strategy, and for supervision of internal risk management and control systems
- The SLT monitors the risk management processes, the internal control framework and its effectiveness
- The IA team provides independent assurance on government, risk management and internal control processes
- Strict internal controls are embedded in the processes at an operational level to ensure risk assessment, identification and mitigation
- Risk awareness and compliance are embedded into our company culture through regular trainings

Main risk pillars

Strategic	Financial/compliance	Operational
Economic conditions	Financing	Credit
Competition	Treasury	Asset management
Business strategy and investments	Tax	People
	Compliance	Information technology
		Environmental health and safety
		Lease accounting rules

Risk management structure



Management assessment of whether the risk has (since prior year):

^ Increased › Stayed constant ∨ Decreased

Strategic	Potential impact	Examples of mitigation	Change
Economic conditions *SLT member(s) leading: Bob Fast, CEO*	› The business environment and our trailer leasing and rental sector are impacted by the European and Canadian economic environments. We are exposed to market prices, volatility of demand for our services and remarketing of our fleet. The transport and logistics industry, from which we earn the majority of our revenue, is cyclical and is generally impacted in early stages of an economic cycle › Slower GDP growth is likely to result in a reduction in demand for equipment and is likely to be compounded by pricing weakness › When debt is cheap customers are more inclined to buy rather than lease equipment	› Economic conditions in Europe and Canada remain stable › A substantial portion of our customer base is in the food retail and specialised equipment segments which are less exposed to economic cycles › Our largest customer represents 6%, and no other customer, more than 3% of our revenue › We have successfully diversified our product offering into maintenance and repair services where demand increases in an economic downturn as customers' fleet age and protects our volume in a low interest rate environment › Our size and pan-European and Canadian footprint and fleet homogeneity allows us to redeploy fleet between countries and customers to maximise utilisation › Utilisation can be maintained through purchasing fewer trailers, increasing fleet sales or a combination of the two. This generates cash and reduces debt › We mitigate the remarketing risk through our geographic coverage and our ability to leverage multiple channels › Our debt facilities are arranged to allow us to effectively adjust our debts in line with demand	›
Competition *SLT member(s) leading: Bob Fast, CEO*	› The markets in which we operate are fragmented and competitive, with competitors often pursuing aggressive strategies to increase their market share. This leads to a risk of the Group losing market share and revenue › Leasing competition from banks and other low cost financing providers › Our cost of debt is a competitive factor and increases could impact our competitive position	› We aim to differentiate ourselves from the competition and provide barriers to entry; through experienced personnel, a broad network, comprehensive service offering, a wide range of trailers and industry-leading IT › We regularly monitor our market share and track the performance of our competitors › Create commercial advantage by consistently providing the highest level of service at a price which offers value › Our expertise and ability to take residual value positions, remarketing capabilities, fleet management and maintenance service offering cannot be matched by banks and other low cost leasing financiers › We have diversified financing in place and are committed to maintaining solid financial ratios to ensure continued access to competitive funding	^

Management assessment of whether the risk has (since prior year):

^ Increased › Stayed constant ∨ Decreased

Strategic	Potential impact	Examples of mitigation	Change
Business strategy and investments *SLT member(s) leading: Bob Fast, CEO Mathijs Slangen, Vice President Strategic Accounts and Strategy Philippe Lapeyre, CRO Arjen Kraaij, Vice President Corporate Development Paul Beadle, COO Supriti Singh, CIO*	**Overall strategy** › Inappropriate and/or poorly understood strategies › Poor investment decisions and inadequate execution	› Strategic issues, including risks and opportunities, are discussed at all SLT and Board meetings and they receive regular progress updates on all major change programmes › Considerable time is dedicated to strategic reviews, with regular performance reviews of strategic KPI's at various management meetings › We communicate regularly with key stakeholders such as investors, our people, suppliers and customers	›
	Acquisitions › Acquisitions may expose us to integration risks in areas such as commercial, customer service, regulatory compliance, information technology and finance › The Group may not be able to effectively integrate the acquired companies or activities and achieve the anticipated benefits in terms of revenue, costs and synergies	› All acquisitions are subject to comprehensive cost benefit analysis, due diligence, review and approval at the Business Development (BD) committee led by the CEO and Vice President CD › We have a dedicated Integration team with cross functional and regional support, to ensure that we have robust integration plans, effective communication and coordination across the Group and with the acquiree › The Integration team ensures that plans are effectively executed and expected benefits are realised	
	Other investments › We continue to undertake a number of significant investments, particularly in trailer fleets, workshops and information technology (IT) which may not achieve anticipated benefits	› Annual investment plans for trailer fleets, workshops and IT are approved by the SLT and the Board as part of the annual budgeting process › All material trailer fleet investments are subject to review and approval at the Deal Review Meeting (DRM) led by the CEO and CRO › All new workshop investments are subject to review and approval by an investment committee led by the CEO and COO › All new IT investments are subject to review and approval by an IT project committee led by the CEO, COO, CIO and relevant functional leader › Post completion, major investments are subject to a post-investment review at various levels and intervals within our management structure	

Management assessment of whether the risk has (since prior year):

^ Increased › Stayed constant ˅ Decreased

Financial/ compliance	Potential impact	Examples of mitigation	Change
Financing *SLT member(s) leading: Malachy Mc Enroe, CFO*	› We require capital to grow and renew our fleet, for acquisitions, new branches/workshops and other strategic investments. We require continued access to adequate credit facilities while still remaining in compliance with our financial covenants › Failure to maintain or extend access to financing facilities could impact our ability to grow profitably	› We maintain a conservative gearing ratio of 51% › We have a flexible Revolving Credit Facility (RCF) which allows us to effectively upscale or downscale our debt levels in line with business activities › We maintain long debt maturities. Our RCF matures in December 2019 and our ABS in September 2017. We believe that these facilities provide adequate resources for our current business needs › We review compliance with our financial covenants on a quarterly basis in conjunction with cash flow forecasts to ensure ongoing compliance › We have a strong shareholder who has clearly demonstrated willingness to add capital when required e.g. in 2014 HNA invested an additional €300m capital › We maintain a funding plan at Group level and it is a recurring item on both the Board and SLT agendas. The funding plan forecasts new financing and repayments for each funding source, resulting in a multiyear projection of our liquidity position. Apart from the actual forecast, additional stress-tested forecasts are calculated based on stress assumptions › We hold a biweekly External Financing Committee (EFC) to review funding options, strategy and compliance	›

Management assessment of whether the risk has (since prior year):

^ Increased › Stayed constant ˅ Decreased

Financial/ compliance	Potential impact	Examples of mitigation	Change
Treasury *SLT member(s) leading: Malachy Mc Enroe, CFO*	**Foreign currency** An adverse impact on our revenue and profit from transactional or translational currency fluctuations › Whilst we report in €, our asset values, profits and cash flows are influenced by a variety of currencies owing to the pan-European and Canadian nature of our business. Around 20% of Group's revenue and costs are in £'s and a further 17% in other European currencies and C$ › Mismatch between acquisition/capex timing and borrowing in the relevant currency may result in exchange impacts › Intercompany equity investments in non € currencies results in FX volatility in equity › A 5% movement in £/€ has a translation impact of approximately €700k on profit before tax	› We manage the transactional exchange impact by borrowing in local currency (up to our intercompany debt levels) in £'s, NOK's, SEK's and C$'s. We therefore create a natural hedge against the P&L exchange rate risk. › We are currently assessing the feasibility of hedging our non € currency equity positions › We have weekly cash flow forecasting (including acquisitions/capex) in major currencies to allow us to borrow in the relevant currency on a timely basis › Translational exchange risk does not impact our underlying cash flows. We do not hedge this risk as it would be expensive, and in many cases impractical to do so	›
	Interest rate › We are exposed to interest rate risk, particularly in the following areas: our long term borrowings; failure to effectively hedge this risk can impact our financial condition and performance; negative interest rates (as has happened with Euribor during 2016) will result in our hedge accounting becoming ineffective impacting our P&L and impacting our reported financial performance and covenants	› It is our policy to minimise exposure to interest rate changes › 93% of the Group's interest exposure is in assets denominated in €/€ related, £ and C$ › We are currently 85% hedged on our € and £ borrowings with an average duration of 2.6 years › We are discussing the possibility of having no interest rate floor in our funding arrangements with our lenders	
	Cash management › We hold cash in operating bank accounts in various countries. We do not cash pool at Group level; excess cash impacts our financial covenants negatively	› We have reduced our legacy operating bank from 12 under GE to 8 banks currently › We have closed all legacy GE dormant and semi-dormant bank accounts › We have reduced our cash in hand from €38m in 2015 to €17m in 2016 › We have started implementing a centralised Group level cash pool which will reduce excess cash in our operating bank accounts	

Management assessment of whether the risk has (since prior year):

Increased › Stayed constant Decreased

Financial/ compliance	Potential impact	Examples of mitigation	Change
Tax *SLT member(s) leading: Malachy Mc Enroe, CFO Jan Ihlau, Chief Legal Officer and Company Secretary*	**Overall** › International taxation of companies operating in multiple jurisdictions are subject to increased attention by the OECD, European Commission, tax authorities and governmental organisations	› Our team of finance and tax professionals ensures that we comply with tax requirements where we operate, and we actively monitor for legislative changes which may impact our business. Where we believe relevant, we work with external advisors to ensure that our risks are suitably managed. Where appropriate, we engage in direct and proactive dialogue with tax authorities and auditors	›
	GE: Under the acquisition purchase agreement and related warranties: › GE is responsible for filing the tax returns in relation to periods ending on or before 23 October 2013. These periods are under the control of GE. Consequently, GE retains the right of first usage of accelerated depreciation and operating losses for pre 23 October 2013 periods › We may be considered responsible for tax audit issues related to periods prior to 23 October 2013 for those TIP entities acquired from GE. Like many large multinationals, GE might be subject to increased attention as well	› We have provided for operating losses prior to 23 October 2013 other than where it is probable that GE will not use these losses › In addition, for a number of jurisdictions we have received specific indemnities and warranties from GE in relation to the periods for which GE is responsible › We work closely with and support GE finance and tax teams as well as with their external advisors on all pre-acquisition tax audits to mitigate risks and avoid financial effects for both parties	
	Tax residency › Our subsidiary, TIP Holdings (UK) Limited, changed its tax residency to the Netherlands with effect from 23 October 2013. In 2015 the Group issued a guarantee amounting to €5m to HM Revenue & Customs in the United Kingdom in relation to this change. This company had no material operations prior to 23 October 2013; just before our acquisition by HNA, GE positioned it as a sub-holding for the purpose of holding the shares in the majority of the subsidiaries of the Group. As part of the sale and purchase agreement with GE, we agreed to maintain the TIP Holdings (UK) Limited group in existence for 2 years. We and our parent HNA only maintain holding structures for the business in the Netherlands and consider TIP Holdings (UK) Limited as a pass through entity to its other Dutch Holding Companies. It is part of the Dutch tax group	› The 2 year period committed to under the acquisition purchase agreement expired on 22 October 2015. We aim to restructure TIP Holdings (UK) Limited in the near future and as part of this process will request release of the guarantee from HM Revenue & Customs in the United Kingdom	

Management assessment of whether the risk has (since prior year):

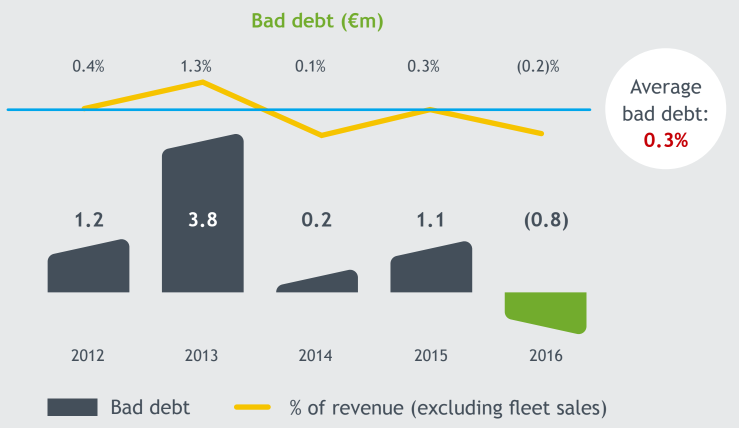
Increased › Stayed constant Decreased

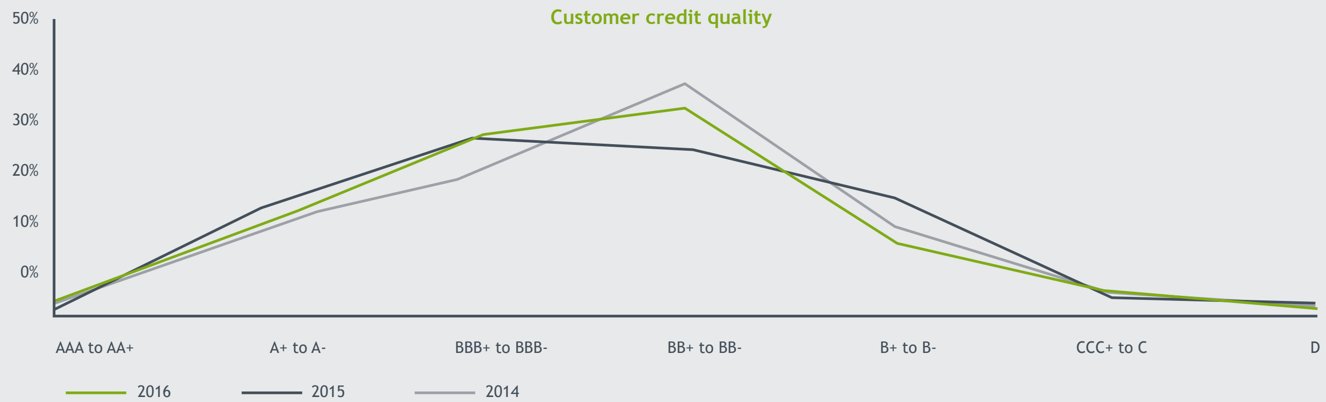
Financial/ compliance	Potential impact	Examples of mitigation	Change
Compliance *SLT member(s) leading: Jan Ihlau, Chief Legal Officer and Company Secretary*	› Failure to comply with the frequently changing legal and regulatory environment could result in reputational damage or financial penalties	› Maintaining a strong legal team to manage these risks and to ensure compliance with relevant legislation › Group-wide integrity policy and whistle-blowing arrangements, including an Ombuds system › Advising the company on the impact of new legal and regulatory obligations and adapting policies, practices and training to comply with their requirements › Training and induction programmes for our staff to ensure understanding of our policies including, online training, in person seminars, and one-on-one leadership training › Compliance issues and required actions are reviewed and agreed by the SLT on a regular basis	›
	› Given the global composition of the Board of Global TIP Holdings One B.V. scheduling Board meetings with Directors due to availability and location can be challenging	› Board meetings follow SLT meetings and are scheduled to coincide with Board members availability › The Board of Global TIP Holdings Two B.V. convened and considered 8 resolutions in Amsterdam in 2016 › The Board of Global TIP Holdings One B.V. convened and considered 5 resolutions in Amsterdam in 2016 › For 2017 we plan to have 6 to 9 SLT and Board meetings	

Management assessment of whether the risk has (since prior year):

Increased Stayed constant Decreased

Operational	Potential impact	Examples of mitigation	Change
Credit *SLT member(s) leading: Philippe Lapeyre, CRO*	› Credit risk is the risk that a customer is not able to pay debts owed under a contract or for a delivery of a service. The impact could result in a provision or write-off of the debt and we might lose future revenues and profits associated with the equipment or service provided	› Over 30 risk staff have credit authority delegated at regional level. They assess the creditworthiness of customers, collect delinquent accounts and manage litigation with customers to mitigate losses › We use a number of resources to evaluate customers, including; local credit rating agencies, credit software and predictive credit ratings based on customer behaviour, as well as pre-approved lines based on ratings from international credit rating agencies › The quality of our customer base in food retail, highly rated specialised equipment users as well as high quality transport and logistics operators further limits this risk. Refer to the customer credit quality graph below › Our thorough credit processes have resulted in an average 0.3 % bad debt relative to revenue over the past 5 years, as shown in the graph below › A substantial proportion of customers pay by direct debit	>
	› Fraud or money laundering risk can adversely impact our business	› We have robust know your customer/anti money laundering anti-terrorism (KYC-AMLAT) processes. We do not accept forms of payment that have been identified as means of money laundering. In particular, we do not accept cash for used trailer sales	





Management assessment of whether the risk has (since prior year):

Increased Stayed constant Decreased

Operational	Potential impact	Examples of mitigation	Change
Asset management *SLT member(s) leading: David Coupar, Chief Remarketing Officer Philippe Lapeyre, CRO Paul Beadle, COO*	**Sourcing** › An increase in the holding cost of fleet (including capex prices), if not recovered through increases in ADR, would affect profitability and cash generation › Long lead times or delays for new fleet delivery from manufacturers can result in delayed revenues and potentially lost contracts	› We purchase trailer types across the full spectrum of offerings to maintain an optimal fleet mix, and we ensure the right assets are purchased at the right price through a combination of very experienced Fleet Sourcing and Remarketing teams › Risk is managed on capex pricing by negotiating fixed pricing terms with manufacturers in advance. Flexibility is often maintained to make purchases under variable supply terms › When new enhancements appear we aim to introduce them into the fleet to ensure that, over time, our fleet evolves to ever-better levels of performance and maintains remarketing values	>
	Residual value › We purchase substantially all of our fleet from suppliers with no agreement for the repurchase of a trailer at the end of its life cycle. We are therefore exposed to fluctuations in residual values in the used trailer market › The residual value of used assets is affected by the demand and pricing levels of new trailers and the supply and disposal values of trailers sold	› Our Asset Management (AM) team assigns appropriate residual values to trailers through monitoring and reviewing industry trends and feedback from customers › Flexibility in our business model allows us to determine the period over which we hold fleet and therefore in the event of a decline in residual values we would mitigate the impact by ageing our existing fleet	
	In-life servicing › Lack of availability or poor maintenance of fleet throughout its life cycle, as well as the risk of loss or damage to our fleet, would put our competitiveness on the market at risk › Obsolescence, regulatory and technological risks may impact our ability to lease or remarket our fleet	› Our AM team, which is organised on both a regional and centralised basis, ensures the right mix of trailers in the fleet for both customers and resale markets through the life of the assets. AM ensures optimal utilisation of the fleet through central coordination of assets redeployment across geographies › We have insurance policies for our premises, and ensure our customers and suppliers have insurance cover when the assets are parked at their locations to manage loss or damage risk › We have internal policies on various aspects of our operations, including the safeguarding of assets, asset maintenance, site security and customer relations. Local management is responsible for compliance with the operational policies in our local entities and branches › We can reduce the unexpected downtime and generate revenue from damaged assets by refurbishing at our own workshops or through our extensive supplier network › Unlike trucks, there are minimal obsolescence, regulatory and technological risks associated with trailers, as trailers contain few mechanical parts	

Management assessment of whether the risk has (since prior year):

Increased | Stayed constant | Decreased

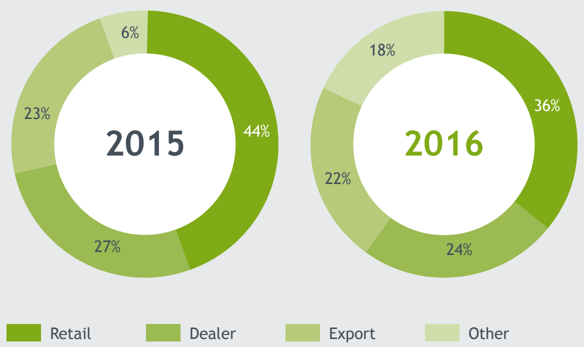
Operational	Potential impact	Examples of mitigation	Change
Asset management *SLT member(s) leading: David Coupar, Chief Remarketing Officer Philippe Lapeyre, CRO Paul Beadle, COO*	**Remarketing** › We are exposed to market prices and volatility of demand for our used assets. Inability to sell the fleet in a timely manner and at prices in line with residual values may harm our business › Political risk in important remarketing countries for fleet sales such as Russia and Middle East	› We mitigate market prices and volatility of demand for remarketing risk through our geographic coverage, and our ability to leverage multiple channels to maximise price and volume. We sell to a variety of end-markets including retail buyers, dealers and export markets where our strong brand name results in high resale values. The export channel also assists in removing assets from our own markets, which avoids cannibalising leasing demand › Leveraging our strategically placed remarketing centres (refer to our remarketing centres graph below) and our contacts across Europe and in key export markets (such as Russia, the Middle East, North Africa) we frequently move used assets across our network in order to maximise price and address availability in resale markets › We de-fleeted over 6,500 assets in 2016, 28% more than in 2015, whilst maintaining a high level of retail fleet sales at 36%, which in turn helped to maintain achieved price levels. We also successfully limited the impact of political instability in the key Russian and Middle East markets by diversifying our export markets. As a % of total sales, exports fell by 1%, but in absolute volume export sales were 9% higher. In the category "other" the increase from 6% to 18% of sales is principally due to manufacturer trade ins (refer to graph below on fleet sales by end markets) › We retain considerable in-house expertise in remarketing trailers.	>

Management assessment of whether the risk has (since prior year):

Increased | Stayed constant | Decreased

Operational	Potential impact	Examples of mitigation	Change
People *SLT member(s) leading: Hiske Damhuis, Chief HR Officer*	› Attracting and retaining good people is essential to delivering excellent performance and great customer service › Staff attrition above an acceptable level is likely to impact our relationship with customers and suppliers, and impact our growth strategy › Availability of specialised skills such as trained mechanics is key to delivering customer service	› Provide well-structured and competitive benefit and reward packages that ensure our ability to attract and retain employees. Benefits are benchmarked against the market. Rewarding people for their performance through variable incentive plans and long-term service awards act as a powerful retention tool › We make sure that people enjoy working and feel they are recognised while having a challenging and interesting job. We ensure that our staff has the right working environment and tools to enable them to do a great job. We are committed to open communications with colleagues at all times and monitor employee satisfaction through listening groups and employee forums › We provide training opportunities, coaching and encourage our people to strive for excellence. Digital up-skilling is supporting business change and enabling greater workplace flexibility › As part of our annual talent and development reviews we prepare detailed succession plans for all management and professional staff roles › Despite a 24% increase in headcount we have maintained staff attrition rate at 7% (refer to the graph op page 48)	>
	› Pension obligations	› We solely operate defined contribution schemes and make contributions to state social security systems for all employees	

Fleet sales by end markets



Remarketing centres

Management assessment of whether the risk has (since prior year):

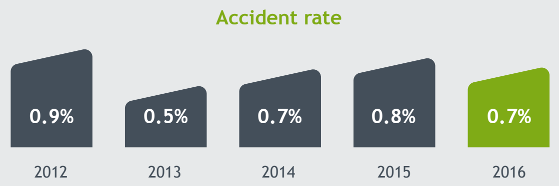
Increased | Stayed constant | Decreased

Operational	Potential impact	Examples of mitigation	Change
Information technology *SLT member(s) leading: Supriti Singh, CIO*	**Continuity** › Given the number of customers, locations and assets under management, we are dependant on technology to run our business, deliver high-quality service as well as record financial information. Failure of IT systems may disrupt operations and financial information processes › Availability of back-up data centres for all servers and applications	› We have an appropriate business continuity plan in the event of disruption arising from an IT system failure. We do not have a disaster recovery backup centre for all our servers and applications. However, a number of our applications are cloud based with appropriate back-up disaster recovery data centres. Our other core data is backed up regularly and stored on sites away from our principal data center. We are currently assessing the need for a more comprehensive disaster recovery plan for other critical systems and applications. It is not practical or cost effective to protect against all possibilities of damage created by natural disasters, power loss, telecommunications failures, cybersecurity attacks and similar events in every potential circumstance that may arise	>
	Acquisitions/growing services › We acquire new systems and applications through acquisitions. We are rapidly developing new business initiatives such as an IT application to support M&R 3rd party. Extended delays or cost overruns in replacing, securing, developing technology solutions to support these initiatives would delay and possibly prevent us from realising the projected benefits	› Over the past 3 years, we have successfully transferred 22 of 28 recent acquisitions to our standard TIP systems and processes › We are currently developing and assessing our strategic requirements for our maintenance and repair business as part of project "Matrix"	
	Replacements and upgrades › Our business strategy is dependent on the timely delivery and the functionality of information technology systems. We are continuously upgrading and consolidating our systems, including making changes to and replacing legacy systems. This subjects us to additional costs and risks, including risks to customer service, disruption to internal controls, capital expenditures, retention of skilled personnel, demands on management time and loss productivity	› Before any system changes are implemented a project plan is approved by SLT and where material, by the Board. A member of the SLT will then lead the project and regular project reviews are performed. The objective is to minimise the risk of business disruption while minimising the costs and time to implement. › We hold a monthly Technology Investment Committee (TIC) to review all technological investments above €100k	

Management assessment of whether the risk has (since prior year):

Increased | Stayed constant | Decreased

Operational	Potential impact	Examples of mitigation	Change
Environmental health and safety *SLT member(s) leading: Paul Beadle, COO*	**Our business involves maintaining, repairing and operating heavy transportation equipment** › We must comply with numerous laws and regulations governing health and safety matters. Accidents to employees and customer's employees might happen which could result in injuries, claims against us and damage to our reputation › During 2016 we have increased the number of our workshops by 27% resulting in the requirement to train 200+ additional mechanics	› We have a proactive operational culture that puts health and safety at the top of our agenda in order to reduce the likelihood of accidents › Maintain appropriate health and safety policies and procedures to reasonably mitigate our employees against the risk of injury and the need to comply with laws and regulations › Induction and training programmes reinforce health and safety policies › Programmes to support our customers exercising their responsibility to their own workforces when using our equipment › We have developed health and safety KPI's which are reviewed by the SLT on a regular basis (refer to table below on accident rate)	>
Lease accounting rules *SLT member(s) leading: Willem Duijf, Chief Marketing Officer Mathijs Slangen, Vice President Strategic Accounts and Strategy*	› Demand for our leases is partly based on the customer decision to lease rather than buy trailers › In January 2016, the International Accounting Standards Board issued IFRS 16 Leases providing a new approach to lease accounting. It is proposed to come into effect from 1 January 2019, subject to approval by the European Union. This new approach will substantially eliminate off-balance sheet treatment for leases and require customer to record leased assets on their balance sheets. When this accounting standard becomes effective, it could be perceived to make leasing a less attractive option for some of our lease customers	› Factors other than accounting treatment influence whether customers decide to lease or buy trailers. Amongst these are operational flexibility, additional services, residual value risk, outsourced fleet management, tax treatment, interest rates and other economic benefits › We have a wide range of products, and while leasing accounts for 41% of our revenue we believe that the accounting change presents opportunities to grow other products and services › In 2012 a survey of our lease customers indicated a small number of customers would change their leasing preference due to a potential change in IFRS lease accounting rules › Not all customers use IFRS for their financial reporting and therefore remain unaffected › As this lease accounting rule will apply across all industries, the market will subsequently adapt to these changes and customers financial ratios will be modified accordingly. Today, as a general rule, many customers' funders and rating agencies already take the off-balance sheet items and incorporate them into their financial ratios	>



Our business uses the internationally recognised Frequency Accident Rating (FAR) which is calculated as the number of lost time accidents multiplied by 200,000 (the base for 100 employees working 40 hours per week), divided by the total hours worked. A lost time accident is a work related injury/illness that results in an employee's inability to work the day after the initial injury/illness.

SUPPLEMENTARY INFORMATION

Advisors and contacts

Registered office:
Alpha Tower
De Entree 33
1101 BH Amsterdam Zuidoost
The Netherlands
Registration number: 58146369

Auditor:	Main legal advisors:	
Ernst & Young Accountants LLP (EY)	Loyens & Loeff	DLA Piper
Cross Towers Antonio Vivaldistraat 150	Fred. Roeskestraat 100	3 Nobel Street
1083 HP Amsterdam	1076 ED Amsterdam	London EC2V 7EE
The Netherlands	The Netherlands	United Kingdom

Main banking partners:		
Rabobank	ABN AMRO	Bank of China
HSBC	KBC	

Company secretary:	Investor relations:
Jan Ihlau	Kapil Sharma
Chief Legal Officer	Investor Relations Director
jan.ihlau@tipeurope.com	kapil.sharma@tipeurope.com

Website:	European Transport Board website:
www.tipeurope.com	www.europeantransportboard.com

Further information on TIP Trailer Services can be found on the following social media platforms:

OUR HISTORY

- **1968** – Began as Transport Pool with branches in the Netherlands and Canada
- **1971** – Listed NASDAQ
- **1975** – Acquired by Gelco Corporation
- **1976** – Renamed Transport International Pool (TIP)
- **1986-1987** – Sold to a management and investor consortium
- **1989** – Listed EURONEXT
- **1993** – Acquired
- **1994-1997** – Embarked on an acquisition strategy
- **2003** – Bob Fast appointed CEO
- **2007** – Entered into 3rd party maintenance and repair services segment
- **2008** – Fleet peaked at 80,000 + units
- **2013** – Acquired HNA

  TIP Trailer Services TRAILERMADE SOLUTIONS
- **2014** – Financing and securitisation facilities agreed and expanded
- **2015-2016** – Management agreement for Grayrentals; Acquisition of TRAIN Trailer, THT

TEN YEAR FINANCIAL SUMMARY

€m	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue	503	502	401	398	375	351	323	326	372	448
EBITDA[1]	**211**	**237**	**159**	**158**	**157**	**134**	**106**	**96**	**105**	**143**
Operating profit/(loss)[1]	**27**	**35**	**(25)**	**0**	**21**	**19**	**15**	**54**	**34**	**41**
Fleet purchases	396	285	38	21	13	15	23	123	175	262
Acquisitions	-	-	-	-	-	-	-	17	44	149
Fleet sales	(77)	(57)	(47)	(61)	(43)	(35)	(28)	(27)	(28)	(38)
Other net investment	9	7	1	6	(1)	1	1	8	17	17
Net investment	**328**	**235**	**(8)**	**(34)**	**(31)**	**(19)**	**(4)**	**121**	**208**	**390**
Net operating assets[2]	**1,310**	**1,308**	**1,081**	**841**	**667**	**541**	**366**	**464**	**624**	**871**
Net debt	-	-	-	-	-	-	200	222	379	582
Equity	-	-	-	-	-	-	209	526	547	556
Net cash flow from operations	**(117)**	**(11)**	**182**	**197**	**185**	**141**	**104**	**(31)**	**(92)**	**(99)**
Operational metrics:										
ADR in €	15.4	15.6	15.2	15.6	16.5	17.1	16.8	17.1	18.1	16.5
UTE	91%	87%	74%	82%	91%	86%	84%	82%	84%	86%
EBITDA %	42%	47%	40%	40%	42%	38%	33%	30%	28%	32%
Operating profit %	5%	7%	(6%)	0%	6%	6%	5%	17%	9%	9%
Net leverage ratio	-	-	-	-	-	-	55%	48%	61%	67%
Gearing ratio	-	-	-	-	-	-	49%	30%	41%	51%
Capital efficiency	17%	17%	13%	16%	21%	22%	22%	25%	19%	20%

[1] *Underlying*
[2] *Before acquisitions and other net investment*

GLOSSARY

Financial measures that supplement generally accepted accounting principles
We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with IFRS. Specifically we have referred, in various sections of this report, to:

Acquisitions
Acquisitions comprise business combinations and asset acquisitions not qualified as business combination under IFRS.

Capital efficiency
This measure is calculated by taking EBITDA and dividing it by the average net operating assets employed in generating that EBITDA. We believe that this is a useful metric for measuring how effectively management is deploying the assets available to the business, and enables stakeholders to assess the return that our business is able to generate on our assets.

Comparatives 2012 and 2013
Comparatives for 2012 and 2013 are derived from the pro-forma special purpose (combined) financial statements as included in our Annual Report 2015. Under our previous shareholder, GE, we were not controlled by a single legal entity, but consisted of the main trading activities of 17 separate legal entities. Please refer to note 2 of the financial statements section of our Annual Report 2015 for further explanations on the basis of preparation.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)
We believe that EBITDA is a useful measure for management and stakeholders to indicate the potential cash generation of our business from operating activities, and is commonly used within our business to assess financial performance.

Gearing ratio
Gearing ratio which is net debt divided by equity plus net debt. This measure enables investors to assess the level of risk in the financial structure of our business.

Net leverage ratio
Net debt divided by net operating assets. This measure enables investors to assess the level of risk in the financial structure of our business.

Net operating assets
Total assets after deducting cash, financial assets and non-debt liabilities.

Non-debt liabilities
Total liabilities after deducting borrowings and derivatives.

Net debt
Net debt is gross borrowings less cash and equivalents less other financial assets.

Operating expenses
It is the sum of employee benefit expenses and other operating expenses. (Refer to notes 10 and 11 of the consolidated financial statements).

Other terms

ABS	Asset backed securitisation
ADR	Average daily rate
AMLAT	Anti-money laundering anti-terrorism
AM	Asset management
CAGR	Compound annual growth rate
Capex	Capital expenditure
EAuM	Equivalent asset under management
EHS	Environmental health and safety
ETB	European Transport Board
EU	European Union
Euribor	Euro interbank offered rate
FAR	Frequency accident rating
G&O	Goals and objectives
HQ	Headquarters
IA	Internal audit
IBOR	Interbank offered rate
JV	Joint venture
KPI	Key performance indicator
KYC	Know your customer
LCC	Low cost countries
Leasing	Term of lease is greater than one year
Libor	London interbank offered rate
M&R	Maintenance and repair
MSU	Mobile service units (van)
OEM	Original equipment manufacturer
Operating profit	Profit before interest and tax
RCF	Revolving credit facility
Rental	Term of lease is one year or less
SLT	Senior leadership team
S&P	Standard & Poor's
T&L	Travel and living
UTE	Utilisation

POTENTIAL IMPACT OF NEW LEASE ACCOUNTING

General introduction

IFRS 16 was issued in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer and the supplier. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 revenue from contracts with customers. The new standard replaces IAS 17 and related interpretations.

Customer

All leases result in a customer obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, effectively obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single customer accounting model. Applying that model, a customer is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the profit or loss statement

Supplier

IFRS 16 carries forward the supplier accounting requirements in IAS 17. Accordingly the supplier continues to classify its leases as operating or finance leases, and to account for those two types of leases differently.

TIP's specific approach

The business risks associated with the change in lease accounting are addressed in the "Managing our risk" section of this annual report and are being led by our Chief Marketing Officer and our Vice President Strategic Accounts And Strategy.

The Group plans to adopt the new standard on the required effective date. Below we have provided illustrated estimated impacts on our financial statements and related notes for 2014 to 2016 (prepared on a full retrospective basis). As a supplier of equipment there is no impact on our financial statements and related notes and we continue to classify leases as operating or finance leases. However, as a customer, the new lease accounting rules impact the presentation of our statement of profit or loss and balance sheet but have no net impact on our cash flow, although individual line items in our statement of cash flow are also impacted. IFRS 16 also impacts a number of related notes to the financial statements.

In order to assess the potential impacts on our financial statements, related notes, financial covenants and key ratios we reviewed all existing off balance sheet operating leases to determine the appropriate treatment under IFRS 16. All leases with committed values below €5,000 continue to be treated as operating leases in the same manner, as, prior to IFRS 16. This principally applies to IT equipment and others. For all other categories of operating lease namely fleet, land and buildings and motor vehicles we determined that these should be treated as right of use assets and related right of use leases. We bifurcated these operating lease contracts into depreciation, interest and maintenance components. In most cases, we had limited/no bifurcation provided by the supplier and had to make reasonable assumptions. We will continue to refine our approach based on additional information provided by suppliers over the coming periods but will continue to use reasonable assumptions for bifurcation where we believe they are more appropriate.

Key assumptions:

Fleet – we used our internal residual value assessment to determine the split between depreciation and interest in the lease and therefore the effective interest rate. There are no maintenance obligations attached to these fleet lease in contracts.

Land and buildings (property) – to determine the equivalent purchase price and residual value for property we used external valuations. These assumed that the purchase price of the property and the residual value at the end of term were equal. Therefore there is no decline in fair market value attributed to the underlying assets. Interest associated with these contracts is the difference between purchase price and the gross payments minus purchase price. We did not have sufficient data to bifurcate between the land and building components. There are limited maintenance obligations attached to these property lease in contracts. The separation of the maintenance component from the lease was based on a third party estimate.

Motor vehicles – The purchase price was based on data provided by the supplier i.e. the disclosed list price minus the disclosed supplier discount. The residual value was based on the purchase option attached to the contract. The separation of the maintenance component was based on the supplier's estimate

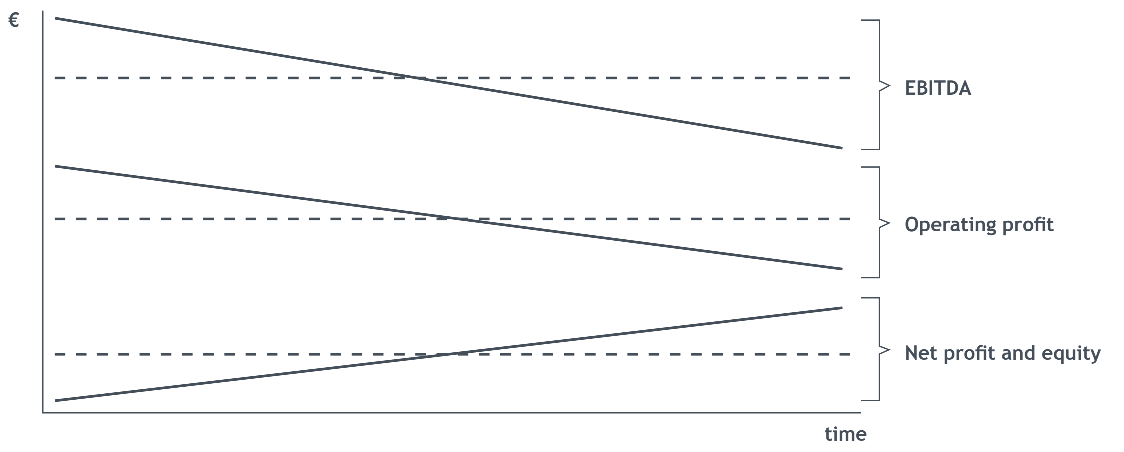
Taxation – We assumed that the effective non-exceptional tax rate applied in each individual year is also applied to profit before tax impact of IFRS 16.

Note:

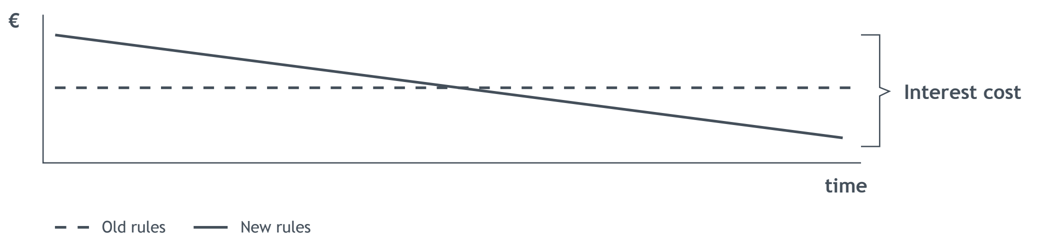
Our experience of the quality, consistency and accuracy of data provided by suppliers varies greatly. There is, therefore, a wide range of potential outcomes on the presentation of financial statements and key financial indicators.

Graphical Illustration of the potential impact of new lease accounting

Profits and equity



Interest cost



Financial statement impact

Profit or loss

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Revenue	8	325.7	371.6	447.9	-	-	-
Cost of sales	9	(204.0)	(256.7)	(313.3)	0.7	4.0	6.9
Gross profit		**121.7**	**114.9**	**134.6**	**0.7**	**4.0**	**6.9**
Administration and other operating expenses	10	(66.0)	(77.2)	(88.9)	0.8	(1.1)	(2.1)
Exceptional administrative items	21	0.1	(1.2)	-	-	-	-
Operating profit		**55.8**	**36.5**	**45.7**	**1.5**	**2.9**	**4.8**
Finance income	18	17.7	19.7	12.5	-	-	-
Exceptional finance income	21	11.1	-	-	-	-	-
Finance cost	19	(36.1)	(23.2)	(31.1)	(2.4)	(4.4)	(6.7)
Exceptional finance cost	21	(36.2)	-	-	-	-	-
Profit before tax		**12.3**	**33.0**	**27.1**	**(0.9)**	**(1.5)**	**(1.9)**
Non-exceptional taxation	20	(11.5)	(7.7)	(8.2)	0.3	0.3	0.6
Exceptional taxation	21	11.6	(1.9)	(4.6)	-	-	-
Taxation		**0.1**	**(9.6)**	**(12.8)**	**0.3**	**0.3**	**0.6**
Net profit		**12.4**	**23.4**	**14.3**	**(0.6)**	**(1.2)**	**(1.3)**
Effective interest rate on incremental borrowing[1]					8.6%	10.3%	9.9%

[1] *Calculated on two point average*

Balance sheet

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Fleet	22	381.0	533.6	802.0	10.1	22.7	26.6
Property, plant and equipment	23	72.0	97.7	125.2	15.0	33.7	46.7
Intangible assets	24	35.4	43.2	63.8	-	-	-
Financial assets	25	288.6	289.6	255.4	-	-	-
Deferred tax assets	26	28.1	26.3	25.7	8.0	14.7	21.1
Non-current assets		**805.1**	**990.4**	**1 272.1**	**33.1**	**71.1**	**94.4**
Inventories	27	7.0	7.8	15.1	-	-	-
Trade and other receivables	28	90.4	95.4	122.5	-	-	-
Financial assets	25	20.3	3.4	9.0	-	-	-
Current tax assets	26	1.4	0.8	1.0	-	-	-
Cash and equivalent	29	38.4	38.2	16.6	-	-	-
Current assets		**157.5**	**145.6**	**164.2**	**-**	**-**	**-**
Total assets		**962.6**	**1 136.0**	**1 436.3**	**33.1**	**71.1**	**94.4**
Borrowings	30	289.8	18.1	87.2	6.3	11.5	14.7
Derivatives	31	1.2	0.9	1.9	-	-	-
Provisions	32	0.8	0.1	-	-	-	-
Trade and other payables	33	104.1	87.9	144.8	-	-	-
Current tax liabilities	26	0.5	2.3	3.2	-	-	-
Current liabilities		**396.4**	**109.3**	**237.1**	**6.3**	**11.5**	**14.7**
Borrowings	30	20.1	448.8	582.4	19.7	47.3	62.9
Derivatives	31	-	-	1.6	-	-	-
Provisions	32	-	-	-	-	-	-
Trade and other payables	33	4.4	4.7	4.2	-	-	-
Deferred tax liabilities	26	22.0	28.3	57.9	7.7	14.1	19.9
Non-current liabilities		**46.5**	**481.8**	**646.1**	**27.4**	**61.4**	**82.8**
Total liabilities		**442.9**	**591.1**	**883.2**	**33.7**	**72.9**	**97.5**
Net assets		**519.7**	**544.9**	**553.1**	**(0.6)**	**(1.8)**	**(3.1)**
Share capital	35	-	-	-	-	-	-
Share premium	35	513.2	513.2	513.2	-	-	-
Retained earnings		8.6	32.0	46.3	(0.6)	(1.8)	(3.1)
Other reserves	35	(2.1)	(0.3)	(6.5)	-	-	-
Equity attributable to parent		**519.7**	**544.9**	**553.0**	**(0.6)**	**(1.8)**	**(3.1)**
NCI	35	-	-	0.1	-	-	-
Equity		**519.7**	**544.9**	**553.1**	**(0.6)**	**(1.8)**	**(3.1)**

Cash flow

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Cash generated from operations	a	102.7	82.8	165.3	8.7	13.7	20.1
Net fleet investments	b	(120.6)	(175.8)	(248.4)	(12.4)	(16.8)	(13.7)
Net interest and tax	c	(19.4)	(6.3)	(16.6)	(2.4)	(4.4)	(6.7)
Net cash flow from operations		**(37.3)**	**(99.3)**	**(99.7)**	**(6.1)**	**(7.5)**	**(0.3)**
Business combinations (net of cash acquired)	7	(6.4)	(31.3)	(102.3)	-	-	-
Financial assets	25	(283.1)	15.0	35.0	-	-	-
PP&E purchases	23	(27.6)	(33.3)	(37.0)	(19.4)	(25.0)	(20.8)
Intangible assets additions	24	-	(8.5)	(0.3)	-	-	-
Net cash flow from/(used in) investing activities		**(317.1)**	**(58.1)**	**(104.6)**	**(19.4)**	**(25.0)**	**(20.8)**
Net cash flow after investing activities		**(354.4)**	**(157.4)**	**(204.3)**	**(25.5)**	**(32.5)**	**(21.1)**
Equity financing by shareholder	35	300.8	-	-	-	-	-
Borrowing drawdowns	30	37.9	457.9	301.2	31.9	41.8	34.5
Borrowing repayments	30	(19.4)	(293.3)	(119.9)	(6.4)	(9.3)	(13.4)
Debt issuance fee	30	(3.6)	(12.7)	-	-	-	-
Foreign exchange forward	18,19	7.9	5.5	-	-	-	-
Net cash flow from financing activities		**323.6**	**157.4**	**181.3**	**25.5**	**32.5**	**21.1**
Net cash flow after investing and financing activities		**(30.8)**	**-**	**(23.0)**	**-**	**-**	**-**
Cash and cash equivalents at 1 January		68.9	38.4	38.2	-	-	-
Net increase/(decrease) in cash and cash equivalents		(30.8)	-	(23.0)	-	-	-
Net foreign exchange difference		0.3	(0.2)	1.4	-	-	-
Cash and equivalents at 31 December		**38.4**	**38.2**	**16.6**	**-**	**-**	**-**

General notes impact

Note 6. Capital management

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Gross borrowings after foreign exchange	30	304.2	476.5	675.7	25.9	58.8	77.6
Less: cash and equivalents	29	(38.4)	(38.2)	(16.6)	-	-	-
Less other financial assets	25	(17.6)	(0.7)	-	-	-	-
Net debt		**248.2**	**437.6**	**659.1**	**25.9**	**58.8**	**77.6**
Equity		519.7	544.9	553.1	(0.6)	(1.8)	(3.1)
Equity and net debt		**767.9**	**982.5**	**1 212.2**	**25.3**	**57.0**	**74.5**
Gearing ratio		**32%**	**45%**	**54%**	**2%**	**4%**	**3%**

Covenants

	Estimate 2015	Estimate 2016	Impact vs reported financials 2015	Impact vs reported financials 2016
Interest cover	2.3x	1.9x	(0.7x)	(0.4x)
Solvency	26%	22%	(3%)	(3%)
Loan to value	89%	84%	-	-

We would anticipate that all our covenant levels would be adjusted for the full impact of IFRS 16, and/or the full impact of IFRS 16 would be excluded for covenant calculation purposes.

Specific notes impact

Note 9. Cost of sales

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
M&R own fleet		95.8	107.6	110.8	0.1	2.7	4.5
Damage protection		10.8	10.7	11.2	-	-	-
Leasing and rental variable	16	**106.6**	**118.3**	**122.0**	**0.1**	**2.7**	**4.5**
M&R 3rd party	16	39.2	52.5	67.8	-	-	-
Fleet sales	16	20.9	24.3	30.1	-	-	-
Other	16	-	-	3.6	-	-	-
Total variable	16	**166.7**	**195.1**	**223.5**	**0.1**	**2.7**	**4.5**
Depreciation of fleet (including fleet customisation)	22	36.2	60.5	89.2	(2.8)	(4.6)	(7.4)
Lease in		1.1	1.1	0.6	3.4	5.9	9.8
Other		-	-	-	-	-	-
Total fixed	17	**37.3**	**61.6**	**89.8**	**0.6**	**1.3**	**2.4**
Total excluding exceptional		**204.0**	**256.7**	**313.3**	**0.7**	**4.0**	**6.9**
Exceptional defleet expenses	21	-	-	-	-	-	-
Total		**204.0**	**256.7**	**313.3**	**0.7**	**4.0**	**6.9**

Note 10. Administrative and other operating expenses

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Employee benefit expenses	11	**30.6**	**34.0**	**39.8**	**-**	**-**	**-**
Outside service fees	12	13.8	15.1	15.2	-	-	-
Travel and living	14	4.1	4.7	4.6	1.6	1.7	2.1
Rental expense	15	1.6	2.0	2.9	3.9	3.7	4.2
Other facilities		2.7	3.2	4.1	(0.2)	(0.4)	(0.5)
Office expenses		1.8	2.0	2.1	-	-	-
Sales promotion		0.6	1.0	1.1	-	-	-
Other expenses		1.9	1.1	1.9	-	-	-
Other operating expenses		**26.5**	**29.1**	**31.9**	**5.3**	**5.0**	**5.8**
Depreciation of PP&E	23	7.0	9.8	12.9	(4.5)	(6.1)	(7.9)
Amortisation of intangible assets	24	1.7	3.2	5.1	-	-	-
(Gain)/loss on disposal of PP&E		-	-	-	-	-	-
Bad debt expense	28	0.2	1.1	(0.8)	-	-	-
Total excluding exceptional		**66.0**	**77.2**	**88.9**	**0.8**	**(1.1)**	**(2.1)**
Exceptional items	21	(0.1)	1.2	-	-	-	-
Total		**65.9**	**78.4**	**88.9**	**0.8**	**(1.1)**	**(2.1)**

Note 14. Travel and living expenses

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Car expenses		1.2	1.5	1.5	1.6	1.7	2.1
Travel and subsistence		2.9	3.2	3.1	-	-	-
Total	10	**4.1**	**4.7**	**4.6**	**1.6**	**1.7**	**2.1**

Note 15. Rental expense

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Gross rental expense		2.9	3.2	3.7	4.0	6.4	8.7
Included in cost of sales		-	-	-	(0.1)	(2.7)	(4.5)
Rental income		(1.3)	(1.2)	(0.8)	-	-	-
Total	10	**1.6**	**2.0**	**2.9**	**3.9**	**3.7**	**4.2**

Rental expense can be further analysed as follows:

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Rental expense		1.4	1.2	2.0	3.9	3.7	4.2
Other rentals		0.7	0.8	0.8	-	-	-
Overflow parking		0.8	1.2	0.9	-	-	-
Rental income		(1.3)	(1.2)	(0.8)	-	-	-
Total	10	**1.6**	**2.0**	**2.9**	**3.9**	**3.7**	**4.2**

Note 16. Contribution analysis

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Leasing and rental							
Revenue	8	244.5	270.4	302.4	-	-	-
Variable costs	9	(106.6)	(118.3)	(122.0)	0.1	2.7	4.5
Contribution		**137.9**	**152.1**	**180.4**	**0.1**	**2.7**	**4.5**
Contribution %		56%	56%	60%	0%	1%	2%
M&R 3rd party							
Revenue	8	48.1	63.8	84.1	-	-	-
Variable costs	9	(39.2)	(52.5)	(67.8)	-	-	-
Contribution		**8.9**	**11.3**	**16.3**	**-**	**-**	**-**
Contribution %		19%	18%	19%	-	-	-
Fleet sales							
Revenue	8	26.9	28.3	38.0	-	-	-
Variable costs	a	(20.9)	(24.3)	(30.1)	-	-	-
Contribution		**6.0**	**4.0**	**7.9**	**-**	**-**	**-**
Contribution %		22%	14%	21%	-	-	-
Other							
Revenue	8	6.2	9.1	23.4	-	-	-
Variable costs	9	-	-	(3.6)	-	-	-
Contribution		**6.2**	**9.1**	**19.8**	**-**	**-**	**-**
Contribution %		100%	100%	85%			
Total							
Revenue	8	325.7	371.6	447.9	-	-	-
Variable costs	9	(166.7)	(195.1)	(223.5)	0.1	2.7	4.5
Contribution		**159.0**	**176.5**	**224.4**	**0.1**	**2.7**	**4.5**
Contribution %		49%	48%	50%	0%	1%	1%
a) Variable cost of fleet sales consist of:							
NBV of fleet sales		(20.1)	(23.7)	(29.6)	-	-	-
Selling costs		(0.8)	(0.6)	(0.5)	-	-	-
Total	9	(20.9)	(24.3)	(30.1)	-	-	-

Note 17. Earnings before interest, taxes, depreciation and amortization (EBITDA)

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Contribution	16	**159.0**	**176.5**	**224.4**	**0.1**	**2.7**	**4.5**
					-	-	-
Employee benefit expenses	11	(30.6)	(34.0)	(39.8)	-	-	-
Other operating expenses	10	(26.5)	(29.1)	(31.9)	5.2	5.0	5.8
Bad debt expense	10	(0.2)	(1.1)	0.8	-	-	-
EBITDA		**101.7**	**112.3**	**153.5**	**5.4**	**7.7**	**10.3**
EBITDA %		31%	30%	34%	1%	2%	2%

Note 19. Finance costs

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Interest	30.1	20.4	15.3	21.0	(2.4)	(4.4)	(6.7)
Commitment fees	30.1	1.2	1.3	1.9	-	-	-
Amortisation of deferred fees	30.2	3.5	2.1	2.7	-	-	-
Amortisation of notional embedded interest floor offset	30.3	0.9	0.3	-	-	-	-
Funding related		**26.0**	**19.0**	**25.6**	**(2.4)**	**(4.4)**	**(6.7)**
Foreign exchange losses		4.4	2.9	2.5	-	-	-
Finance cost before derivatives		**30.4**	**21.9**	**28.1**	**(2.4)**	**(4.4)**	**(6.7)**
Foreign exchange forward		-	-	-	-	-	-
Notional embedded interest rate floor	31.1b	4.7	-	-	-	-	-
Interest rate swaps realised loss		0.3	1.0	1.4	-	-	-
Interest rate swaps fair market value adjustment	31.2	0.7	0.3	1.6	-	-	-
Derivatives[1]		**5.7**	**1.3**	**3.0**	**-**	**-**	**-**
Total excluding exceptional		**36.1**	**23.2**	**31.1**	**(2.4)**	**(4.4)**	**(6.7)**
Exceptional items		36.2	-	-	-	-	-
Total		**72.3**	**23.2**	**31.1**	**(2.4)**	**(4.4)**	**(6.7)**

Note 20 Taxation

Taxation for the period

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Current taxation for the period	26.1	1.7	4.9	3.7	-	-	-
Adjustment to previous periods	26.1	(1.6)	(2.2)	(1.5)	-	-	-
Current tax		**0.1**	**2.7**	**2.2**	**-**	**-**	**-**
Changes in tax rates		0.3	-	0.2	-	-	-
Deferred taxation for the period[1]	26.5	(3.3)	3.9	8.2	0.3	0.3	0.6
Adjustment to previous periods	26.6	2.8	3.0	2.2	-	-	-
Deferred tax		**(0.2)**	**6.9**	**10.6**	**0.3**	**0.3**	**0.6**
Taxation		**(0.1)**	**9.6**	**12.8**	**0.3**	**0.3**	**0.6**
Non-exceptional taxation		11.5	7.7	8.2	0.3	0.3	0.6
Exceptional taxation	21	(11.6)	1.9	4.6	-	-	-
Taxation		**(0.1)**	**9.6**	**12.8**	**0.3**	**0.3**	**0.6**

[1] *Impact on deferred tax has been estimated using non-exceptional effective tax rate*

Note 22. Fleet

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Net book value at 31 December		381.0	533.6	802.0	10.1	22.7	26.6

Included in fleet are right of use assets of:

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Net book value at 31 December		10.1	22.7	26.6	10.1	22.7	26.6

Note 23. Property, plant and equipment (PP&E)

Net book value at 31 December €m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Land		31.9	32.3	35.7	-	-	-
Buildings and structures		34.7	55.8	78.3	12.5	30.9	42.2
Leasehold improvements		2.1	3.1	3.4	-	-	-
Other		3.3	6.5	7.8	2.5	2.8	4.5
Total		**72.0**	**97.7**	**125.2**	**15.0**	**33.7**	**46.7**

Included in PP&E are right of use assets of:

Net book value at 31 December €m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Buildings and structures		12.5	30.9	42.2	12.5	30.9	42.2
Other		2.5	2.8	4.5	2.5	2.8	4.5
Total		**15.0**	**33.7**	**46.7**	**15.0**	**33.7**	**46.7**

Note 26. Current and deferred tax

€m	Notes	Estimate 2014	2015	2016	Impact vs reported financials 2014	2015	2016
Current tax assets		1.4	0.8	1.0	-	-	-
Current tax liabilities	26.1	(0.5)	(2.3)	(3.2)	-	-	-
Net current tax		**0.9**	**(1.5)**	**(2.2)**	**-**	**-**	**-**
Deferred tax asset[1]	26.2	28.1	26.3	25.7	8.0	14.7	21.1
Deferred tax liabilities[1]	26.3	(22.0)	(28.3)	(57.9)	(7.7)	(14.1)	(19.9)
Net deferred tax		**6.1**	**(2.0)**	**(32.2)**	**0.3**	**0.6**	**1.2**
Total		**7.0**	**(3.5)**	**(34.4)**	**0.3**	**0.6**	**1.2**

[1] *Impact on deferred tax has been estimated using non-exceptional effective tax rate*

Note 30. Borrowings

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Term loan $		80.0	-	-	-	-	-
Term loan €		197.3	-	-	-	-	-
RCF		6.2	361.0	473.2	-	-	-
ABS		0.4	37.3	69.4	-	-	-
FL		-	9.8	49.4	-	-	-
Right of use lease		25.9	58.8	77.6	25.9	58.8	77.6
Total		**309.8**	**466.9**	**669.6**	**25.9**	**58.8**	**77.6**

Note 38. Commitments and contingencies

Assets pledged under right of use lease

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Fleet		10.1	22.7	26.6	10.1	22.7	26.6
PP&E		15.0	33.7	46.7	15.0	33.7	46.7
Intangible assets		-	-	-	-	-	-
Non-current assets		**25.1**	**56.4**	**73.3**	**25.1**	**56.4**	**73.3**
Total		**25.1**	**56.4**	**73.3**	**25.1**	**56.4**	**73.3**

Lease commitments can be analysed as follows-

€m	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
Fleet	-	-	-	(9.7)	(30.5)	(33.7)
Land and buildings	0.6	1.1	1.0	(15.5)	(46.8)	(64.0)
Motor vehicles	-	-	-	(3.5)	(4.6)	(6.3)
IT equipment	0.9	0.6	0.3	-	-	-
Total	**1.5**	**1.7**	**1.3**	**(28.7)**	**(81.9)**	**(104.0)**

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Within one year	-	0.6	-	0.5	1.1
After one year but not more than five years	-	-	-	0.4	0.4
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
At 31 December 2014	**-**	**0.6**	**-**	**0.9**	**1.5**
Within one year	-	1.1	-	0.3	1.4
After one year but not more than five years	-	-	-	0.3	0.3
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
At 31 December 2015	**-**	**1.1**	**-**	**0.6**	**1.7**
Within one year	-	1.0	-	0.2	1.2
After one year but not more than five years	-	-	-	0.1	0.1
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
At 31 December 2016	**-**	**1.0**	**-**	**0.3**	**1.3**

Note 40. Financial risk management

40.1 Liquidity risk

€m	Notes	Estimate 2014	Estimate 2015	Estimate 2016	Impact vs reported financials 2014	Impact vs reported financials 2015	Impact vs reported financials 2016
At 31 December		434.8	579.3	831.9	32.5	80.5	103.6

2014 €m	Notes	Estimate Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		7.0	1.4	3.5	1.2	13.1
Borrowings repayment	30	279.4	4.7	15.4	4.7	304.2
Derivatives	31	78.6	0.7	0.2	-	79.5
Trade payables	33	38.0	-	-	-	38.0
Total		**403.0**	**6.8**	**19.1**	**5.9**	**434.8**

2014 €m	Notes	Impact vs reported financials Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		0.5	1.4	3.5	1.2	6.6
Borrowings repayment	30	1.5	4.7	15.0	4.7	25.9
Derivatives	31	-	-	-	-	-
Trade payables	33	-	-	-	-	-
Total		**2.0**	**6.1**	**18.5**	**5.9**	**32.5**

2015 €m	Notes	Less than 3 months	3 to 12 months	Estimate 1 to 5 years	Over 5 years	Total
Interest		4.6	13.4	44.8	3.7	66.5
Borrowings repayment	30	6.1	23.3	430.1	17.0	476.5
Derivatives	31	0.4	0.8	2.8	-	4.0
Trade payables	33	32.3	-	-	-	32.3
Total		**43.4**	**37.5**	**477.7**	**20.7**	**579.3**

2015 €m	Notes	Less than 3 months	3 to 12 months	Impact vs reported financials 1 to 5 years	Over 5 years	Total
Interest		1.5	4.4	12.1	3.7	21.7
Borrowings repayment	30	2.9	8.6	32.9	14.4	58.8
Derivatives	31	-	-	-	-	-
Trade payables	33	-	-	-	-	-
Total		**4.4**	**13.0**	**45.0**	**18.1**	**80.5**

2016 €m	Notes	Less than 3 months	3 to 12 months	Estimate 1 to 5 years	Over 5 years	Total
Interest		7.7	16.7	42.4	5.1	71.9
Borrowings repayment	30	7.1	90.4	552.3	25.9	675.7
Derivatives	31	0.5	1.4	1.6	-	3.5
Trade payables	33	80.8	-	-	-	80.8
Total		**96.1**	**108.5**	**596.3**	**31.0**	**831.9**

2016 €m	Notes	Less than 3 months	3 to 12 months	Impact vs reported financials 1 to 5 years	Over 5 years	Total
Interest		1.7	5.0	14.2	5.1	26.0
Borrowings repayment	30	3.7	11.0	39.1	23.8	77.6
Derivatives	31	-	-	-	-	-
Trade payables	33	-	-	-	-	-
Total		**5.4**	**16.0**	**53.3**	**28.9**	**103.6**

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Consolidated statement of profit or loss for the period ended 31 December

€m	Note	2016	2015	2014
Revenue	8	447.9	371.6	325.7
Cost of sales	9	(320.2)	(260.7)	(204.7)
Gross profit		**127.7**	**110.9**	**121.0**
Administrative and other operating expenses	10	(86.8)	(76.1)	(66.8)
Exceptional administrative items	21	-	(1.2)	0.1
Operating profit		**40.9**	**33.6**	**54.3**
Finance income	18	12.5	19.7	17.7
Exceptional finance income	21	-	-	11.1
Finance cost	19	(24.4)	(18.8)	(33.7)
Exceptional finance cost	21	-	-	(36.2)
Profit before taxes		**29.0**	**34.5**	**13.2**
Taxation	20	(8.8)	(8.0)	(11.8)
Exceptional taxation	21	(4.6)	(1.9)	11.6
Taxation		**(13.4)**	**(9.9)**	**(0.2)**
Net profit		**15.6**	**24.6**	**13.0**
Attributable to:				
Equity holders of the parent		15.5	24.6	13.0
Non-controlling interests	35	0.1	-	-
Net profit		**15.6**	**24.6**	**13.0**
Underlying operating profit		**40.9**	**34.8**	**54.2**

[1] Underlying operating profit excludes exceptional items in order to provide a better indication of the Group's underlying business performance

Consolidated statement of comprehensive income for the period ended 31 December

€m	Note	2016	2015	2014
Net profit		**15.6**	**24.6**	**13.0**
Foreign currency translation		(5.5)	1.8	(1.0)
Taxation	20	-	-	-
Foreign currency translation reserve, net of tax		**(5.5)**	**1.8**	**(1.0)**
Reclassification of cash flow hedges to the profit or loss		-	(0.2)	(0.6)
Cash flow hedge revaluation		(1.1)	0.3	0.7
Taxation	20.2	0.4	-	-
Cash flow hedge, net of tax		**(0.7)**	**0.1**	**0.1**
OCI to be reclassified to profit or loss in subsequent periods, net of tax		**(6.2)**	**1.9**	**(0.9)**
Pension obligations (remeasurement losses)	34	-	-	(2.0)
Taxation	20.2	-	-	0.4
OCI not to be reclassified to profit or loss in subsequent periods, net of tax		**-**	**-**	**(1.6)**
OCI for the period, net of tax		**(6.2)**	**1.9**	**(2.5)**
Comprehensive income for the period, net of tax		**9.4**	**26.5**	**10.5**
Attributable to:				
Equity holders of the parent		9.3	26.5	10.5
Non-controlling interests	35	0.1	-	-
Comprehensive income for the period, net of tax		**9.4**	**26.5**	**10.5**

Consolidated balance sheet at 31 December

€m	Note	2016	2015	2014
Fleet	22	775.4	510.9	370.9
Property, plant and equipment	23	78.5	64.0	57.0
Intangible assets	24	63.8	43.2	35.4
Financial assets	25	255.4	289.6	288.6
Deferred tax assets	26	4.6	11.6	20.1
Non-current assets		**1,177.7**	**919.3**	**772.0**
Inventories	27	15.1	7.8	7.0
Trade and other receivables	28	122.5	95.4	90.4
Financial assets	25	9.0	3.4	20.3
Current tax assets	26	1.0	0.8	1.4
Cash and equivalents	29	16.6	38.2	38.4
Current assets		**164.2**	**145.6**	**157.5**
Total assets		**1,341.9**	**1,064.9**	**929.5**
Borrowings	30	72.5	6.6	283.5
Derivatives	31	1.9	0.9	1.2
Provisions	32	-	0.1	0.8
Trade and other payables	33	144.8	87.9	104.1
Current tax liabilities	26	3.2	2.3	0.5
Current liabilities		**222.4**	**97.8**	**390.1**
Borrowings	30	519.5	401.5	0.4
Derivatives	31	1.6	-	-
Provisions	32	-	-	-
Trade and other payables	33	4.2	4.7	4.4
Deferred tax liabilities	26	38.0	14.2	14.3
Non-current liabilities		**563.3**	**420.4**	**19.1**
Total liabilities		**785.7**	**518.2**	**409.2**
Net assets		**556.2**	**546.7**	**520.3**
Share capital	35	-	-	-
Share premium	35	513.2	513.2	513.2
Retained earnings		49.4	33.8	9.2
Other reserves	35	(6.5)	(0.3)	(2.1)
Equity attributable to parent		**556.1**	**546.7**	**520.3**
Non-controlling interests	35	0.1	-	-
Equity		**556.2**	**546.7**	**520.3**

Consolidated statement of changes in equity for the period ended 31 December

€m	Note	Share capital	Share premium	Retained earnings	Other reserves	Equity attributable to parent	Non-controlling interests	Equity
At 1 January 2014		**-**	**212.4**	**(2.5)**	**(0.9)**	**209.0**	**-**	**209.0**
Net profit		-	-	13.0	-	13.0	-	13.0
OCI for the period	35	-	-	-	(2.5)	(2.5)	-	(2.5)
Total comprehensive income		**-**	**-**	**13.0**	**(2.5)**	**10.5**	**-**	**10.5**
Reclass		-	-	(1.3)	1.3	-	-	-
Share premium	35	-	300.8	-	-	300.8	-	300.8
At 31 December 2014		**-**	**513.2**	**9.2**	**(2.1)**	**520.3**	**-**	**520.3**
Net profit		-	-	24.6	-	24.6	-	24.6
OCI for the period	35	-	-	-	1.8	1.8	-	1.8
Total comprehensive income		**-**	**-**	**24.6**	**1.8**	**26.4**	**-**	**26.4**
Share premium	35	-	-	-	-		-	-
At 31 December 2015		**-**	**513.2**	**33.8**	**(0.3)**	**546.7**	**-**	**546.7**
Net profit		-	-	15.6	-	15.6	(0.1)	15.5
OCI for the period	35	-	-	-	(6.2)	(6.2)	-	(6.2)
Total comprehensive income		**-**	**-**	**15.6**	**(6.2)**	**9.4**	**(0.1)**	**9.3**
Share premium	35	-	-	-	-	-	-	-
Business combinations	7	-	-	-	-	-	0.2	0.2
At 31 December 2016		**-**	**513.2**	**49.4**	**(6.5)**	**556.1**	**0.1**	**556.2**

Consolidated statement of cash flow for the period ended 31 December

€m	Note	2016	2015	2014
Cash generated from operations	a	145.2	69.1	94.0
Net fleet investments	b	(234.7)	(159.0)	(108.2)
Net interest and tax	c	(9.9)	(1.9)	(17.0)
Net cash flow from operations		**(99.4)**	**(91.8)**	**(31.2)**
Business combinations (net of cash acquired)	7	(102.3)	(31.3)	(6.4)
Financial assets	25	35.0	15.0	(283.1)
PP&E purchases	23	(16.2)	(8.3)	(8.2)
Intangible assets additions	24	(0.3)	(8.5)	-
Net cash flow from/(used in) investing activities		**(83.8)**	**(33.1)**	**(297.7)**
Net cash flow after investing activities		**(183.2)**	**(124.9)**	**(328.9)**
Equity financing by shareholder	35	-	-	300.8
Borrowing drawdowns	30	266.7	416.1	6.0
Borrowing repayments	30	(106.5)	(284.0)	(13.0)
Debt issuance fee	30.2	-	(12.7)	(3.6)
Foreign exchange forward	18,19	-	5.5	7.9
Net cash flow from financing activities		**160.2**	**124.9**	**298.1**
Net cash flow after investing and financing activities		**(23.0)**	**-**	**(30.8)**
Cash and cash equivalents at 1 January		38.2	38.4	68.9
Net increase/(decrease) in cash and cash equivalents		(23.0)	-	(30.8)
Net foreign exchange difference		1.4	(0.2)	0.3
Cash and equivalents at 31 December	29	**16.6**	**38.2**	**38.4**

Additional information on the consolidated statement of cash flow for the period ended 31 December

€m	Note	2016	2015	2014
Operating profit		40.9	33.6	54.3
Depreciation of fleet	22	81.8	55.9	33.4
Depreciation of PP&E	23	5.0	3.7	2.5
Amortisation of intangible assets	24	5.1	3.2	1.7
Depreciation/amortisation/impairment		**91.9**	**62.8**	**37.6**
Gain on disposal of fleet	16	(7.9)	(4.0)	(6.0)
(Gain)/loss on disposals		**(7.9)**	**(4.0)**	**(6.0)**
Other non-sale disposals related to fleet	22	1.9	1.2	0.6
Movement in provisions	32	-	(0.8)	(0.5)
Movement in pension obligations	34	-	-	(8.5)
Gain on bargain purchase	21	-	(0.1)	-
Other non-cash adjustments		**1.9**	**0.3**	**(8.4)**
(Increase)/decrease in trade and other receivables	28	(21.1)	(8.1)	(25.2)
(Increase)/decrease in financial assets	25	0.7	1.8	3.9
Increase/(decrease) in trade payables	33	38.8	(17.3)	37.8
Working capital movements		**18.4**	**(23.6)**	**16.5**
Cash generated from operations	a	**145.2**	**69.1**	**94.0**
Proceeds from fleet sales	16	38.0	28.3	26.9
Fleet purchases	22	(269.4)	(184.3)	(133.4)
Fleet customisation expenditures paid	22	(3.3)	(3.0)	(1.7)
Net fleet investments	b	**(234.7)**	**(159.0)**	**(108.2)**
Interest received	25	6.2	12.7	5.7
Interest paid	30	(15.4)	(14.4)	(20.0)
Income tax received	26	0.3	0.6	-
Income tax paid	26	(1.0)	(0.8)	(2.7)
Net interest and tax	c	**(9.9)**	**(1.9)**	**(17.0)**

GENERAL NOTES

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Global TIP Holdings Two B.V. (hereafter referred to as "Company" or "Parent") and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2016, were authorised for issue in accordance with a resolution of the shareholders of the Company dated 15 March 2017. Information on the Group shareholding structure is provided in note 36.

The Company is a "besloten venootschap" (B.V.) incorporated in the Netherlands under Dutch law and domiciled in Amsterdam. Its registered office is located at "Alpha Tower", De Entrée 33, 1101 BH, Amsterdam, The Netherlands.

The immediate parent of the Company at 31 December 2016 is Global TIP Holdings One B.V. (hereafter referred to as "Dutch Holding"), a "besloten venootschap" (B.V.) incorporated in the Netherlands under Dutch law and domiciled in Amsterdam. Its registered office is located at "Alpha Tower", De Entrée 33, 1101 BH, Amsterdam, The Netherlands. The immediate parent of the Dutch Holding at 31 December 2016 is HNA Group (International) Company Limited, Hong Kong.

At 31 December 2016 the Company's ultimate majority shareholders are the Hainan Airlines Company Limited Employees Union Committee ([illegible] - "HNA Employees Union") and the Hainan Province Cihang Foundation ([illegible] - "Cihang "). The HNA Employees Union, established on 10 February 1993 in accordance with the China Labor Union Law and the Civil Procedural Law of China, is a legal person organised for the sole benefit of all employees of Hainan Airlines Company Limited, a public air carrier duly licensed by the relevant Chinese government authorities, and a company listed and traded on China's Shanghai Stock Exchange (stock number 600221). Cihang, established on 8 October 2010 in accordance with China´s Foundation Control Measures Law, is a legal person organised for the sole purpose of engaging in charitable and educational activities and no individuals are permitted to have or entitled to any benefit under this foundation. HNA Employees Union and Cihang are based in both Beijing and Hainan Province.

The principal activity of the Group is to provide leasing, rental, maintenance and repair and other value added solutions to the transportation and logistics industry.

2. Basis of preparation

a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group companies are measured using the currency of the primary economic environment in which each company operates (the functional currency). The consolidated financial statements of the Group are presented in euros (€) which is the functional and presentation currency of the Parent. All values in the consolidated financial statements are rounded to the nearest hundred thousand €, except where otherwise indicated.

b) Principal accounting convention

The consolidated financial statements have been prepared under the historic cost convention as modified by the measurement at fair value of pension obligations, certain financial assets and derivatives.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The Group presents 2 years of comparatives.

d) Statement of cash flow

The consolidated statement of cash flow has been drawn up in accordance with the indirect method, classifying cash flow as cash flow from operating, investing and financing activities. Changes in consolidated balance sheet items that have not resulted in cash flow have been eliminated for the purpose of preparing this statement.

e) Current versus non-current classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification. An asset is current when it fulfils one or more of the following conditions:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it fulfils one or more of the following conditions:

- Expected to be settled in a normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

f) Statement of compliance
The consolidation financial statements of the Group have been prepared in accordance with IFRS, issued by the IASB and part 9 of Book II of the Netherlands Civil Code, as adopted by the European Union.

The financial data of the Company is included in these consolidated financial statements.

3. Summary of significant accounting policies

a) Business combinations and goodwill - note 7
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value including any contingent consideration payable or receivable. Acquisition related costs are expensed as incurred and included in the expense category consistent with the nature of the expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

b) Revenue recognition - note 8
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is the principal in its revenue arrangements since it is the primary obligor in the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

In addition to the criteria above, the following revenue recognition criteria apply:

I) Leasing: consists of revenue from operating leases with a contractual duration of one year or more. Revenue from operating leases also includes an element related to maintenance and repair (M&R).

Operating lease revenue is accounted for on a straight-line basis over the lease term.

Leasing includes fees for cancellation of lease contracts and excess mileage. Cancellations of lease contracts are recognised at the point that the cutomer terminates the lease. Excess mileage is recognised once the trailer mileage is ascertained which is typically during maintenance events or at the end of the lease.

The revenue from the M&R component of the leasing contracts is recognised by reference to the cost incurred compared to the expected cost over the life time of the contracts. The expected M&R cost is projected based on historical M&R data per asset type, age, country and contract type.

II) Rental: consists of revenue from operating leases with a contractual duration of less than one year. Revenue from rental includes an element related to maintenance and repair. Rental revenue is accounted for on a straight-line basis over the lease term.

Rental includes fees for cancellation of rental contracts and excess mileage. Cancellations of rental contracts are recognised at the point that the custoomer terminates the lease. Excess mileage is recognised once the trailer mileage is ascertained which is typically during maintenance events or at the end of the rental period.

III) Damage protection: it is standard business practice for the supplier to recharge to the customer any damage to assets which occurred while the assets were in the customer's care. However, in cases where the customer commits to pay a damage protection fee, the supplier waives such recharges. This revenue is recognised on a straight-line basis over the duration of the relevant lease or rental agreement.

IV) Maintenance and repair (M&R) 3rd party: consists of revenue generated from the performance of trailer M&R services for 3rd parties. Such services are typically performed over an indeterminate number of events within a specified period of time. M&R 3rd party revenue is recognised by reference to the cost incurred compared to the expected cost over the life time of the contracts. The expected M&R cost is projected based on historical M&R data per asset type, age, country and contract type.

V) Other: includes transaction fees which represent commission income earned from 3rd parties for sourcing equipment, equipment funding and related services. Transaction fees are recognised once the relevant transaction is completed. Other also includes buy to sell revenue where the Group purchases assets to resell, advertising and management fees charged to affiliate companies.

Deferred revenue relates to amounts billed in advance.

VI) Lease determination: the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

c) Cost of sales - note 9
The following cost recognition criteria apply:

I) Maintenance and repair (M&R) own fleet: consists of costs incurred in maintaining and repairing the Group's own fleet. These costs are recognised as M&R work is performed. Accruals are recognised for costs which have been incurred but not invoiced. M&R rebills, directly charged to the customers, are included in leasing and rental revenue.

II) Damage protection: consists of repair and damage costs incurred for trailers which are subject to damage protection contracts. Costs incurred are recognised as repair work is performed. Accruals are recognised for costs which have been incurred but not invoiced.

III) Maintenance and repair (M&R) 3rd party: consists of costs incurred in providing M&R 3rd party services. Costs incurred are recognised as M&R work is performed. Accruals are recognised for costs which have been incurred but not invoiced.

IV) Other: consists of buy to sell costs where the Group purchases assets to resell.

V) Lease in: represent costs incurred from operating leases concluded by the Group, which assets are then leased on to customers as part of the core business of the Group. Lease in contracts are treated as operating leases and therefore not capitalised as part of the fleet.

VI) Fleet customisation: are costs specific for the customer's needs. These costs are capitalised and amortised over the lease term. If a contract is terminated early then the related costs up to the average lease term are expensed to the consolidated statement of profit or loss.

VII) Depreciation of fleet: the equipment is depreciated to holding periods and residual values determined by the Group's Asset Management team. For more details see note 3h.

d) Administrative and other operating expenses - note 10
The following cost recognition criteria apply:

By their nature, operating expenses cannot be associated with the earning of specific items of income. Expenses are recognised immediately in the consolidated statement of profit or loss when monthly exchange rate expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated balance sheet as an asset. Expenditure is recognised when the related goods or services have been received. Accruals are recognised for all such costs which have been incurred but not invoiced.

The Group operates a policy of charging employee benefit costs to cost of sales for workshop time spent on M&R own fleet and 3rd party equipment, customer service and checking trailers in and out. Employee benefit costs are recognised when the employee has rendered the service in exchange for those benefits.

Rental expense consists mainly of property rentals. Rental income includes rent charged to 3rd parties who use the Group's properties. Other rentals relate principally to office equipment. Overflow parking is short-term parking space rented for idle units. All operating lease income or costs are recognised in the consolidated statement of profit or loss as they occur or on a straight-line basis over the lease term.

The Group operates a policy of charging rental expense to cost of sales in relation to workshop rental expense.

e) Foreign currency translation - note 18, 19 and 35
Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities in their respective transaction currency. They are then converted to the Company's functional currency at the monthly exchange rate, determined as the spot rate at the beginning of the month.

Monetary assets and liabilities denominated in foreign currencies are retranslated at each month end to the functional currency at the exchange rate then prevailing. All differences are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group companies
The assets and liabilities of foreign operations are translated into € at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. All exchange differences are recorded as a foreign currency translation reserve in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the monthly exchange rate applicable at the acquisition date.

f) Taxation - note 20 and 26
The taxation section in the consolidated statement of profit or loss recognises current and deferred taxes. Current tax is determined by multiplying the applicable corporate tax rate and the profit before tax corrected for permanent and temporary differences in each of the jurisdictions in which the Group operates.

Deferred taxes are recognised on all temporary differences using the applicable (future) corporate tax rates for the jurisdictions in which the Group operates.

Deferred tax assets are recognised for temporary deductible differences, tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable using the business's profit before tax forecast.

g) Exceptional items - note 21
Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

h) Fleet - note 22
Fleet acquired is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the expense of replacing equipment components of the fleet if the relevant recognition criteria are met. When significant equipment components of the fleet are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other M&R costs are recognised in the consolidated statement of profit or loss as incurred.

The following depreciation policies apply:

The equipment is depreciated to holding periods and residual values determined by the Group's Asset Management team using internal and external data. Residual values and useful lives are reviewed periodically and adjusted prospectively if necessary. When equipment reaches the end of the holding period, the Group will decide if the equipment should be placed on a new lease or rental term on a straight-line basis to a revised residual value. At the end of each extended holding period the Group will once again assess whether the equipment should be further leased out or sold.

For the European market the initial holding periods for new equipment ranges from 5 to 9 years, depending on the equipment type. Estimated residual values for the initial holding period range from 32% or 52% of cost, depending on the equipment type.

For the Canadian market the initial holding period for new equipment is 15 years. Estimated residual values for the initial holding period range from 10% or 15% of cost, depending on the equipment type.

i) Impairment of non-financial assets - note 22 and 23
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed financial plans, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These detailed plans generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year or another appropriate valuation technic is applied.

Impairment losses, including impairment on inventories, are recognised in the consolidated statement of profit or loss in expense categories consistent with the nature of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss. The following assets have specific characteristics for impairment testing:

Fleet
The Group assesses annually whether there is an indication that an asset group may be impaired. Asset groupings are determined by the Asset Management team. If any indication exists, or when annual impairment testing for an asset group is required, the Group estimates the asset group's recoverable amount. An asset group's recoverable amount is the higher of an asset group's fair value less costs to sell and its value in use and is determined for an asset group. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on projected fleet cash flows as follows:

- Direct cash flows (revenue and direct M&R cost) are determined based on the Group's most recent financial plans and applied over the remaining holding period of the asset group.
- Cash inflows arising from disposal of the asset at the end of its holding period are based on estimated residual values.
- Impairment losses are recognised in the consolidated statement of profit or loss.

In determining fair value less costs of disposal, recent market transactions are taken into account.

j) Property, plant and equipment (PP&E) -note 23
PP&E is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PP&E and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of PP&E are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is charged through the consolidated statement of profit or loss. PP&E is depreciated over its estimated useful life to an estimated residual value on a straight-line basis on the following parameters:

Categories	Useful life (years)
Land	Indefinite
Buildings and structures	up to 50
Leasehold improvements	over the expectes lease term
Other	3 to 5

Residual values and useful lives are reviewed periodically and adjusted prospectively if necessary.

The Group sells PP&E, which has either reached the end of its useful life or when the Group exits a location, to 3rd parties in the normal course of business. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on receipt of cash. Book value of the assets sold and any costs directly associated with the sale are recorded at the same time. Sales invoices are typically issued to coincide with cash receipts, therefore at the end of each accounting period there are no trade receivables relating to PP&E sales in the consolidated balance sheet.

k) Intangible assets - note 24
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. With the exception of capitalized software development costs, internally generated intangible assets are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either definite or indefinite.

Intangible assets with definite lives are amortised to a residual value of zero over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with definite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the nature of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU defined level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Software capitalised development costs
Capitalised software relates to purchased software from 3rd parties and to internally developed software for use by Group. Costs on research activities undertaken to gain new technical knowledge and understanding are recognised in the consolidated statement of profit or loss as incurred. Costs to develop software are recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development. The capitalised cost of internally developed software includes all costs directly attributable to developing software and are amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and accumulated impairment, if any.

Subsequent costs on software assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent costs are capitalised, the carrying value of the replaced parts are derecognised.

Intangible assets are amortised as follows:

	Useful life (years)	Amortisation method used	Internally generated or acquired
Goodwill	Indefinite	Not applicable	Acquired
Brand name	Indefinite	Not applicable	Acquired
Customer lists	4-5	Straight line	Acquired
Software	3-5	Straight line	Acquired/Internal

l) Financial assets - note 25

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through the consolidated statement of profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the consolidated statement of profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified as financial assets at fair value through the consolidated statement of profit or loss or as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

This category generally applies to loan receivable, trade and other receivables and cash restricted in escrow accounts.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised i.e. removed from the Group's consolidated balance sheet, when either:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a 3rd party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets and can be reliably estimated. Evidence of impairment may include:

- Indications that the debtors or a group of debtors is experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that the debtors or a group of debtors will declare bankruptcy or another financial reorganization

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

m) Inventories - note 27

Fleet/Buy to sell

Inventories are carried at the lower of cost or net realisable value and are to be sold within one year. The cost of inventories if it is related to owned units is the current net book value of fleet transferred to inventories and is determined for each item individually while for units acquired with the intention to be sold, the cost of inventory is the purchase price. The net realisable value is periodically reassessed for all units that have been held for sale for six months or more and adjusted if necessary.

Sales of inventories are recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually upon payment. Book value of the units sold and any costs directly associated with the sale are recorded at the same time. The revenue and the related book value are recognised as revenue from disposal of fleet and cost of disposed fleet respectively in the consolidated statement of profit or loss. Sales invoices are typically issued to coincide with receipt of payment, therefore at the end of each accounting period there are no trade receivables relating to fleet sales on the consolidated balance sheet.

Parts

Parts are stated at the lower of cost and net realisable value. The costs of individual parts are determined using weighted average costs. Costs of parts are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Parts are stated net of any provision for obsolete or slow moving items.

n) Cash and equivalents - note 29

Cash and short-term deposits on the consolidated balance sheet comprises cash at banks, restricted cash at banks and on hand and short-term deposits with a maturity of three months or less.

Cash restricted for specific purposes in escrow accounts is included in other financial assets on the consolidated balance sheet.

o) Borrowings and trade payables - note 30 and 33

Initial recognition and measurement

Borrowings (excluding finance leases) and trade payables are recognised at fair value, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, the borrowings (excluding finance leases) and trade payables are measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance cost in the consolidated statement of profit or loss.

Derecognition

Borrowings (excluding finance leases) and trade payables are derecognised when the obligation under the liability is discharged, cancelled, or expired. When an existing borrowing and trade payable is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial assets, borrowings and trade payables

Financial assets, borrowings (excluding finance leases) and trade payables are offset and the net amount is reported on the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

Special purpose vehicle (SPV)

An SPV is a company created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets. The financial statements of a special purpose company are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses a legal entity, which was incorporated specifically for the Group's securitisation transactions and it is effectively controlled by the Group. This company is therefore regarded as a subsidiary and included in the consolidated financial statements of the Group.

Specifically, the Group controls an SPV if, and only if, the Group has:

- Power over the SPV (i.e. existing rights that give it the current ability to direct the relevant activities of the SPV)
- Exposure, or rights, to variable returns from its involvement with the SPV
- The ability to use its power over the SPV to affect returns

The Group refers to the debt in the SPV as asset backed securitisation debt (ABS).

Finance leases

Leases of fleet where the Group, as customer, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding lease obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the capital liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fleet acquired under finance leases is depreciated over the asset's useful life or the related customer lease, whichever is longer.

p) Derivatives - note 31

Initial recognition and subsequent measurement

The Group uses derivatives, principally interest rate swaps, to hedge its interest rate risks. Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as derivative assets when the fair value is positive and as derivative liabilities when the fair value is negative.

For the purpose of hedge accounting, interest rate swaps are classified as cash flow hedges, which hedge the exposure to variability in cash flows that is attributable to an interest rate risk associated with borrowings.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to consolidated statement of profit or loss when the hedge item is no longer effective.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship (between the interest rate swaps and borrowings) to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument (interest rate swaps), the hedged item or transaction (borrowings), the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the cash flow hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss as net gain/(loss) from derivatives.

Interest payments in respect of the cash flow hedging instruments are recognised in the consolidated statement of profit or loss as finance income or finance cost as appropriate.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though the consolidated statement of profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either; a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a derivative out of the fair value through the consolidated statement of profit or loss.

Derecognition

Amounts recognised in OCI are transferred to the consolidated statement of profit or loss when the hedged transaction is no longer effective, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument expires, is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI is charged to the consolidated profit or loss over the remaining term of the instrument.

q) Fair value measurement - note 31 and 40

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

p) Provisions - note 32

Provisions are recognised when:

- The Group has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- A reliable estimate can be made of the amount of the obligation

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is highly certain.

In addition to the criteria above, the following policies apply:

5Q provision

The Group has made commitments to purchase or repurchase equipment originally estimated to be not less than its realisable value at the time of purchase or repurchase. The Group's policy is to review each of these commitments falling due for instances where the repurchase commitment is expected to exceed the realisable value of the assets and provide for the difference. No adjustments are made if the realisable value is expected to exceed the repurchase commitment.

Based on experience, the Group does not consider purchase or repurchase commitments falling due after more than 5 quarters to be probable or accurately estimable in this way. The expense relating to the 5Q provision is presented in cost of sales.

Restructuring provision

Restructuring provisions are recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group follows a detailed formal plan about the business or part thereof, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate time-line. The people affected have a valid expectation that the restructuring is being carried out or that the implementation has already been initiated.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

r) Pension obligations - note 34

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Group operated its principal defined benefit pension plan in the Netherlands. This required contributions to be made to a separately administered fund. The fund was a GE sponsored fund which the Group exited in June 2014, under the acquisition and transition services agreement with GE.

The cost of providing benefits under the defined benefit plan was determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (not applicable to the Group), excluding net interest and the return on plan assets (excluding net interest), are recognised immediately on the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of profit or loss in subsequent periods.

The Group is operating defined contribution plans in: the United Kingdom, Ireland, Italy, Spain, Denmark, Finland, Norway, Sweden, Belgium, the Netherlands and Canada. The yearly contribution is usually a percentage of pay and may be further dependent on one or more factors such as age and years of service. The contribution paid by the Group is charged to the consolidated statement of profit or loss.

In France, Germany, Austria, Poland, Czech Republic and Romania the Group contributes to pensions through the state social security system. These contributions paid by the Group are charged to the consolidated statement of profit or loss.

s) New standards, amendments and interpretations

The Group reviewed the following IFRS standards and amendments which became effective during 2016 and concluded that they had no impact on the consolidated financial statements and accounting polices:

- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 7 Financial instruments – disclosures
- IAS 19 Employee benefits
- IAS 34 Interim financial reporting
- IFRS 1 First-time adoption of international financial reporting standards
- IAS 28 – Investment in associates and joint ventures
- IFRS 12 Disclosure of interests and other entities

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the SLT to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, the SLT has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

a) Business combinations - note 7

The SLT applied the following key judgements in respect of treatment of various acquisitions:

- Identification of a business combination: these acquisitions included assets under lease contracts and associated working capital (inputs), as well as the workforce and operations (processes) generating revenues (outputs) from these businesses; therefore these acquisitions of assets and operations are treated as business combinations rather than standalone asset purchases
- Identification of the acquirer: for each acquisition an existing Group entity was identified as the acquirer and it is treated as the acquirer which obtains control of the acquisition

b) Lease classification - note 8

The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each lease contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred. Various criteria are used to determine the lease classification of which the most important are:

- Whether the lease transfers ownership of the equipment to the customer by the end of the lease term
- Whether the customer has the option to purchase the equipment at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised (frequently called a ‘bargain purchase’ option)
- Whether the lease term is for the major part of the equipment’s economic life even if the title is not transferred
- Whether at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased equipment
- Whether the leased equipment is of a specialised nature such that only the customer can use them without major modifications being made

Based on the above criteria the vast majority of the Group’s lease contracts are accounted for as operating leases.

c) SPV for ABS funding - note 30

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others. Via contractual arrangements between the SPV and the rest of the Group all risks (including asset risk, credit risk, liquidity risk and interest rate risk) are transferred to the Group by means of a subordinated loan, residual value guarantees provided to the SPV and other instruments.

Estimates and assumptions

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below:

a) Fair valuation of acquired net assets -note 7

Business combinations are accounted for using the acquisition method of accounting. In the course of initial consolidation, the identifiable assets, liabilities, and contingent liabilities of the acquiree are recognised at fair value. Assumptions around recognition and estimation of fair values of the acquired assets and liabilities are disclosed in note 7.

b) Taxation - note 20 and 26

The Group is subject to corporate tax in numerous jurisdictions. Significant estimates are required in determining the Group provision for current and deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax provisions in the period in which such determination is made.

When the Group estimates the extent to which the deferred tax assets and liabilities should be recognised, the two principal areas of judgement are the business plan and any tax losses or unused capital allowances which the prior owner (GE) may utilize to settle liabilities relating to open tax periods ending before 23 October 2013 which remain open for tax audits.

c) Impairment of non-financial assets - note 22 and 23

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the detailed financial plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate or other valuation technic used for extrapolation purposes.

d) Fair value measurement of financial assets, borrowings, derivatives and trade payables - note 25, 30, 31 and 33

When the fair values of financial assets, borrowings, derivatives and trade payables recorded on the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including DCF models. 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 assets, borrowings, derivatives and trade payables.

5. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial instruments that replaces IAS 39 Financial instruments: recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Earlyapplication of previous versions of IFRS 9(2009, 2010, and 2013) is permitted if the date of initial application is before 1 February 2015. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IAS 7 Disclosure initiative - amendments to IAS 7

The amendments to IAS 7 statement of cash flows are part of the IASB’s disclosure initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of deferred tax assets for unrealised losses - amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 revenue from contracts with customers. The new standard replaces IAS 17 and related interpretations.

Customers

All leases result in a company (the customer) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single customer accounting model. Applying that model, a customer is required to recognize;

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the profit or loss statement.

Suppliers

IFRS 16 substantially carries forward the supplier accounting requirements in IAS 17. Accordingly, a supplier continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has included an estimated overview of the impact of IFRS 16 in the management section of this annual report under “Potential impact of new lease accounting". This estimate does not form part of the consolidated financial statements and is merely for illustration purpose. It does not indicate an early adoption of the standard.

6. Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long-term returns to shareholders and safeguards the Group's balance sheet through economic cycles. For the purpose of the Group's capital management, capital includes issued capital, share premium and all other financial reserves.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to its borrowings. Should a potential breach of any of the financial covenants occur the Group aims to proactively take all reasonable steps to prevent or remedy the situation, always in open and close communication with the Group's banking partners and investors. The table below shows the financial covenants related to the Group's principal borrowings under its revolving credit facility (RCF):

€m	2016	2015
Interest cover	2.3x	3.0x
Solvency	25%	29%
Loan to value	84%	89%

There have been no breaches in the financial covenants of any borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of its financial covenants. As part of its principal borrowing facility the Group has undertaken not to pay dividends or return capital to its shareholder before 30 June 2017. To maintain or adjust the capital structure, the Group may issue new shares and monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt.

The Group expects to grow in 2017 which will lead to an increase in its gearing ratio.

€m	Note	2016	2015	2014
Gross borrowings after foreign exchange	30	598.1	417.7	278.3
Less: cash and equivalents	29	(16.6)	(38.2)	(38.4)
Less: other financial assets	25	-	(0.7)	(17.6)
Net debt		**581.5**	**378.8**	**222.3**
Equity		556.2	546.7	520.3
Capital and net debt		**1,137.7**	**925.5**	**742.6**
Gearing ratio		**51%**	**41%**	**30%**

SPECIFIC NOTES

7. Business combinations

Asset acquisitions and business combinations

The following is a summary of the acquisitions completed by the Group:

€m	2016	2015	2014
Enterprise value	148.9	43.9	16.7

€m	2016	2015	2014
Purchase consideration	121.8	44.2	16.7
Acquisition related costs	1.7	1.1	0.4
Number of transactions	10	8	8
Number of countries	6	6	4

Acquisition related costs amounting to €1.7m (2015: €1.1m, 2014: €0.4m) have been included in the administrative and other operating expenses and €0.2m (2015: nil, 2014: nil) have been included in finance costs.

Details of the acquisitions made in 2016:

Seller/entity acquired	Country	Month closed	Treatment
Best of	France	January	Business combination
Aim Hire Limited	United Kingdom	March	Business combination
P.A.D.S Trailers Limited	United Kingdom	April	Business combination
Haartz Tanker Rentals Limited	United Kingdom	April	Asset acquisition
Officine Caldera 2 SRL	Italy	May	Business combination
Thermoparts	Spain	May	Business combination
Williams Tanker Services Limited	United Kingdom	August	Business combination
Train Trailer Rentals Limited	Canada	August	Business combination
Twan Heetkamp Trailers B.V.	Netherlands	November	Business combination
Load King Trailer Rentals Limited	Canada	November	Asset acquisition

€m	Note	2016	2015	2014
Asset acquisitions not qualifying as business combinations		10.8	9.2	10.3
Business combinations	a	111.0	35.0	6.4
Purchase consideration		**121.8**	**44.2**	**16.7**

a) Business combinations

The consideration and fair values of the identifiable assets and liabilities of business combinations at the date of acquisition are as follows:

€m	North America	Europe	Total 2016	2015	2014
Fleet	48.9	75.3	124.2	28.7	5.0
PP&E	0.5	4.4	4.9	1.0	0.7
Intangible assets	1.3	5.2	6.5	1.8	0.7
Deferred tax assets	-	-	-	0.2	-
Inventories	0.9	4.0	4.9	1.8	-
Trade and other receivables	3.3	13.6	16.9	4.4	-
Cash and equivalents	-	8.7	8.7	3.7	-
Assets	**54.9**	**111.2**	**166.1**	**41.7**	**6.4**
Borrowings	-	35.8	35.8	3.4	-
Deferred tax liabilities	10.0	9.8	19.8	1.2	-
Trade and other payables	1.4	16.5	17.9	2.2	-
Current tax liabilities	-	0.5	0.5	0.3	-
Liabilities	**11.4**	**62.6**	**74.0**	**7.1**	**-**
Total identifiable net assets at fair value	**43.5**	**48.6**	**92.1**	**34.6**	**6.4**
Goodwill	9.5	9.6	19.1	0.4	-
Non-controlling interest	-	(0.2)	(0.2)	-	-
Total consideration	**53.0**	**58.0**	**111.0**	**35.0**	**6.4**
Net cash flow arising from business combinations					
Cash consideration	53.0	58.0	111.0	35.0	6.4
Less: net cash acquired	-	(8.7)	(8.7)	(3.7)	-
Net cash flow on business combinations	**53.0**	**49.3**	**102.3**	**31.3**	**6.4**

The business combinations completed during the period were private transactions and were not considered sufficiently material to warrant separate disclosure.

Fair value of net assets acquired

Fleet

The fair value of fleet has been determined using an income approach, converting the asset values and the future amounts derived from the associated lease contracts to a single present value. A team of internal experts working with external advisors determined that at the date of acquisition the fair value of fleet amounted to €124.2m (2015: €28.7m and 2014: €5.0m). While the fleet value recognized as at the acquisition date has been completed before the 2016 financial statements were approved for issue by management, the adjustment will be applied to individual fleet assets in 2017. If any adjustment is required, it will be recorded and disclosed as a measurement period adjustment and applied retrospectively. It is not anticipated that this will impact the fair value of the fleet.

PP&E

In line with the fair value requirements in IFRS 3R the fair value of PP&E has been determined using a market approach, based on valuations received from internal experts and external advisors. At the date of acquisition the fair value of PP&E amounted to €4.9m (2015: €1.0m and 2014: €0.7m).

Intangible assets

The fair value of customer lists has been classified as a definite life asset, and has been determined using an income approach, converting future amounts to a single present value. A team of internal experts working with external advisors determined that at the date of acquisition the fair value of intangibles amounted to €6.5m (2015: €1.8m and 2014: €0.7m).

Deferred taxes

The deferred taxes have been determined through assessing the ability to realise the expected future tax assets and liabilities against the forecasted taxable earnings. These assets/liabilities reflect in full the tax impact of all other fair value adjustments. A team of internal experts working with external advisors determined that the value of the net deferred taxes amounted to €19.8m (2015: €1.0m and 2014: nil).

The deferred tax changes mainly comprise the tax effect of valuation of non-current assets (fleet and intangibles).

Goodwill

The principal factor contributing to the recognition of the goodwill on business combinations is the realisation of cost savings, other synergies and ability to redeploy assets within existing entities in the Group and which do not qualify for separate recognition as intangible assets. Of the goodwill recognized none (2015: €0.4m and 2014: nil) is expected to be deductible for tax purposes.

Revenue and operating profit or loss related to business combinations

The amount of revenue and operating profit of the acquirees, since the date of control, included in the Group's consolidated statement of profit or loss were as follows:

€m	North America	Europe	Total 2016	2015	2014
Revenue	7.6	16.4	24.0	15.8	1.7
Operating profit	1.8	0.9	2.7	1.4	0.1

If the combinations had taken place at the beginning of the current reporting period, the Group's revenue and operating profit would have been as follows:

€m	Pro-forma North America	Pro-forma Europe	Pro-forma Group excluding 2016 acquisitions	Pro-forma consolidated 2016	2015	2014
Revenue	22.1	53.3	417.6	493.0	402.3	329.6
Operating profit	4.8	4.9	30.0	39.7	34.8	54.9

8. Revenue

€m	Note	2016	2015	2014
Leasing		184.3	160.8	149.9
Rental		98.5	92.0	78.2
Damage protection		19.6	17.6	16.4
Leasing and rental	16	**302.4**	**270.4**	**244.5**
M&R 3rd party	16	84.1	63.8	48.1
Fleet sales	16	38.0	28.3	26.9
Other	16	23.4	9.1	6.2
Total	16	**447.9**	**371.6**	**325.7**

Included in leasing and rental is revenue attributable to maintaining the equipment as follows:

€m	2016	2015	2014
Embedded maintenance revenue	122.4	110.1	99.8

9. Cost of sales

€m	Note	2016	2015	2014
M&R own fleet		115.3	110.3	95.9
Damage protection		11.2	10.7	10.8
Leasing and rental variable	**16**	**126.5**	**121.0**	**106.7**
M&R 3rd party	16	67.8	52.5	39.2
Fleet sales	16	30.1	24.3	20.9
Other	16	3.6	-	-
Total variable	**16**	**228.0**	**197.8**	**166.8**
Depreciation of fleet (including fleet customisation)	22	81.8	55.9	33.4
Lease in		10.4	7.0	4.5
Total fixed	**17**	**92.2**	**62.9**	**37.9**
Total		**320.2**	**260.7**	**204.7**

M&R own fleet is made up of:

€m	Note	2016	2015	2014
Direct M&R own fleet		94.5	90.6	80.1
Other variable cost		20.8	19.7	15.8
Total		**115.3**	**110.3**	**95.9**

10. Administrative and other operating expenses

€m	Note	2016	2015	2014
Employee benefit expenses	**11**	**39.8**	**34.0**	**30.6**
Outside service fees	12	15.2	15.1	13.8
Travel and living	14	6.7	6.4	5.7
Rental expense	15	7.1	5.7	5.5
Other facilities		3.6	2.8	2.5
Office expenses		2.1	2.0	1.8
Sales promotion		1.1	1.0	0.6
Other expenses		1.9	1.1	1.9
Other operating expenses		**37.7**	**34.1**	**31.8**
Depreciation of PP&E	23	5.0	3.7	2.5
Amortisation of intangible assets	24	5.1	3.2	1.7
Bad debt expense	28	(0.8)	1.1	0.2
Total excluding exceptional		**86.8**	**76.1**	**66.8**
Exceptional items	21	-	1.2	(0.1)
Total		**86.8**	**77.3**	**66.7**

11. Employee benefit expenses

€m	Note	2016	2015	2014
Wages and salaries		62.2	51.7	42.5
Social security		10.4	8.5	8.0
Pension		4.8	3.6	4.3
Redundancy		-	-	-
Other		1.1	0.7	0.5
Compensation and benefits		**78.5**	**64.5**	**55.3**
Wages and salaries		(30.8)	(25.1)	(20.0)
Social security		(5.4)	(3.8)	(3.3)
Pension		(2.1)	(1.3)	(1.2)
Redundancy		-	-	-
Other		(0.4)	(0.3)	(0.2)
Included in cost of sales		**(38.7)**	**(30.5)**	**(24.7)**
Wages and salaries		31.4	26.6	22.5
Social security		5.0	4.7	4.7
Pension		2.7	2.3	3.1
Redundancy		-	-	-
Other		0.7	0.4	0.3
Total	**10**	**39.8**	**34.0**	**30.6**
Average headcount in the Netherlands		334	276	169
Average headcount outside the Netherlands		1,188	955	788
Average headcount[1]		**1,522**	**1,231**	**957**

[1]*The average headcount is a monthly average throughout the period*

12. Outside service fees

€m	Note	2016	2015	2014
IT services		5.6	5.2	3.8
Legal		1.2	2.1	1.0
Consultancy		2.1	2.1	1.6
Audit and accounting advisor fees	13	1.3	1.2	2.4
Temporary staff		1.4	1.2	1.3
Accounts payable services		0.7	0.7	0.9
Payroll processing		0.4	0.4	0.8
Recruitment		0.4	0.3	0.3
Business process outsourcing		0.5	0.4	0.4
Banking services		0.3	0.3	0.4
Training		0.2	0.3	0.3
Other		1.1	0.9	0.6
Total	**10**	**15.2**	**15.1**	**13.8**

13. Audit and accounting advisor fees

€m	Note	2016	2015	2014
Fees to Group auditor for audit of Group's annual financial statements		0.1	0.1	0.1
Fees to Group auditor for audit of subsidiaries pursuant to legislation		0.8	0.7	0.7
Fees to another auditor for audit of subsidiaries pursuant to legislation		-	-	-
Audit fees		**0.9**	**0.8**	**0.8**
Tax services		0.2	0.2	0.3
Other services		-	-	1.0
Non-audit fees group auditor[1]		**0.2**	**0.2**	**1.3**
Tax services		-	-	-
Other services		0.2	0.2	0.3
Non-audit fees paid to other accounting firms		**0.2**	**0.2**	**0.3**
Total	10	**1.3**	**1.2**	**2.4**

14. Travel and living expenses

€m	Note	2016	2015	2014
Car expenses		3.6	3.2	2.8
Travel and subsistence		3.1	3.2	2.9
Total	10	**6.7**	**6.4**	**5.7**

15. Rental expenses

€m	Note	2016	2015	2014
Gross rental expense		12.4	9.6	6.9
Included in cost of sales		(4.5)	(2.7)	(0.1)
Rental income		(0.8)	(1.2)	(1.3)
Total	10	**7.1**	**5.7**	**5.5**

Rental expense can be further analysed as follows:

€m	Note	2016	2015	2014
Rental expense		6.2	4.9	5.3
Other rentals		0.8	0.8	0.7
Overflow parking		0.9	1.2	0.8
Rental income		(0.8)	(1.2)	(1.3)
Total	10	**7.1**	**5.7**	**5.5**

16. Contribution analysis

€m	Note	2016	2015	2014
Leasing and rental				
Revenue	8	302.4	270.4	244.5
Variable costs	9	(126.5)	(121.0)	(106.7)
Contribution		**175.9**	**149.4**	**137.8**
Contribution %		58%	55%	56%
M&R 3rd party				
Revenue	8	84.1	63.8	48.1
Variable costs	9	(67.8)	(52.5)	(39.2)
Contribution		**16.3**	**11.3**	**8.9**
Contribution %		19%	18%	19%
Fleet sales				
Revenue	8	38.0	28.3	26.9
Variable costs	a	(30.1)	(24.3)	(20.9)
Contribution		**7.9**	**4.0**	**6.0**
Contribution %		21%	14%	22%
Other				
Revenue	8	23.4	9.1	6.2
Variable costs	9	(3.6)	-	-
Contribution		**19.8**	**9.1**	**6.2**
Contribution %		85%	100%	100%
Total				
Revenue	8	447.9	371.6	325.7
Variable costs	9	(228.0)	(197.8)	(166.8)
Contribution		**219.9**	**173.8**	**158.9**
Contribution %		49%	47%	49%
a) Variable cost of fleet sales consist of:				
NBV of fleet sales		(29.6)	(23.7)	(20.1)
Selling costs		(0.5)	(0.6)	(0.8)
Total	9	**(30.1)**	**(24.3)**	**(20.9)**

[1] *Audit and other services were provided by Ernst & Young Accountants LLP (EY). Tax services were provided by other entities of the EY group. Non-audit services provided by the group auditor are within the permitted services allowed under ViO independence guidance.*

17. Earnings before interest, taxes, depreciation and amortisation (EBITDA)

€m	Note	2016	2015	2014
Contribution	16	**219.9**	**173.8**	**158.9**
Employee benefit expenses	11	(39.8)	(34.0)	(30.6)
Other operating expenses	10	(37.7)	(34.1)	(31.8)
Bad debt expense	10	0.8	(1.1)	(0.2)
EBITDA		**143.2**	**104.6**	**96.3**
EBITDA %		32%	28%	30%

Reconciliation of EBITDA to operating profit				
€m		2016	2015	2014
EBITDA		143.2	104.6	96.3
Fixed cost	9	(92.2)	(62.9)	(37.9)
Depreciation of PP&E	10	(5.0)	(3.7)	(2.5)
Amortisation of intangible assets	10	(5.1)	(3.2)	(1.7)
Underlying operating profit		**40.9**	**34.8**	**54.2**
Exceptional administrative items	21	-	(1.2)	0.1
Operating profit		**40.9**	**33.6**	**54.3**

18. Finance income

€m	Note	2016	2015	2014
Interest	25	12.5	13.6	8.6
Foreign exchange gains		-	-	-
Finance income before derivatives	37	**12.5**	**13.6**	**8.6**
Foreign exchange forward		-	5.5	9.1
Notional embedded interest rate floor	31.1b	-	0.6	-
Interest rate swap realised gain		-		-
Interest rate swaps fair market value adjustment		-	-	-
Derivatives[1]		**-**	**6.1**	**9.1**
Total excluding exceptional items		**12.5**	**19.7**	**17.7**
Exceptional items	21	-	-	11.1
Total		**12.5**	**19.7**	**28.8**

Interest income relates to related party loan receivables as set out in notes 25 and 37.

Foreign exchange forward income relates to foreign exchange forward contracts that did not qualify for hedge accounting. As the $ strengthened against the € during 2015 and 2014, a gain of €5.5m and €9.1m, respectively, arose on these contracts.

The interest rate floor relates to notional embedded derivatives on term loans, which were bifurcated and did not qualify for hedge accounting. As Libor rates approached zero and Euribor rates went below zero during 2015, a gain of €0.6m arose from changes in fair value of these derivatives.

[1] *Results from derivatives represent the net gain or loss from financial instruments at fair value through the profit or loss.*

19. Finance cost

€m	Note	2016	2015	2014
Interest	30.1	14.3	10.9	18.0
Commitment fees	30.1	1.9	1.3	1.2
Amortisation of deferred fees	30.2	2.7	2.1	3.5
Amortisation of notional embedded interest floor offset	30.3	-	0.3	0.9
Funding related		**18.9**	**14.6**	**23.6**
Foreign exchange losses		2.5	2.9	4.4
Finance cost before derivatives		**21.4**	**17.5**	**28.0**
Foreign exchange forward		-	-	-
Notional embedded interest rate floor	31.1b	-	-	4.7
Interest rate swap realised loss		1.4	1.0	0.3
Interest rate swaps fair market value adjustment	31.1	1.6	0.3	0.7
Derivatives[1]		**3.0**	**1.3**	**5.7**
Total excluding exceptional		**24.4**	**18.8**	**33.7**
Exceptional items	21	-	-	36.2
Total		**24.4**	**18.8**	**69.9**

Funding related costs occur on borrowings as set out in note 30.

In 2016 the foreign exchange losses of €2.5m arose largely in the first quarter driven by significant movement on £ exchange rates in the lead up to the Brexit vote on unhedged elements of Group funding balances dominated in £. Since the first quarter of 2016 these balances have been hedged at over 90%.

In 2015, the unrealised foreign exchange losses of €2.9m arose also in the first half of the year from unhedged £ funding balances between Group companies. In 2014 €9.4m arose from the $ term loan, offset by foreign exchange gains of €5.0m arising on unhedged funding balances between Group companies. The losses on the $ term loan were largely offset by gains on foreign exchange forwards (refer note 18).

The interest rate floor related to notional embedded derivatives on term loans, which were bifurcated and did not qualify for hedge accounting.

In 2015 the Group entered into floating to fixed swaps to hedge interest rates on the increased RCF facility. During the year the majority of the € denominated swap contracts ceased to qualify for hedge accounting and so movements in fair market value were reported in the consolidated statement of profit or loss in both 2015 and 2016. Reductions in € interest rate curves during 2016 led to increased movements in fair market values during the period.

In December 2014 the interest swaps, existing at that time, related to floating to fixed swaps contracts that ceased to qualify for hedge accounting. As a consequence the amounts previously reported in OCI were expensed to the consolidated statement of profit or loss in that year.

Exceptional finance items in 2014 occurred upon the Group's refinancing as set out in note 21.

[1] *Results from derivatives represent the net gain or loss from financial instruments at fair value through the profit or loss.*

20. Taxation

20.1 Taxation for the period

The major components are as follows:

€m	Note	2016	2015	2014
Current taxation for the period		3.7	4.9	1.7
Adjustment to previous periods	26.1	(1.5)	(2.2)	(1.6)
Current tax		**2.2**	**2.7**	**0.1**
Changes in tax rates		0.2	-	0.3
Deferred taxation for the period	26.5	8.8	4.2	(3.0)
Adjustment to previous periods	26.6	2.2	3.0	2.8
Deferred taxes		**11.2**	**7.2**	**0.1**
Taxation		**13.4**	**9.9**	**0.2**
Non-exceptional taxation		8.8	8.0	11.8
Exceptional taxation	21	4.6	1.9	(11.6)
Taxation		**13.4**	**9.9**	**0.2**

Effective tax rate (ETR) reconciliation

In the tables below, the reconciliation between the statutory tax rate in the Netherlands and the ETR for the Group is shown:

	Non-exceptional		Exceptional		Total	
2016	€m	%	€m	%	€m	%
Profit before taxes	29.0	-	-	-	29.0	-
Dutch statutory tax	(7.3)	25%	-	-	(7.3)	25%
Effect of tax rates in foreign jurisdictions	(0.6)	2%	-	-	(0.6)	2%
Non-deductible expenses	(0.5)	2%	-	-	(0.5)	2%
Non-taxable income	0.6	(2%)	-	-	0.6	(2%)
Change in tax rates	(0.3)	1%	-	-	(0.3)	1%
Deferred taxation for the period	-	-	(4.6)	-	(4.6)	16%
Adjustment to prior periods	(0.7)	2%	-	-	(0.7)	2%
Taxation and ETR	**(8.8)**	**30%**	**(4.6)**	**-**	**(13.4)**	**46%**

	Non-exceptional		Exceptional		Total	
2015	€m	%	€m	%	€m	%
Profit before taxes	35.7		(1.2)		34.5	
Dutch statutory tax	(8.9)	25%	0.3	(25%)	(8.6)	(25%)
Effect of tax rates in foreign jurisdictions	0.6	(2%)	-	-	0.6	2%
Non-deductible expenses	(0.6)	2%	-	-	(0.6)	(2%)
Non-taxable income	0.8	(2%)	-	-	0.8	2%
Change in tax rates	-	-	-	-	-	-
Deferred taxation for the period	(0.9)	2%	(0.4)	34%	(1.3)	(4%)
Adjustment to prior periods	1.0	(3%)	(1.8)	148%	(0.8)	(2%)
Taxation and ETR	**(8.0)**	**22%**	**(1.9)**	**157%**	**(10.0)**	**(29%)**

	Non-exceptional		Exceptional		Total	
2014	€m	%	€m	%	€m	%
Profit before taxes	38.2		(25.0)		13.2	
Dutch statutory tax	(9.5)	25%	6.2	(25%)	(3.3)	(25%)
Effect of tax rates in foreign jurisdictions	(0.8)	2%	-	-	(0.8)	(6%)
Non-deductible expenses	(1.1)	3%	(0.5)	2%	(1.6)	(12%)
Non-taxable income	0.6	(2%)	2.1	9%	2.7	20%
Change in tax rates	(0.3)	1%	-	-	(0.3)	(2%)
Deferred taxation for the period	(0.8)	2%	5.1	22%	4.3	33%
Adjustment to prior periods	0.1	-	(1.3)	6%	(1.2)	(9%)
Taxation and ETR	**(11.8)**	**31%**	**11.6**	**48%**	**(0.2)**	**1%**

The Group's operations are subject to corporate tax in various countries. Excluding certain tax incentives, the statutory tax rates vary from 12.5% to 34.0%.

The difference between the Dutch statutory corporate tax rate and the ETR for the Group is mainly due to: the effect of varying tax rates across the countries in which the Group operates, non-deductible expenses, tax benefits and non-taxable income following country tax legislation, prior period adjustment result from the adjustment of tax positions, the recent reduction in tax rates in the United Kingdom and Italy, and the impact of deferred tax using updated business plans.

20.2 Deferred tax recognised in OCI during the period

€m	Note	2016	2015	2014
Foreign currency translation		-	-	-
Cash flow hedge	35.3	0.4	-	-
Defined benefit plans		-	-	0.4
Deferred tax effect charge in OCI		**0.4**	**-**	**0.4**

Generally no capital gains or income tax is applied to foreign subsidiaries or investments of Dutch holding companies. Hence no deferred tax is provided on the foreign currency translation reserve.

21. Exceptional items

During the periods, the Group recognised exceptional items in the consolidated statement of profit or loss made up as follows:

€m	Note	2016	2015	2014
Restructuring costs	a	-	0.1	-
Other operational items	b	-	1.2	(0.1)
Bargain purchase gain	c	-	(0.1)	-
Administrative items	**10,17**	**-**	**1.2**	**(0.1)**
Finance items	d	-	-	25.1
Total pre-tax		**-**	**1.2**	**25.0**
Taxation on profit before tax		-	(0.3)	(6.2)
Adjustment to prior periods		-	1.8	1.3
Other tax benefits		-	-	(1.6)
Impact on deferred tax from using updated business plan		4.6	0.4	(5.1)
Total tax	**e**	**4.6**	**1.9**	**(11.6)**
Total post tax		**4.6**	**3.1**	**13.4**

a) Restructuring costs: represents the charges to the consolidated statement of profit or loss as a result of the establishment of restructuring provisions, refer to note 32. Restructuring comprises the closure of business locations, the relocation of business activities, change in management structure, and fundamental reorganisation of the nature and focus of the Group's operations.

b) Other operational items:

€m	Note	2016	2015	2014
Credit rating and transaction fees	I	-	1.2	0.5
VAT reserve	II	-	-	(0.7)
Pension exit	III	-	-	0.1
Total		**-**	**1.2**	**(0.1)**

I) Credit rating and transaction fees: In 2014 and 2015 the Group incurred a cost of €0.5m and €1.2m, respectively, to establish and expand its ABS facility.

II) VAT reserve: VAT reserve: VAT reserve: In 2014 €(0.7)m release of a VAT reserve resulting from a 2012 VAT audit performed by German tax authorities.

III) Pension exit: In 2014, there was a €0.1m net cost associated with the exit of the GE defined pension scheme in the Netherlands.

c) Bargain purchase gain: gain on a bargain purchase arose from the various acquisitions made.

d) Finance items: on 31 December 2014 the Group expensed €25.1m of costs related to the settlement of the Group's term loans and related RCF. These comprised of €2.7m of cash and €22.4m of non-cash costs.

€m	Note	2016	2015	2014
Adjustment to fair value of notional embedded interest rate floor	31	-	-	(11.1)
Exceptional finance income	**18**	**-**	**-**	**(11.1)**
Deferred fees	30.2	-	-	27.7
Accelerated amortisation of notional embedded interest rate floor	30.3	-	-	5.8
Early repayment fee	30	-	-	2.7
Exceptional finance cost	**19**	**-**	**-**	**36.2**
Finance items		**-**	**-**	**25.1**

e) Tax:

€m	Note	2016	2015	2014
Current tax liability	26.1	-	(0.3)	(2.2)
Current deferred taxes	26.5	4.6	0.4	(10.7)
Prior deferred taxes	26.6	-	1.8	1.3
Total	**20.1**	**4.6**	**1.9**	**(11.6)**

22.Fleet

€m	Note	Cost	Depreciation	Total
At 1 January 2014		**288.5**	**(1.8)**	**286.7**
Additions		133.4	-	133.4
Fleet customisation		1.9	-	1.9
Business combinations	7	5.0	-	5.0
Depreciation	9	-	(33.4)	(33.4)
Disposals		(14.0)	0.8	(13.2)
Non-sale disposals[1]		(0.6)	-	(0.6)
Transferred to inventories	27	(12.0)	1.5	(10.5)
Foreign exchange movements		11.5	(9.9)	1.6
At 31 December 2014		**413.7**	**(42.8)**	**370.9**
Additions		184.3	-	184.3
Fleet customisation		3.0	-	3.0
Business combinations	7	28.7	-	28.7
Depreciation	9	-	(55.9)	(55.9)
Disposals		(14.6)	3.5	(11.1)
Non-sale disposals[1]		(1.5)	0.2	(1.3)
Transferred to inventories	27	(17.4)	6.5	(10.9)
Foreign exchange movements		3.9	(0.7)	3.2
At 31 December 2015		**600.1**	**(89.2)**	**510.9**
Additions		269.4	-	269.4
Fleet customisation		3.2	-	3.2
Business combinations	7	124.2	-	124.2
Depreciation	9	-	(81.8)	(81.8)
Disposals		(22.3)	3.2	(19.1)
Non-sale disposals[1]		(6.8)	4.9	(1.9)
Transferred to inventories	27	(9.9)	3.2	(6.7)
Foreign exchange movements		(27.9)	5.1	(22.8)
At 31 December 2016		**930.0**	**(154.6)**	**775.4**

At 31 December 2016, the net book value of the assets held under finance leases amounts to €59.5m (2015: €11.1m and 2014: nil). The majority of the Fleet of the Group are pledged as collateral with respect to these borrowings. Please refer to commitments and contingencies in note 38.

[1] *Non-sale disposals i.e. damaged or stolen units are included in cost of sales as part of M&R own fleet or damage protection costs, as applicable*

The owned and lease in units for each period and the period average are as follows:

22.1 Units own fleet

Units own fleet	2016	2015	2014
At 1 January	46,114	42,541	43,411
Additions	20,188	8,878	5,236
Disposals	(4,254)	(2,826)	(4,297)
Transferred to inventories	(1,957)	(2,479)	(1,809)
At 31 December	60,091	46,114	42,541
Lease in	4,169	3,465	878
Total at 31 December	64,260	49,579	43,419
Annual average (including lease in)	53,779	45,260	44,169

Fleet risks

The Group manages fleet risks in three main categories:

1. **Residual value risk:** is the risk of losses from a decline of fair value of the equipment below its estimated residual value at the end of the lease contract. The residual value committee is the body responsible for minimising the risk of these losses and approves the annual residual value review. This committee is composed of the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Remarketing Director and the Portfolio Manager. The annual residual value review tests residual value by asset type based on historical performance, current state of portfolio and market data.

2. **Impairment risk:** the Finance, Risk and Asset Management teams are responsible for the annual impairment test. The results of the test are reviewed by of the Chief Financial Officer, the Chief Risk Officer, Financial Controller and the Asset Control Leader. The annual impairment test is performed in line with the policy described in the note 3i, and as a result no impairment was recognized for the year.

3. **Operational and concentration risk:** the Group purchases trailer types across the full spectrum of offerings to maintain an optimal fleet mix, and rigorous reviews of non-standard asset types are undertaken to support resale alternatives at the end of the trailer life cycle. The Asset Management team ensures optimal utilisation of fleet through centrally co-ordinating the potential redeployment of assets across separate geographies within the Group's operating platform. The available fleet is reviewed monthly and the Chief Risk Officer and the Remarketing Director decide on redeployment or exit strategies. In addition, the Operations team performs weekly/monthly physical stocktakes and a full asset stocktake is performed bi-annually.

23. Property, plant and equipment (PP&E)

Cost €m	Note	Land	Buildings and structures	Leasehold improvements	Other[1]	Total
At 1 January 2014		31.1	17.0	1.8	0.8	50.7
Additions		0.5	7.0	0.6	0.1	8.2
Business combinations	7	-	0.7	-	-	0.7
Disposals		-	(0.1)	-	-	(0.1)
Transfers		-	-	-	-	-
Foreign exchange movements		0.3	0.2	-	-	0.5
At 31 December 2014		31.9	24.8	2.4	0.9	60.0
Additions		-	4.5	1.6	2.2	8.3
Business combinations	7	-	1.0	-	-	1.0
Disposals		-	(0.2)	-	-	(0.2)
Transfers		0.7	-	-	-	0.7
Foreign exchange movements		(0.3)	0.4	-	0.9	1.0
At 31 December 2015		32.3	30.5	4.0	4.0	70.8
Additions		1.7	13.2	0.9	0.4	16.2
Business combinations	7	2.0	2.9	-	-	4.9
Disposals		-	(0.4)	-	-	(0.4)
Transfers		-	-	-	-	-
Foreign exchange movements		(0.3)	(1.5)	0.1	0.1	(1.6)
At 31 December 2016		35.7	44.7	5.0	4.5	89.9

[1] *Other include computer equipment*

Depreciation €m	Note	Land	Buildings and structures	Leasehold improvements	Other[1]	Total
At 1 January 2014		-	(0.4)	-	-	(0.4)
Charge for the period	10	-	(2.2)	(0.2)	(0.1)	(2.5)
Disposals		-	-	-	-	-
Foreign exchange movements		-	-	(0.1)	-	(0.1)
At 31 December 2014		-	(2.6)	(0.3)	(0.1)	(3.0)
Charge for the period	10	-	(3.1)	(0.3)	(0.2)	(3.6)
Disposals		-	0.1	-	-	0.1
Foreign exchange movements		-	-	(0.3)	-	(0.3)
At 31 December 2015		-	(5.6)	(0.9)	(0.3)	(6.8)
Charge for the period	10	-	(3.7)	(0.6)	(0.7)	(5.0)
Disposals		-	-	-	-	-
Foreign exchange movements		-	0.7	(0.1)	(0.2)	0.4
At 31 December 2016		-	(8.6)	(1.6)	(1.2)	(11.4)

Net book value at 31 December €m	Land	Buildings and structures	Leasehold improvements	Other[1]	Total
2014	31.9	22.2	2.1	0.8	57.0
2015	32.3	24.9	3.1	3.7	64.0
2016	35.7	36.1	3.4	3.3	78.5

[1] *Other include computer equipment*

24. Intangible assets

Cost €m	Note	Goodwill	Brand name	Customer lists	Software	Total
At 1 January 2014		**-**	**29.5**	**7.0**	**0.2**	**36.7**
Additions		-	-	-	-	-
Business combinations	7	-	-	0.7	-	0.7
Foreign exchange movements		-	-	-	-	-
At 31 December 2014		**-**	**29.5**	**7.7**	**0.2**	**37.4**
Additions		-	-	-	8.6	8.6
Business combinations	7	0.4	-	1.4	-	1.8
Foreign exchange movements		-	-	0.5	-	0.5
At 31 December 2015		**0.4**	**29.5**	**9.6**	**8.8**	**48.3**
Additions		-	-	-	0.3	0.3
Business combinations	7	19.1	-	6.5	-	25.6
Foreign exchange movements		-	-	(0.2)	-	(0.2)
At 31 December 2016		**19.5**	**29.5**	**15.9**	**9.1**	**74.0**

Amortisation	Note	Goodwill	Brand name	Customer lists	Software	Total
At 1 January 2014		**-**	**-**	**(0.3)**	**-**	**(0.3)**
Charge for the period	10	-	-	(1.6)	(0.1)	(1.7)
Foreign exchange movements		-	-	-	-	-
At 31 December 2014		**-**	**-**	**(1.9)**	**(0.1)**	**(2.0)**
Charge for the period	10	-	-	(2.0)	(1.2)	(3.2)
Foreign exchange movements		-	-	0.1	-	0.1
At 31 December 2015		**-**	**-**	**(3.8)**	**(1.3)**	**(5.1)**
Charge for the period	10	-	-	(2.9)	(2.2)	(5.1)
Foreign exchange movements		-	-	-	-	-
At 31 December 2016		**-**	**-**	**(6.7)**	**(3.5)**	**(10.2)**

Net book value at 31 December €m	Goodwill	Brand name	Customer lists	Software	Total
2014	-	29.5	5.8	0.1	35.4
2015	0.4	29.5	5.8	7.5	43.2
2016	**19.5**	**29.5**	**9.2**	**5.6**	**63.8**

The TIP Trailer Services brand was acquired by the Company together with acquisition of the Group in 2013. The TIP brand has a long history and is well known in the market. The Group has no plans to change the current brand therefore it is classified as an intangible asset with an indefinite useful life.

The TIP Trailer Services customer list was acquired by the Company together with acquisition of the Group in 2013. Additional customer lists were acquired as part of various acquisitions in subsequent years (see note 7).

In 2015 various software was purchased and developed to replace software which had been provided by the Group's former shareholder, GE, in earlier periods.

25. Financial assets

€m	Note	2016	2015	2014
Loan receivables				
At 1 January		**289.6**	**288.6**	**20.5**
Additions		0.8	-	267.6
Repayment		(35.0)		
Interest capitalised		-	1.0	0.5
Foreign exchange movement		-	-	-
Gross at period end exchange rates		**255.4**	**289.6**	**288.6**
Interest receivables				
At 1 January		**2.7**	**2.7**	**0.3**
Income	18	12.5	13.6	8.6
Capitalised		-	(1.0)	(0.5)
Received		(6.2)	(12.6)	(5.7)
At 31 December		**9.0**	**2.7**	**2.7**
Loan and interest receivables	37	**264.4**	**292.3**	**291.3**
Other				
Cash restricted in escrow accounts		-	0.7	2.6
Deposit		-	-	15.0
Total other		**-**	**0.7**	**17.6**
Total		**264.4**	**293.0**	**308.9**
Current		9.0	3.4	20.3
Non-current		255.4	289.6	288.6

The Group provided a loan to a related party (Global TIP Holdings One B.V.) on 23 October 2013. The loan is denominated in € and is a term loan facility amounting to €20.5m with a maturity date of 22 October 2019. The interest rate is set out as Euribor +4.50% and the interest period is 3 months (refer to note 37). On 1 April 2015 the Group provided a further term loan to the same related party. This loan is also denominated in € with a facility of €5.0m, with a maturity date of 31 December 2019. The interest rate is set out as equal to the rate incurred by the Group on its € denominated RCF loan, plus 0.5%, and the interest period is 3 months. The related party is the header of the tax fiscal unity including the Group and used the loan account to settle amounts due to the tax authorities. Interest is also accrued and capitalized on its main loan.

The Group provided a loan to a related party (HNA Group (International) Company Limited) during 2014. The loan is denominated in € and is a term loan facility initially amounting to €267.6m, with a maturity date of 22 October 2019. The interest rate is set out as Euribor +4.50% and the interest period is 3 months (refer to note 37). During the year related party repaid €35m of the loan.

The above loans are repayable by the borrowers at five business days' notice.

The restricted cash in prior periods was provided to suppliers to obtain commitments to build and expand workshops at the Group's branches. The funds were released to suppliers upon satisfactory completion of the work.

26. Current and deferred tax

€m	Note	2016	2015	2014
Current tax assets		1.0	0.8	1.4
Current tax liabilities	26.1	(3.2)	(2.3)	(0.5)
Net current tax		**(2.2)**	**(1.5)**	**0.9**
Deferred tax assets	26.2	4.6	11.6	20.1
Deferred tax liabilities	26.3	(38.0)	(14.2)	(14.3)
Net deferred tax		**(33.4)**	**(2.6)**	**5.8**
Total		(35.6)	(4.1)	6.7

26.1 Current tax liability

The current tax liability at 31 December 2016 amounts to €3.2m update and includes amounts directly payable to tax authorities. Tax years that remain subject to examination range from 2009 up to and including 2016, across the various countries in which the Group operates.

Current tax liability arose as follows:

€m	Note	2016	2015	2014
At 1 January		**2.3**	**0.5**	**1.9**
Current period charge	a	3.7	4.9	1.7
Payments		(0.7)	(1.1)	(1.3)
Other tax benefits		(0.6)	-	(0.2)
Adjustment to prior periods	20.1	(1.5)	(2.2)	(1.6)
Business combinations	7	0.5	0.3	-
Foreign exchange movements		(0.4)	-	-
At 31 December		**3.2**	**2.3**	**0.5**

a) Current period charge:

€m	Note	2016	2015	2014
Non-exceptional		3.7	5.2	3.9
Exceptional	20.1	-	(0.3)	(2.2)
Total		3.7	4.9	1.7

26.2 Deferred tax assets

Deferred tax assets consist of:

€m	Note	2016	2015	2014
Fleet		30.3	32.0	38.3
Intangibles		0.2	0.4	0.4
PP&E		0.6	0.3	0.3
Trade and other receivables		0.4	0.3	0.3
Borrowings		4.9	6.2	6.1
Provisions		0.2	0.1	0.1
Trade and other payables		2.9	1.3	1.9
Net operating losses	26.7	23.0	22.7	25.8
Deferred tax assets before provisions	26.7	**62.5**	**63.3**	**73.2**
Provision on net operating losses and tax credits		(17.9)	(17.2)	(19.7)
Provision on other temporary differences	26.7	(31.2)	(27.2)	(26.2)
Provisions on deferred tax assets		**(49.1)**	**(44.4)**	**(45.9)**
Deferred tax assets after provisions	26.7	**13.4**	**18.9**	**27.3**
Allowable offset against deferred tax liabilities	26.3	(8.8)	(7.3)	(7.2)
Net deferred tax assets after provisions and allowance offset		**4.6**	**11.6**	**20.1**

26.3 Deferred tax liabilities

Deferred tax liabilities consist of:

€m	Note	2016	2015	2014
Fleet		(34.0)	(11.9)	(11.2)
Intangible assets		(9.4)	(8.2)	(8.7)
Trade and other payables		(3.4)	(1.4)	(1.6)
Deferred tax liabilities	26.7	**(46.8)**	**(21.5)**	**(21.5)**
Allowable offset against deferred tax assets	26.2	8.8	7.3	7.2
Net deferred tax liabilities after allowable offset		**(38.0)**	**(14.2)**	**(14.3)**

26.4 Net deferred tax

Net deferred income tax assets/(liabilities) arose as follows:

€m	Note	2016	2015	2014
At 1 January		**(2.6)**	**5.8**	**6.0**
Tax rate changes		(0.2)	-	(0.4)
Deferred taxation for the period	20.1	(8.8)	(4.2)	3.0
Pension obligations plans in OCI	20.2	-	-	0.4
Adjustment to prior periods		(2.2)	(3.0)	(2.8)
Business combinations	7	(19.8)	(1.0)	-
Foreign exchange movement		0.2	(0.2)	(0.4)
At 31 December		**(33.4)**	**(2.6)**	**5.8**

26.5 Deferred taxation for the period

2016 €m	Note	Non-exceptional	Exceptional	Total
Fleet		(2.3)	-	(2.3)
Intangibles		-	-	-
Borrowings		(1.3)	-	(1.3)
Provisions		-	-	-
Trade and other payables		1.0	-	1.0
Net operating losses		(0.8)	-	(0.8)
Deferred tax assets before provisions		**(3.4)**	**-**	**(3.4)**
Provisions on net operating losses and tax credits		(1.0)	(4.6)	(5.6)
Provisions on other temporary differences		1.0	-	1.0
Provisions on deferred tax assets		**-**	**(4.6)**	**(4.6)**
Deferred tax assets after provisions		**(3.4)**	**(4.6)**	**(8.0)**
Fleet		(0.9)	-	(0.9)
Intangible assets		0.5	-	0.5
Trade and other payables		(0.4)	-	(0.4)
Deferred tax liabilities		**(0.8)**	**-**	**(0.8)**
Deferred taxation for the period	**26.4**	**(4.2)**	**(4.6)**	**(8.8)**

2015 €m	Note	Non-exceptional	Exceptional	Total
Fleet		(4.4)	-	(4.4)
Intangibles		-	-	-
Borrowings		(1.2)	-	(1.2)
Provisions		-	-	-
Trade and other payables		1.1	-	1.1
Net operating losses		(1.0)	-	(1.0)
Deferred tax assets before provisions		**(5.5)**	**-**	**(5.5)**
Provisions on net operating losses and tax credits		2.3	(0.4)	1.9
Provisions on other temporary differences		(3.2)	-	(3.2)
Provisions on deferred tax assets		**(0.9)**	**(0.4)**	**(1.3)**
Deferred tax assets after provisions		**(6.4)**	**(0.4)**	**(6.8)**
Fleet		1.8	-	1.8
Intangible assets		0.5	-	0.5
Trade and other payables		0.3	-	0.3
Deferred tax liabilities		**2.6**	**-**	**2.6**
Deferred taxation for the period	**26.4**	**(3.8)**	**(0.4)**	**(4.2)**

2014 €m	Note	Non-exceptional	Exceptional	Total
Fleet		(9.0)	-	(9.0)
Provisions		0.2	5.6	5.8
Net operating losses		4.0	-	4.0
Deferred tax assets before provisions		**(4.8)**	**5.6**	**0.8**
Provisions on net operating losses		0.1	5.1	5.2
Provisions on other temporary differences		(0.9)	-	(0.9)
Provisions on deferred tax assets		**(0.8)**	**5.1**	**4.3**
Deferred tax assets after provisions		**(5.6)**	**10.7**	**5.1**
Fleet		(2.5)	-	(2.5)
Intangible assets		0.4	-	0.4
Deferred tax liabilities		**(2.1)**	**-**	**(2.1)**
Deferred taxation for the period	**26.4**	**(7.7)**	**10.7**	**3.0**

26.6 Adjustments to prior periods

€m	Note	2016	2015	2014
Fleet		(3.7)	(1.1)	9.8
PP&E		0.3	-	-
Intangibles		(0.3)	-	0.7
Trade and other receivables		0.2	-	-
Borrowings		-	1.3	-
Trade and other payables		(0.1)	(1.7)	1.4
Net operating losses		1.4	(2.2)	(6.9)
Deferred taxes before provisions		**(2.2)**	**(3.7)**	**5.0**
Provision on net operating losses and tax credits		0.3	0.9	1.0
Provision on other temporary differences		(0.3)	(0.2)	(8.8)
Provisions on deferred taxes		**-**	**0.7**	**(7.8)**
Total	**26.4**	**(2.2)**	**(3.0)**	**(2.8)**
Non-exceptional		(2.2)	(1.2)	(1.5)
Exceptional		-	(1.8)	(1.3)
Total		**(2.2)**	**(3.0)**	**(2.8)**

26.7 Overview of the profit before tax (PBT) and tax values of all deferred tax assets and liabilities, related expires and provisions

		2016		2015		2014	
€m	Note	PBT	Tax	PBT	Tax	PBT	Tax
One year		-	-	-	-	-	-
Two and five years		2.2	0.4	-	-	-	-
Five and ten years		2.5	0.5	3.4	0.6	23.0	5.5
Longer than ten years		-	-	39.4	9.7	39.1	9.8
Unlimited		81.2	22.0	46.4	12.4	39.9	10.5
Net operating losses	**26.2**	**85.9**	**22.9**	**89.2**	**22.7**	**102.0**	**25.8**
One year		68.1	16.1	49.4	11.6	70.7	17.8
Two and five years		105.8	23.5	128.3	29.0	122.9	29.6
Five and ten years		-	-	-	-	-	-
Longer than ten years		-	-	-	-	-	-
Unlimited		-	-	-	-	-	-
Deductible temporary differences		**173.9**	**39.6**	**177.7**	**40.6**	**193.6**	**47.4**
Gross deferred tax assets	**26.2**	**259.8**	**62.5**	**266.9**	**63.3**	**295.6**	**73.2**
One year		-	-	-	-	-	-
Two and five years		1.0	0.2	-	-	-	-
Five and ten years		2.4	0.5	0.9	0.2	-	-
Longer than ten years		-	-	34.9	8.6	39.1	9.8
Unlimited		71.2	17.2	34.3	8.4	38.7	9.9
Provisions on net operating losses		**74.6**	**17.9**	**70.1**	**17.2**	**77.8**	**19.7**
One year		37.5	8.5	27.6	6.1	25.4	6.1
Two and five years		102.3	22.7	96.1	21.1	85.1	20.1
Five and ten years		-	-	-	-	-	-
Longer than ten years		-	-	-	-	-	-
Unlimited		-	-	-	-	-	-
Provisions on other temporary differences	**26.2**	**139.8**	**31.2**	**123.7**	**27.2**	**110.5**	**26.2**
One year		30.6	7.6	21.8	5.5	45.3	11.7
Two and five years		4.7	1.0	32.2	7.9	37.8	9.5
Five and ten years		0.1	-	2.5	0.4	23.0	5.5
Longer than ten years		-	-	4.5	1.1	-	-
Unlimited		10.0	4.8	12.1	4.0	1.2	0.6
Deferred tax assets after provisions	**26.2**	**45.4**	**13.4**	**73.1**	**18.9**	**107.3**	**27.3**
One year		45.6	12.4	24.2	6.8	26.6	7.8
Two and five years		102.4	27.0	29.0	7.3	24.2	6.3
Five and ten years		-	-	-	-	-	-
Longer than ten years		-	-	-	-	-	-
Permanent		29.5	7.4	29.5	7.4	29.5	7.4
Deferred tax liabilities	**26.3**	**177.5**	**46.8**	**82.7**	**21.5**	**80.3**	**21.5**

The above deferred tax liabilities will reverse over time and arose principally from the use of accelerated capital allowances. The permanent deferred tax liability relates to the TIP Trailer Services brand (refer to note 24).

Tax management

The Group has deferred tax assets primarily resulting from net operating losses carried forward and temporary differences that may reduce taxable profit in future periods. The realisation of these deferred tax assets depends on the Group's ability to generate sufficient taxable profit within the carried forward periods provided for in the tax law of each applicable tax jurisdiction.

The following possible sources of taxable profit have been considered when assessing the realisation of the deferred tax assets:

- Forecasted future profit before tax and taxable profit
- Future reversal of temporary differences
- Scheduled reversal of deferred tax liabilities
- Tax planning strategies

The SLT considers that it is likely that some portion or all of the deferred tax assets will not be realised particularly related to the pre-acquisition period, and due to the forecasted profit before tax in some countries.

27. Inventories

Fleet held for sale is fleet reclassified after the SLT took a decision to dispose of this equipment.

€m	Note	2016	2015	2014
At 1 January		**5.9**	**7.0**	**4.2**
Additions	22	6.7	10.9	10.5
Business combinations	7	-	-	-
Disposals		(10.2)	(12.0)	(7.7)
Fleet held for sale		**2.4**	**5.9**	**7.0**
At 1 January		**-**	**-**	**-**
Additions		6.7	-	-
Business combinations	7	3.7	-	-
Disposals		(2.6)	-	-
Provision		-	-	-
Buy to sell		**7.8**	**-**	**-**
At 1 January		**1.9**	**-**	**-**
Additions		7.2	2.3	-
Business combinations	7	1.2	1.8	-
Used		(5.4)	(2.2)	-
Provision		-	-	-
Parts		**4.9**	**1.9**	**-**
Total		**15.1**	**7.8**	**7.0**

Buy to sell are trailers, tankers and trucks purchased to resell. The Group entered this activity through its acquisitions of Best of, Williams Tanker Services Limited and Twan Heetkamp Trailers B.V.

28. Trade and other receivables

€m	Note	2016	2015	2014
Trade receivables		71.7	52.0	37.4
Provision for bad debts	28.1	(1.2)	(1.9)	(1.8)
Non-impaired trade receivables		**70.4**	**50.1**	**35.6**
GE receivables	28.2	1.0	4.2	14.0
HNA receivables	37	17.7	12.0	6.9
Global TIP Holdings One B.V. receivables	37	3.7	-	-
VAT receivables		19.7	12.2	9.8
Prepayments		8.3	7.5	13.3
Land and buildings for sale		-	-	0.8
Other receivables		1.7	9.3	10.0
Total		**122.5**	**95.4**	**90.4**

Trade receivables are non-interest bearing and are generally on 30 day terms. HNA receivables relate to fees for management services and advertising provided by the Group. VAT receivables are deemed fully recoverable.

The Global TIP Holdings One B.V. receivable relates to amounts due relating to the acquisition closing process, originally due from GE.

Prepayments represent expenses (mainly operating expenses) attributable to subsequent periods and mature within one year.

In 2015, land and buildings in Spain were transferred to PP&E because the Group decided not to dispose of its facility in Barcelona, Spain. Land and buildings for sale are measured at the lower of its carrying amount or fair value less cost of disposal. The fair value is periodically reassessed for all assets that have been held for sale for six months or more and adjusted, if necessary.

Other receivables represent unbilled lease receivables which are non-interest bearing and are generally on 30 day terms after invoice date.

Trade receivables and credit risk policies

Refer to note 40.4 on credit risk for trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

28.1 Provision for bad debts

€m	Note	Individually impaired	Collectively impaired	Total
At 1 January 2014		**2.1**	**-**	**2.1**
Charge for the period	10	0.2	-	0.2
Trade receivables written off		(0.5)	-	(0.5)
At 31 December 2014		**1.8**	**-**	**1.8**
Charge for the period	10	1.0	0.1	1.1
Trade receivables written off		(1.0)	-	(1.0)
At 31 December 2015		**1.8**	**0.1**	**1.9**
Charge for the period	10	(0.3)	(0.4)	(0.8)
Trade receivables written off		(0.4)	0.5	0.1
At 31 December 2016		**1.1**	**0.1**	**1.2**

These expenses arise due to the recognition of impairment charges of non-derivative financial assets (trade receivables) with fixed or determinable payment.

Ageing analysis

At the end of the reporting period, the ageing analysis of non-impaired trade receivables is as follows:

Trade receivables at 31 December			Past due but not impaired				
€m	Total	Neither past due or impaired	1-30 days	31-60 days	61-90 days	91-120 days	>120 days
2016	**70.4**	**59.6**	**8.5**	**1.1**	**0.5**	**0.2**	**0.5**
2015	50.1	38.6	9.4	0.8	0.5	0.2	0.6
2014	35.6	27.6	5.8	0.8	0.4	0.2	0.8

28.2 Receivables due from GE

The movement is as follows:

€m	Note	2016	2015	2014
At 1 January		**4.3**	**14.0**	**13.6**
Additions/(settlement)		(3.3)	(9.7)	0.4
At 31 December	a	**1.0**	**4.3**	**14.0**

a) The balance due from GE is as follows:

€m	Note	2016	2015	2014
Dutch pension		-	-	8.6
Income tax		0.8	0.4	1.2
VAT		-	0.1	0.4
Other		0.2	3.8	3.8
Total		**1.0**	**4.3**	**14.0**

Receivables, from GE are neither past due nor impaired.

Dutch pension

Under the purchase and transition services agreements with GE, the Group had twelve months to exit the GE Dutch pension scheme. As part of these agreements GE paid all exit and related costs when the Group exited as per June 2014. These related payments were settled in 2015.

Current tax and VAT

In relation to a German income tax audit for the years 2009 up to and including 2013, that is expected to close in 2017, the Group recorded a provision for estimated income tax payable of €0.7m that is fully recoverable under the tax indemnity agreement with GE.

Other

Relates to amounts due from GE in relation to the acquisition closing process.

29. Cash and equivalents

€m	2016	2015	2014
Cash at banks and on hand	15.2	35.4	23.8
Cash at banks restricted	1.4	2.8	4.6
Short-term deposit	-	-	10.0
Total	**16.6**	**38.2**	**38.4**

Cash at banks restricted relates to amounts held by banks as collateral on direct debit receipts.

30. Borrowings

2016 €m	Note	RCF[1]	ABS	FL	Total
At 1 January		370.6	37.3	9.8	417.7
Drawdowns		223.8	35.5	7.4	266.7
Business combination	7	-	-	35.8	35.8
Repayments		(103.5)	-	(3.0)	(106.5)
Gross face value at period end		490.9	72.8	50.0	613.7
Foreign exchange movement		(11.6)	(3.4)	(0.6)	(15.6)
Gross at period end after foreign exchange		479.3	69.4	49.4	598.1
Accrued interest/commitment fees	30.1	2.1	-	-	2.1
Deferred fees	30.2	(8.2)	-	-	(8.2)
Total		473.2	69.4	49.4	592.0
Current		2.1	69.4	1.0	72.5
Non-current		471.1	-	48.4	519.5

2015		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At 1 January		78.5	193.4	6.0	0.4	-	278.3
Drawdowns		-	-	371.9	37.5	6.7	416.1
Business combination	7	-	-	-	-	3.4	3.4
Repayments		(84.3)	(193.4)	(6.0)	-	(0.3)	(284.0)
Gross face value at period end		(5.8)	-	371.9	37.9	9.8	413.8
Foreign exchange movement		5.8	-	(1.3)	(0.6)	-	3.9
Gross at period end after foreign exchange		-	-	370.6	37.3	9.8	417.7
Accrued interest/commitment fees	30.1	-	-	1.3	-	-	1.3
Deferred fees	30.2	-	-	(10.9)	-	-	(10.9)
Total		-	-	361.0	37.3	9.8	408.1
Current		-	-	4.0	-	2.6	6.6
Non-current		-	-	357.0	37.3	7.2	401.5

2014		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At 1 January		73.7	203.0	-	-	-	276.7
Drawdowns		-	-	6.0	0.4	-	6.4
Repayments		(3.4)	(9.6)	-	-	-	(13.0)
Gross face value at period end		70.3	193.4	6.0	0.4	-	270.1
Foreign exchange movement		8.2	-	-	-	-	8.2
Gross at period end after foreign exchange		78.5	193.4	6.0	0.4	-	278.3
Accrued interest/commitment fees	30.1	0.9	2.4	0.2	-	-	3.5
Deferred fees	30.2	(0.1)	(0.2)	-	-	-	(0.3)
Notional embedded interest rate floor separation	30.3	(0.1)	(0.2)	-	-	-	(0.3)
Accrual early repayment fee	21	0.8	1.9	-	-	-	2.7
Total		80.0	197.3	6.2	0.4	-	283.9
Current		80.0	197.3	6.2	-	-	283.5
Non-current		-	-	-	0.4	-	0.4

[1] *The RCF balances at 31 December 2014 represents the RCF which was part of the term loan facilities agreement (TLF) and was fully repaid in February 2015. The RCF balances at 31 December 2015 and 2016 relates to the new facility drawn in February 2015.*

30.1 The movement on the accrued interest and commitment fees was as follows:

		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At 1 January 2014		(0.9)	(2.8)	(0.2)	-	-	(3.9)
Commitment fees	19	-	-	(1.2)	-	-	(1.2)
Interest cost	19	(4.5)	(13.5)	-	-	-	(18.0)
Payments		4.9	13.9	1.2	-	-	20.0
Foreign exchange movements		(0.4)	-	-	-	-	(0.4)
At 31 December 2014	30	(0.9)	(2.4)	(0.2)	-	-	(3.5)
Commitment fees	19	-	-	(0.9)	(0.4)	-	(1.3)
Interest cost	19	(0.6)	(1.3)	(8.8)	(0.2)	-	(10.9)
Payments		1.5	3.7	8.6	0.6	-	14.4
Foreign exchange movements		-	-	-	-	-	-
At 31 December 2015	30	-	-	(1.3)	-	-	(1.3)
Commitment fees	19	-	-	(1.7)	(0.2)	-	(1.9)
Interest cost	19	-	-	(12.5)	(1.3)	(0.5)	(14.3)
Payments		-	-	13.4	1.5	0.5	15.4
Foreign exchange movements		-	-	-	-	-	-
At 31 December 2016	30	-	-	(2.1)	-	-	(2.1)

30.2 The movement of deferred fees was as follows:

		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At 1 January 2014		6.0	21.1	-	-	-	27.1
Debt issuance fees		0.7	2.9	-	-	-	3.6
Amortisation	19	(1.1)	(2.4)	-	-	-	(3.5)
Exceptional amortisation	21	(6.3)	(21.4)	-	-	-	(27.7)
Foreign exchange movements		0.8	-	-	-	-	0.8
At 31 December 2014	30	0.1	0.2	-	-	-	0.3
Debt issuance fees		-	-	12.7	-	-	12.7
Amortisation	19	(0.1)	(0.2)	(1.8)	-	-	(2.1)
Exceptional amortisation	21	-	-	-	-	-	-
Foreign exchange movements		-	-	-	-	-	-
At 31 December 2015	30	-	-	10.9	-	-	10.9
Debt issuance fees		-	-	-	-	-	-
Amortisation	19	-	-	(2.7)	-	-	(2.7)
Exceptional amortisation	21	-	-	-	-	-	-
Foreign exchange movements		-	-	-	-	-	-
At 31 December 2016	30	-	-	8.2	-	-	8.2

The deferred fees are amortised using the EIR method over the term of the related loans.

[1] *The RCF balances at 31 December 2014 represents the RCF which was part of the term loan facilities agreement (TLF) and was fully repaid in February 2015. The RCF balances at 31 December 2015 and 2016 relates to the new facility drawn in February 2015.*

30.3 The movement of notional embedded interest rate floor separation:

		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At January 2014		**1.5**	**5.5**	**-**	**-**	**-**	**7.0**
Amortisation	19	(0.1)	(0.8)	-	-	-	(0.9)
Exceptional amortisation	21	(1.3)	(4.5)	-	-	-	(5.8)
At 31 December 2014	**30**	**0.1**	**0.2**	**-**	**-**	**-**	**0.3**
Amortisation	19	(0.1)	(0.2)	-	-	-	(0.3)
Exceptional amortisation	21	-	-	-	-	-	-
At 31 December 2015	**30**	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation	19	-	-	-	-	-	-
Exceptional amortisation	21	-	-	-	-	-	-
At 31 December 2016	**30**	**-**	**-**	**-**	**-**	**-**	**-**

The notional embedded interest floor offset is related to the 1% interest rate floor on the € and $ term loans facilities and was amortised on a straight-line basis over the term of the related loans.

Term loan facilities (TLF)

The Group entered into borrowing facilities (Senior Facilities Agreement "SFA") on 23 October 2013.The SFA was composed of the following four components:

- Term loan denominated in € was a term loan facility amounting to €203.0m which terminated on 22 October 2020, seven years after the borrowing date. The interest rate was set out as three month Euribor +5.50% and the interest rate floor was set out at 1.0% in relation to Euribor. The interest period was three months and the Group paid accrued interest every quarter.
- Term loan denominated in $ was a term loan facility amounting to $100.0m which terminated on 22 October 2020, seven years after the borrowing date. The interest rate was set out as three month Libor +5.50% and the interest rate floor was set out at 1.0% in relation to Libor. The interest period was three months and the Group paid accrued interest every quarter.
- Revolving credit facility (RCF) had a limit of €55.0m which terminated on 22 October 2019, six years after the commitment date. Interest rate was set out as three month Euribor +5.0%. There was no interest rate floor. The interest period was three months and the Group paid accrued interest every quarter.
- Uncommitted additional term facility in € amounting to €100.0m on the same terms and conditions as € term loan. The Group had not utilised any amount of this facility at 31 December 2014.

The interest rate floors set out with regard to the € and $ term loans were accounted for separately. The bifurcated interest rate floors were classified as financial instruments at fair value through the profit or loss in line with IAS 39. The fair value of these interest rate floors were presented as derivatives in the balance sheet and the movement of fair value was presented as finance income in the consolidated statement of profit or loss.

The Group agreed revised terms for its SFA on 13 June 2014, giving the Group increased operational flexibility while agreeing an increase in interest rate +0.5% on the € and $ term loans and RCF, a consent fee of 0.5% and an annual pro rata repayment of € and $ term loans of €13m. The first repayment was made on 19 June 2014. This change was accounted for as a modification.

The above loan facilities required the Group to comply with the following financial covenants:

- Adjusted net leverage (the ratio of net debt to EBITDA)
- Net interest cover (the ratio of EBITDA to net finance charges)
- Cash flow cover (the ratio of cash flow to repayment of any principal or interest)
- Capital expenditure
- Loan to value

The Group fully complied with these covenants in 2015 and 2014 (see note 6).

[1] *The RCF balances at 31 December 2014 represents the RCF which was part of the term loan facilities agreement (TLF) and was fully repaid in February 2015. The RCF balances at 31 December 2015 and 2016 relates to the new facility drawn in February 2015*

The term loan facilities and related RCF were refinanced on 3 February 2015 with a new RCF (see below).

As a consequence of this refinancing the expected remaining tenor of the original loans was revised resulting in exceptional financing charges in 2014 as set out in this note and in notes 18, 19 and 21.

Revolving credit facility (RCF)

On 31 December 2014 the Group signed an agreement to refinance the above term loan facilities with a new financing facility which was drawn down on 3 February 2015. The new financing is a club deal with a small consortium of banks providing a €300m multicurrency revolving credit facility with an initial interest rate of 3.0% above Euribor and a 1% floor. This facility matures on 31 December 2019. On 31 March 2015, the Group increased the facility by €75m to €375m under an accordion clause to the agreement. On 1 December 2015, the Group successfully expanded the consortium of banks and obtained an increase to the facility by a further €225m to €600m. These changes were accounted for as modifications, all material terms remaining the same.

The Group may draw funds under the facility in €, £ and $. During 2016 the Group added C$, SEK and NOK to the currencies available to draw. The Group may elect to pay interest on a 1, 3 or 6 month basis. The Group's policy is to normally pay on a three month basis.

The interest rate spread varies quarterly on the basis of the ratio of loan outstanding compared with certain loan collateral ("loan to value") between 2.4% and 3.0%. During 2016, the Group paid an average spread of 2.7% (2015: 2.7%).

This financing requires the Group to comply with the following financial covenants:

- Solvency (the ratio of tangible consolidated net worth to adjusted consolidated balance sheet)
- Interest cover (the ratio of operating profit to net finance charges)
- Loan to value

The Group is also required to hedge the related interest payments using floating to fixed interest rate swaps. A minimum of 33.3% of the available facility is required to be hedged for 3 years, with a further minimum of 33.3% required to be hedged for 5 years, both commencing from the signing of the agreement.

The Group fully complied with these covenants in 2016 and 2015.

The majority of the assets of the Group are pledged as collateral with respect to these borrowings. Please refer to commitments and contingencies in note 38.

Asset backed securitisation facility (ABS)

On 10 September 2014 the Group concluded a private financing transaction with a leading bank. This resulted in the establishment of TIP Trailer Lease Services B.V. (TTLS) which uses a securitisation structure common under Dutch law for operating lease securitisations. In August 2015, the Group successfully expanded the countries where we could use this facility to Denmark, Norway, Sweden, Finland, Belgium and Ireland, in addition to the Netherlands, France, Germany and the United Kingdom.

TTLS entered into a master agreement with Global TIP Holdings Two B.V. and its subsidiaries (the "originator"). As a consequence of this agreement TTLS can buy future discounted cash flows of lease receivables and residual values from the originator as well as originate new operating lease receivables in its own right with the originator providing maintenance services for these leases and for acquired leases.

The originator has the right to acquire the equipment at the end of the lease term. The TTLS transaction provides a three year cross border revolving securitisation facility. With this transaction TTLS concluded an asset backed securitisation (ABS) warehousing facility with a leading bank. The size of this ABS facility is €80m and at 31 December 2016 €11.0m (2015: €42.7m and 2014: €79.6m) is undrawn. This ABS facility can be expanded to €160m in future years.

A margin of approximately 2.25% above one month Euribor/Libor is applicable on this financing and the ABS facility requires interest rate swaps to be taken out to match the operating lease cash flow and duration for the facility. Interest is payable on a monthly basis.

Finance leases (FL)

During 2016 and 2015 the Group entered into or acquired via business combinations a number of finance lease contracts as a lessee, as below:

€m	Note	2016	2015	2014
At 1 January		**9.8**	**-**	**-**
Drawdowns		7.4	6.7	-
Business combinations	7	35.8	3.4	-
Total drawdowns		**53.0**	**10.1**	**-**
Repayments		(3.0)	(0.3)	-
Gross face value at period end		**50.0**	**9.8**	**-**
Foreign exchange movement		(0.6)	-	-
At 31 December		**49.4**	**9.8**	**-**

The average interest rate on these finance leases is 2.9% (2015: 2.7%) with remaining tenors between 2 and 74 months (2015: between 3 and 86 months).

The Groups obligations under finance leases are secured by the lessor's legal title to the leased assets. Future minimum payments together with the present value of the net minimum lease payments are as follows:

2016 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	14.5	1.5	13.0
Between 1 and 5 years	36.4	2.1	34.3
More than 5 years	2.1	-	2.1
At 31 December 2016	**53.0**	**3.6**	**49.4**

2015 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	2.8	0.2	2.6
Between 1 and 5 years	4.9	0.3	4.6
More than 5 years	2.7	0.1	2.6
At 31 December 2015	**10.4**	**0.6**	**9.8**

Notional embedded interest rate floor contracts

The term loan facility agreements included interest rate floor instruments on Euribor and Libor embedded in the host borrowing contracts deriving from the 1% interest rate floor. These notional embedded interest rate floors were bifurcated because they were not closely related to the host contracts (in the money at the date of inception). They were carried at fair value through the consolidated statement of profit or loss.

31. Derivatives

It should be noted that while as a result of the below the Group mitigates interest rate risk and foreign currency risks from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective, and in such cases, the unrealised gains and losses are recognised in the consolidated statement of profit or loss.

The derivatives comprise instruments where changes in fair value may be recognised in the profit or loss, or in OCI.

€m	Note	2016	2015	2014
Recognised in the profit or loss	31.1	2.4	0.9	1.2
Recognised in OCI	31.2	1.1	-	-
Total		**3.5**	**0.9**	**1.2**
Current		1.9	0.9	1.2
Non-current		1.6	-	-

31.1 Derivatives with changes in fair value recognised in the profit or loss

€m	Note	2016	2015	2014
Foreign exchange forward	a	(0.1)	-	-
Notional embedded interest rate floor	b	-	-	0.6
Interest rate swap	c	2.5	0.9	0.6
Total		**2.4**	**0.9**	**1.2**
Current		1.4	0.9	1.2
Non-current		1.0	-	-

a) In 2016 the Group entered into forward contracts in the UK to reduce the foreign exchange risk on certain € purchases. The majority of these forwards were designated as hedging instruments and fair value movements were deferred to OCI until the maturity of the transaction. Previously the Group also entered into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of borrowings in $, these contracts were not designated as hedge relationships for accounting purposes and were measured at fair value through the consolidated statement of profit or loss.

The underlying principal amount of these foreign exchange forward contracts is €9.0m (2015: nil and 2014: €95.3m).

The $ foreign exchange forward contract expired in January 2015 and was rolled and ultimately utilised to repay the $ term loan on 3 February 2015.

The foreign exchange forward contracts are the net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amount at 31 December.

2016 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	(6.1)	(2.9)	-	-	(9.0)
Outflows	6.0	2.9	-	-	8.9
Net	**(0.1)**	**-**	**-**	**-**	**(0.1)**

2015 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**

2014 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	(78.4)	-	-	-	(78.4)
Outflows	78.4	-	-	-	78.4
Net	**-**	**-**	**-**	**-**	**-**

b) The movement of the fair value on the notional embedded interest floor offset was as follows:

		Term loans					
€m	Note	$	€	RCF[1]	ABS	FL	Total
At 1 January 2014		1.5	5.5	-	-	-	7.0
Set up		-	-	-	-	-	-
Movement in fair value	19	(0.3)	5.0	-	-	-	4.7
Exceptional fair value adjustment	21	(1.1)	(10.0)	-	-	-	(11.1)
At 31 December 2014	26.2	0.1	0.5	-	-	-	0.6
Set up		-	-	-	-	-	-
Movement in fair value	18	(0.1)	(0.5)	-	-	-	(0.6)
Exceptional fair value adjustment	21	-	-	-	-	-	-
At 31 December 2015	26.2	-	-	-	-	-	-
Set up		-	-	-	-	-	-
Movement in fair value	18	-	-	-	-	-	-
Exceptional fair value adjustment	21	-	-	-	-	-	-
At 31 December 2016	26.2	-	-	-	-	-	-

c) Interest rate swaps

Term loan facilities

In 2013 the Group also entered into interest rate swaps with the intention to reduce the interest rate exposure on the € and $ term loans. As of December 2014, these swaps ceased to be designated as hedge relationships for accounting purposes and were transferred from OCI to be measured at fair value through the consolidated statement of profit or loss.

The underlying principal amounts of these interest rate swaps in 2014 were €135.3m. The $ interest rate swap was terminated in February 2015.

Revolving credit facility (RCF)

In February 2015, the existing € swaps, together with new € and £ swaps entered into during the period, were designated as hedge relationships for accounting purposes on the revolving credit facility loans. However during 2015 the majority of these € swaps were assessed as ineffective and movements in fair value were recognised in the consolidated statement of profit or loss.

The underlying principal amount of these interest rate swaps at 31 December 2016 was €295.0m (2015: €205.0m).

Asset backed securitisation (ABS)

The Group is also required to enter into swaps in relation to its ABS facility. These swaps are not designated as hedge relationships and hence movements in fair value recognised in the consolidated statement of profit or loss.

The underlying principal amount of these interest rate swaps was €59.6m (2015: €18.2m and 2014: nil).

The movement of the interest rate swaps were as follows:

€m	Note	2016	2015	2014
At 1 January		0.9	0.6	-
Reclass to derivatives at fair value through the profit or loss from OCI		-	0.3	0.6
Movement in fair value through profit or loss	19	1.6	-	-
Total		2.5	0.9	0.6

[1] *The RCF balances at 31 December 2014 represents the RCF which was part of the term loan facilities agreement (TLF) and was fully repaid in February 2015. The RCF balance at 31 December 2015 relates to the new facility drawn in February 2015.*

The interest rate swaps are the net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amount at 31 December:

2016 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	0.2	0.7	0.8	-	1.7
Outflows	0.1	0.1	0.6	-	0.8
Net gross position	0.3	0.8	1.4	-	2.5
Impact of discount factor					-
Carrying value					2.5

2015 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	(0.1)	0.2	(2.4)	(0.2)	(2.5)
Outflows	0.3	0.6	2.5	0.2	3.6
Net gross position	0.2	0.8	0.1	-	0.9
Impact of discount factor					-
Carrying value					0.9

2014 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	(0.1)	(0.2)	(0.2)	-	(0.5)
Outflows	0.2	0.7	0.2	-	1.1
Net gross position	0.1	0.5	-	-	0.6
Impact of discount factor					-
Carrying value					0.6

31.2 Derivatives with changes in fair value recognised in OCI

Interest rate swap contracts €m	Note	2016	2015	2014
At 1 January		-	-	(0.1)
Fair value during period		1.1	0.3	0.7
Reclass to derivatives at fair value through the profit or loss		-	(0.3)	(0.6)
Total		1.1	-	-
Current		0.5	-	-
Non-current		0.6	-	-

Derivatives at fair value through OCI reflect the change in fair value of interest rate swaps, designated as cash flow hedges to hedge borrowings with floating rates.

The underlying principal amount of these interest rate swaps in 2016 was €105.1m (2015: €61.3m and 2014: nil)

The interest rate swaps in the previous table are the net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amount:

2016 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	(0.1)	(0.4)	(0.9)	-	(1.4)
Outflows	0.3	0.7	1.5	-	2.5
Net	0.2	0.3	0.6	-	1.1

2015 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	-	(0.2)	(0.4)	(0.2)	(0.8)
Outflows	0.1	0.2	0.3	0.2	0.8
Net	**0.1**	**-**	**(0.1)**	**-**	**-**

2014 €m	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**

Cash flow hedges

Term loan facilities

The Group entered into interest rate swaps on 3 December 2013 and designated them upon recognition as hedging instruments in cash flow hedges of floating rate interest payments related to the term loan facilities (borrowings). Accordingly these interest rate swaps were measured at fair value through OCI. The interest rate changes are with reference to the changes in the underlying variable rate: three month Euribor (for € term loan) and three month Libor (for $ term loan). The $ swaps were closed in 2015.

As a result of the change in the expected tenor of the term loans in December 2014, these interest rate swaps ceased to meet the hedge accounting requirements according to IFRS and consequently the cash flow hedges reserve was transferred to the profit or loss at that date (€0.6m).

Revolving credit facility (RCF)

During 2015, the Group entered into further interest rate swaps and designated them upon recognition as hedging instruments in cash flow hedges of floating rate interest payments related to the facility. Accordingly these interest rate swaps were initially measured at fair value through OCI. The interest rate changes are with reference to the changes in the underlying variable rate: three month Euribor (for € RCF) and three month GBP Libor (for £ RCF). The majority of these € swaps were subsequently assessed as ineffective and movements in fair value were recognised in the profit or loss.

	2016		2015		2014	
€m	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value of interest rate swap designated as hedging instruments	-	1.1	-	-	-	-

All hedging designations and valuations were reviewed and confirmed by an external advisor.

31.3 Use of derivatives

The Group has relationships only with financial institutions with high credit ratings in respect of derivatives in order to minimise credit risk exposure.

32. Provisions

€m	Note	5Q provision	Restructuring provision	Total
At 1 January 2014		**0.3**	**1.0**	**1.3**
Arising during the year	21	-	0.7	0.7
Utilised		(0.2)	(0.3)	(0.5)
Unused amounts reversed	21	-	(0.7)	(0.7)
At 31 December 2014		**0.1**	**0.7**	**0.8**
Arising during the year		-	0.1	0.1
Utilised		-	-	-
Unused amounts reversed	21	(0.1)	(0.7)	(0.8)
31 December 2015		**-**	**0.1**	**0.1**
Arising during the year		-	-	-
Utilised		-	(0.1)	(0.1)
Unused amounts reversed	21	-	-	-
31 December 2016		**-**	**-**	**-**
Current		-	-	-
Non-current		-	-	-

For amounts arising during the periods and unused amounts reversed in 5Q and restructuring provisions see note 9 and 21 respectively.

Various reorganisations to improve efficiency, relating to headcount, were deemed necessary over the years. The restructuring for each period was completed within the following 12 months.

33. Trade and other payables

€m	Note	2016	2015	2014
Accruals	33.1	34.5	38.3	41.1
Trade payables		69.1	24.7	33.8
Other creditors	33.2	20.2	11.0	19.4
Fleet payables		11.7	7.6	4.2
Deferred revenue	33.3	8.8	5.9	5.3
Security deposits		4.7	5.1	4.7
Total		**149.0**	**92.6**	**108.5**
Current		144.8	87.9	104.1
Non-current		4.2	4.7	4.4

Trade payables are non-interest bearing and are settled within agreed terms. For terms and conditions relating to related party payables refer to note 37.

Fleet payables relate to outstanding purchase orders where the Group has entered into a contract to purchase fleet.

The Group requires security deposits to cover credit risk of customers with lower ratings or when exposure is high versus customer equity and cash flow coverage. They are returned if not used when all contracts related are paid in full by the customer. The Group may transfer the security deposit from one contract to the following contract with supporting documentation signed by the Group and the customer. Security deposits are requested at the beginning of a lease or rental from some customers according to the Group's risk management policies. They are held for various lengths of time.

33.1 Accruals

Accruals are comprised as follows:

€m	2016	2015	2014
Administrative and other operating expenses	10.5	12.0	12.7
M&R own fleet	9.5	10.8	11.7
Compensation and benefits	9.7	10.5	11.2
Deferred fleet sales proceeds	0.1	0.3	0.3
Property dilapidations	2.0	2.0	2.5
Insurance	1.0	1.2	1.2
Others	1.7	1.5	1.5
Total	34.5	38.3	41.1

M&R own fleet relates to services provided by 3rd parties who have not yet invoiced for services provided in maintaining the Group's trailers.

Compensation and benefits includes bonus and holiday pay provisions.

33.2 Other creditors

€m	2016	2015	2014
Exit fee payable to the Dutch pension fund	-	-	8.6
VAT payable	13.5	5.7	6.4
Wages tax and social security	1.7	2.0	1.4
Net payroll liability	2.2	1.6	0.5
Prepaid fleet sales	1.6	0.8	1.2
Credit note provision	0.8	0.8	0.8
Other payables	0.4	0.1	0.5
Total	20.2	11.0	19.4

Exit fee payable to the Dutch pension fund was settled in March 2015.

VAT liability position will be settled upon payment before the payment deadline or receipt of refund from the tax authorities.

33.3 Deferred revenue

Deferred revenue is comprised as follows:

€m	Note	2016	2015	2014
Maintenance leasing	a	6.9	4.7	4.0
M&R 3rd party		0.4	0.7	0.7
Leasing and rental		1.5	0.5	0.6
Total		8.8	5.9	5.3
Current assets		4.6	1.2	0.9
Non-current assets		4.2	4.7	4.4

a) Maintenance leasing deferred revenue movement:

€m	Note	2016	2015	2014
At 1 January		4.7	4.0	5.1
Additions		3.5	3.3	1.4
Release		(1.3)	(2.5)	(2.5)
At 31 December		6.9	4.7	4.0

34. Pension obligations

The Group exited the defined benefit pension plan in the Netherlands on 30 June 2014. At 31 December 2016 the Group only operates defined contribution plans.

Dutch pension plan

€m	Note	2016	2015	2014
At 1 January		-	-	8.5
Employer contributions	34.3	-	-	(9.6)
Change recognised in the profit or loss	34.1	-	-	(0.9)
Remeasurement of defined benefit obligation and plan asset (OCI)			-	2.0
Business combinations	7, 34.2	-	-	-
At 31 December		-	-	-

The Group's defined benefit pension plan was a career average plan for the Netherlands' employees, which required contributions to be made to a separately administered fund.

The Group was required to leave the plan within twelve months from the date of change of control. The defined benefit obligation of the employees expired on the date of exit, 30 June 2014, and therefore the Group is not exposed to significant risks from that defined benefit plan.

Under the purchase and transition service agreements with GE, the Group had twelve months to exit the GE Dutch pension scheme. As part of this agreement, GE paid all the exit and related costs when the Group exited the scheme (refer to note 28.2).

The following tables summarise the components of net benefit expense recognised in the consolidated statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans.

34.1 Net benefit expense (recognized in the profit or loss)

€m	2016	2015	2014
Service cost	-	-	(1.1)
Interest cost on benefit obligation	-	-	0.1
Net benefit expense	-	-	(1.0)

34.2 Changes in present value of the benefit obligation

€m	Note	2016	2015	2014
At 1 January		-	-	15.8
Net current service cost		-	-	0.9
Interest cost on defined benefit obligations		-	-	0.3
Gain/(loss) due to financial assumption changes		-	-	3.4
Past service costs		-	-	(4.0)
Settlement		-	-	(16.4)
At 31 December		-	-	-

34.3 Changes in the fair value of the plan assets during the period

€m	Note	2016	2015	2014
At 1 January		-	-	7.3
Employer contributions	34.1	-	-	9.6
Interest income		-	-	0.2
Return on plan assets excluding amounts included on the interest income		-	-	1.3
Settlement		-	-	(18.4)
At 31 December		-	-	-

34.4 Plan of assets invested by asset category

€m	2016	2015	2014
Equity securities	-	-	51%
Government bonds	-	-	44%
Other	-	-	5%
Total	**-**	**-**	**100%**

34.5 Principal assumptions

€m	2016	2015	2014
Discount rate	-	-	3.1%
Salary increase rate (including inflation)	-	-	3.1%
Inflation	-	-	2.0%
Increases in social security	-	-	2.0%
Normal retirement age (years)	-	-	67

As the Group exited the defined benefit plan in 30 June 2014 requipment for plan of assets invader, assumption and sensitivity analysis

35. Share capital, share premium, other reserves and non-controlling interests

35.1 Issued capital

€	2016	2015	2014
Authorised shares			
Ordinary shares 1,000 of €0.01 each	10	10	10
Ordinary shares issued and fully paid			
At 1 January and 31 December	**10**	**10**	**10**

35.2 Share premium

€m	2016	2015	2014
At 1 January	**513.2**	**513.2**	**212.4**
Increase	-	-	300.8
At 31 December	**513.2**	**513.2**	**513.2**

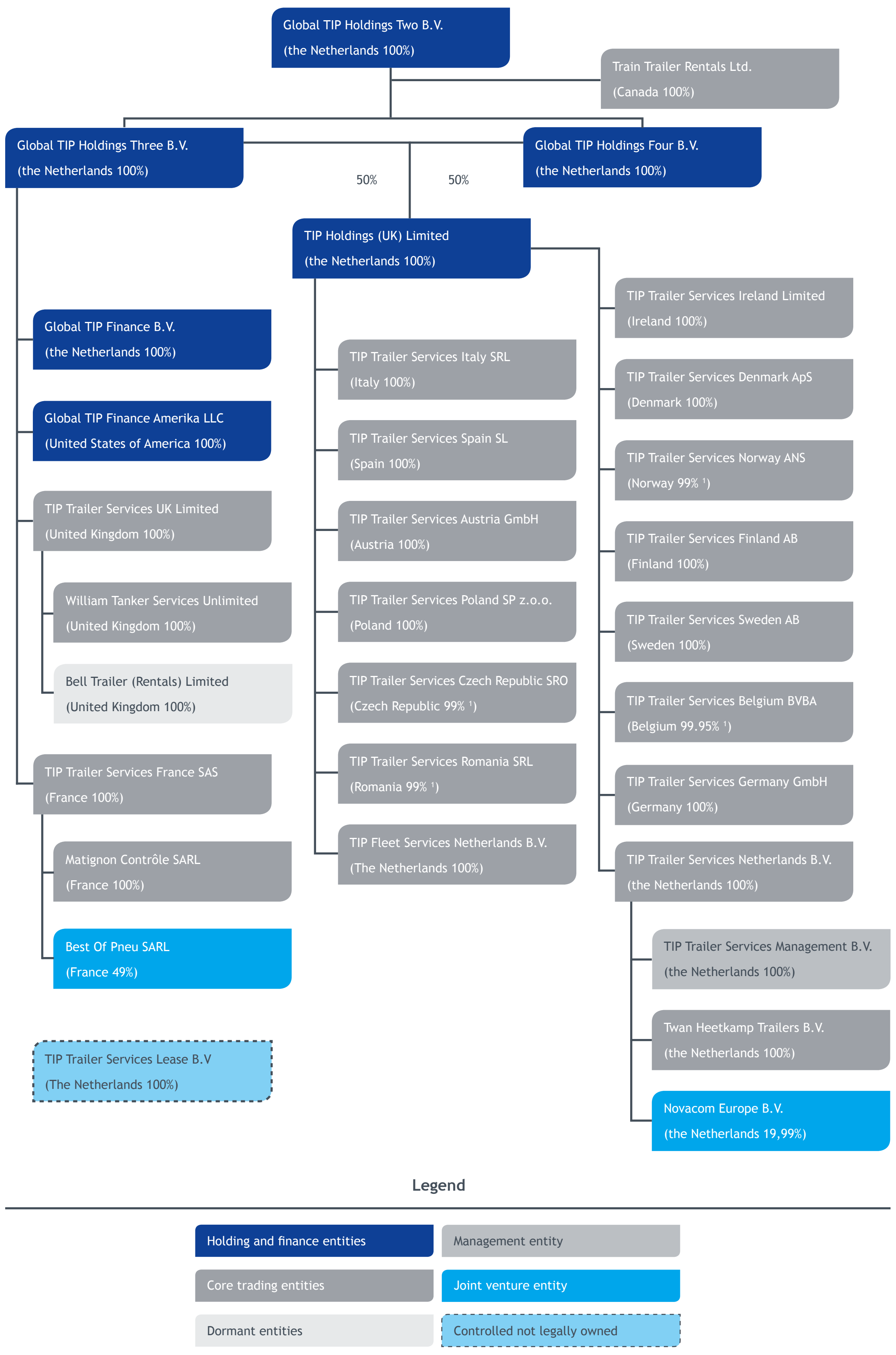
35.3 Other reserves

€m	Foreign currency translation	Cash flow hedge	Defined benefit plan	Total
At 1 January 2014	**(1.1)**	**(0.1)**	**0.3**	**(0.9)**
Arising during the year	(1.0)	0.1	(1.6)	(2.5)
Tax impact	-	-	-	-
Reclass to retained earnings	-	-	1.3	1.3
At 31 December 2014	**(2.1)**	**-**	**-**	**(2.1)**
Arising during the year	1.9	(0.1)	-	1.8
Tax impact	-	-	-	-
Reclass to retained earnings	-	-	-	-
At 31 December 2015	**(0.2)**	**(0.1)**	**-**	**(0.3)**
Arising during the year	(5.5)	(1.1)	-	(6.6)
Tax impact	-	0.4	-	0.4
Reclass to retained earnings	-	-		-
At 31 December 2016	**(5.7)**	**(0.8)**	**-**	**(6.5)**

35.4 Non-controlling interests

Non-controlling interests at 31 December 2016 were €0.1m (2015: nil, 2014: nil). The Group own 49% of Best of Pneu in France and has control by virtue of contractual arrangements which give the Group power to direct the activities of the business. As the non-controlling interests are considered immaterial no further disclosures are made.

36. Group information



[1] *Balance of shares held by TIP Trailer Services Netherlands B.V*

37. Related party disclosures

a) Companies under common control outside the Group but within HNA. The following table summarises current period transactions and outstanding balances:

€m Lender/supplier	Borrower/debtor	Note	2016	2015	2014
Current period transactions			-		
Global TIP Finance B.V.	HNA Group (International) Company Limited		11.4	12.6	7.5
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		1.1	1.0	1.1
Finance income		18	**12.5**	**13.6**	**8.6**
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited		5.4	5.1	5.1
TIP Trailer Services Management B.V.	HNA Group Co., LTD		3.3	-	-
Other revenue[1]			**8.7**	**5.1**	**5.1**
Total			**21.2**	**18.7**	**13.7**
Outstanding balances				-	-
Global TIP Finance B.V.	HNA Group (International) Company Limited		240.3	270.5	270.5
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		24.1	21.8	20.8
Loan and interest receivables		**25**	**264.4**	**292.3**	**291.3**
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited	28	14.4	12.0	6.9
TIP Trailer Services Management B.V.	HNA Group Co., LTD	28	3.3	-	-
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.	28	3.7	-	-
Trade and other receivables			**21.4**	**12.0**	**6.9**
Total			**285.8**	**304.3**	**298.2**

b) Compensation of key management personnel of the Group:

€m	2016	2015	2014
Short-term employee	5.1	4.5	2.8
Post-employment pension and medical	0.4	0.5	0.3
Other long-term	-	0.5	0.9
Total	**5.5**	**5.5**	**4.0**

The amounts disclosed in the table are recognised as an expense during the reporting period related to key management personnel. Directors of the Company and the SLT are considered to be the key management personnel of the Group.

The non-executive directors do not receive pension entitlements from the Group. No loans were advanced to directors or key management personnel.

Terms and conditions of transactions with related parties

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. There have been no provisions for bad debts relating to the amount of outstanding balances.

[1] *This related party transaction is included in other revenue in note 8*

38. Commitments and contingencies

a) Assets pledged as collateral

Under the Group's various borrowing facilities referred to in note 30 the Group has pledged the following assets as security for these facilities:

Revolving credit/ term loan facilities (RCF/TLF)

The Group has pledged the assets below as security for these facilities through fixed and floating charges:

€m	2016	2015	2014
Fleet	627.7	439.4	349.1
PP&E	69.7	63.0	48.9
Intangible assets	-	-	34.7
Non-current assets	**697.4**	**502.4**	**432.7**
Financial assets	-	-	15.0
Inventories	7.3	5.9	7.0
Trade and other receivables	68.6	49.7	40.9
Cash and equivalents	14.6	36.6	38.3
Current assets	**90.5**	**92.2**	**101.2**
Total	**787.9**	**594.6**	**533.9**

In 2015 and 2016 the Group has also pledged shares of some its operating companies.

In 2014 the Group has also pledged shares of Group operating companies, intellectual property, intercompany loans and proceeds from all insurance policies except 3rd party liability insurance policies.

The loan facilities provided to a related party amounting to €241.8m (2015: €270.5m and 2014: €270.5 m) and €26.3m (2015: €21.8m and 2014: €20.5m) (refer to note 37) are not pledged. The Group's principal borrowing facilities allow for fleet and lease contracts to be pledged separately via an SPV for securitised financing up to certain stipulated levels.

Asset back securitisation (ABS)

The Group has pledged the assets below as security for this facility through an SPV:

€m	2016	2015	2014
Fleet	83.4	60.4	10.2
Non-current assets	**83.4**	**60.4**	**10.2**
Trade and other receivables	2.5	1.7	0.4
Cash and equivalents	2.0	1.6	0.1
Current assets	**4.5**	**3.3**	**0.5**
Total	**87.9**	**63.7**	**10.7**

Finance leases (FL)

The Groups obligations under finance leases are secured by the lessor's legal title to the leased assets below:

€m	2016	2015	2014
Fleet	64.3	11.1	-
Non-current assets	**64.3**	**11.1**	**-**
Trade and other receivables	0.5	0.6	-
Current assets	**0.5**	**0.6**	**-**
Total	**64.8**	**11.7**	**-**

b) Operating lease commitments

The Group has entered into operating leases that can be broken down into the following main categories, fleet, land and buildings, motor vehicles and IT equipment.

Land and buildings operating leases have been entered into to support the office and branch network and can be classified as agreements that are either rolling three month, six month or one year contracts, or are for a fixed term ranging between one and thirty years. As at the end of the reporting period the average remaining life of the fixed leased contracts is nearly four years. The majority of property lease contracts include an early termination clause. At 31 December 2016, the Company does not intend to invoke any of these break clauses. Motor vehicles, IT equipment, fleet and other items of small machinery have an average life of between one and five years with no renewal option included in the contracts.

Lease commitments can be anaylsed as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Within one year	9.1	10.2	2.4	0.2	21.9
After one year but not more than five years	20.0	29.3	3.9	0.1	53.3
After five years but not more than ten years	4.6	20.6	-	-	25.2
More than ten years	-	4.9	-	-	4.9
At 31 December 2016	**33.7**	**65.0**	**6.3**	**0.3**	**105.3**
Within one year	9.2	8.8	2.0	0.3	20.3
After one year but not more than five years	19.6	23.1	2.6	0.3	45.6
After five years but not more than ten years	1.7	13.6	-	-	15.3
More than ten years	-	2.4	-	-	2.4
At 31 December 2015	**30.5**	**47.9**	**4.6**	**0.6**	**83.6**
Within one year	2.9	4.6	1.7	0.5	9.7
After one year but not more than five years	6.6	6.4	1.8	0.4	15.2
After five years but not more than ten years	0.2	4.3	-	-	4.5
More than ten years	-	0.8	-	-	0.8
At 31 December 2014	**9.7**	**16.1**	**3.5**	**0.9**	**30.2**

Change in lease commitments in 2016 versus prior period is as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Acquisitions	-	13.9	0.3	-	14.2
Organic	3.2	3.2	1.4	(0.3)	7.5
Total	**3.2**	**17.1**	**1.7**	**(0.3)**	**21.7**

Change in lease commitments in 2015 versus prior period is as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Acquisitions	9.8	18.2	0.3	-	28.3
Organic	11.0	13.6	0.8	(0.3)	25.1
Total	**20.8**	**31.8**	**1.1**	**(0.3)**	**53.4**

Fleet

Lease in costs incurred from operating leases of equipment, which are then leased to our customers. Lease terms vary per contract. Interest rates on operating leases range from 4% to 8%.

For the number of lease in units at 31 December, see note 22.

c) Capital commitments

€m	2016	2015	2014
Fleet	71.7	73.0	8.3
PP&E	-	0.8	2.6
Total	**71.7**	**73.8**	**10.9**
Number of fleet units	2,048	2,375	201

d) Guarantees

The Group has the following outstanding guarantees that have not been provided for in the financial statements:

€m	2016	2015	2014
Residual value guarantee	-	-	0.1
Office/workshop related	4.8	0.6	-
Tax authorities	5.0	5.0	-
Lease in	9.1	4.0	-
At 31 December	**18.9**	**9.6**	**0.1**

TIP Holdings (UK) Limited changed its tax residency to the Netherlands with effect from 23 October 2013. In 2015 the Group issued a guarantee amounting to €5.0m to the HM Revenue & Customs in the United Kingdom in relation to this change.

All guarantees, except for the guarantee to the tax authorities, are issued in the normal course of business.

The expiration period of these guarantees are as follows:

€m	2016	2015	2014
2015	-	-	0.1
2016	-	0.2	-
2017	-	4.0	-
2018	4.2	-	-
2019	0.2	0.2	-
2020+	14.5	5.2	-
At 31 December	**18.9**	**9.6**	**0.1**

e) Legal claims

For all periods, the Group had no material legal claims outstanding at 31 December.

39. Committed revenue

At the end of the reporting period, the Group's has committed revenue from operating leases with customers for whom the contract term was greater than 12 months. The contractually committed revenue can be split into leasing and M&R 3rd party as follows:

€m	Leasing	M&R 3rd party	Total
2017	152.2	23.0	175.2
2018	115.0	15.1	130.1
2019	89.5	9.9	99.4
2020	71.1	6.9	78.0
2021	48.5	5.6	54.1
2022+	53.2	13.0	66.2
At 31 December 2016	**529.5**	**73.5**	**603.0**
2016	120.4	24.7	145.1
2017	82.3	16.9	99.2
2018	59.0	9.1	68.1
2019	43.2	4.8	48.0
2020	31.4	2.7	34.1
2021+	40.3	4.9	45.2
At 31 December 2015	**376.6**	**63.1**	**439.7**
2015	97.8	19.7	117.5
2016	59.0	16.1	75.1
2017	37.8	10.5	48.3
2018	24.9	7.0	31.9
2019	17.6	3.7	21.3
2020+	23.6	2.7	26.3
At 31 December 2014	**260.7**	**59.7**	**320.4**

In addition, the Group has substantial operational committed cash flows from customers. This is driven by the customer's contractual commitments with their end users for the Group's fleet. Often customers cannot quickly change to other suppliers without costly disruption to the supply chain. Customers, therefore, continue to use and pay the same lease rate post the end of the contracted period through evergreens. In addition, many customers enter into contract extensions for additional periods which are often for two to three years. Short-term contracts can also extend into subsequent periods.

40. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise of trade and other receivables, and cash and short-term deposits that it derives directly from its operations. It also includes loans and borrowings, and trade and other payables. The primary purpose of the Group's financial liabilities is to finance its operational activities. The Group views derivatives as risk management tools and does not use them for trading or speculative purposes.

40.1 Liquidity risk

Liquidity risk is the risk that financial liabilities that are settled in cash or other financial assets cannot be met when they fall due or can only be met at unfavourable economic conditions.

The Group monitors its risk of a shortage of funds using cash forecasting models. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits and bank loans. The Group is exposed to a risk associated with concentration of its debt funding. However access to sources of funding is sufficiently available and the majority of the existing and new debt arrangements mature 1 to 3 years after the reporting date (refer to note 30). The Group plans to continue to diversify maturity of its debt financing in the coming years.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2016 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		6.0	11.7	28.2	-	45.9
Borrowings repayment	30	3.4	79.4	513.2	2.1	598.1
Derivatives	31	0.5	1.4	1.6	-	3.5
Trade payables1	33	80.8	-	-	-	80.8
Total		90.7	92.5	543.0	2.1	728.3

2015 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		3.1	9.0	32.7	-	44.8
Borrowings repayment	30	3.2	14.7	397.2	2.6	417.7
Derivatives	31	0.4	0.8	2.8	-	4.0
Trade payables1	33	32.3	-	-	-	32.3
Total		39.0	24.5	432.7	2.6	498.8

2014 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		6.5	-	-	-	6.5
Borrowings repayment	30	277.9	-	0.4	-	278.3
Derivatives	31	78.6	0.7	0.2	-	79.5
Trade payables1	33	38.0	-	-	-	38.0
Total		401.0	0.7	0.6	-	402.3

40.2 Fair value of financial assets, borrowings and derivatives

All financial assets and liabilities, except for derivatives, are floating rate instruments or have short tenors, and therefore their carrying amount approximates fair value. All derivatives are carried at fair value. Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

Fair values of financial assets, borrowings and derivatives:

				Fair value measurement using		
2016 €m	Note	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant observable inputs (level 3)
Financial assets	25	264.4	264.4	-	264.4	-
Borrowings		592.0	592.0	-	592.0	-
Derivatives		3.5	3.5	-	3.5	-
Total borrowings and derivatives	30,31	595.5	595.5	-	595.5	-

¹ *Includes trade and fleet payables only*

				Fair value measurement using		
2015 €m	Note	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant observable inputs (level 3)
Financial assets	25	293.0	293.0	-	293.0	-
Borrowings		408.1	408.1	-	408.1	-
Derivatives		0.9	0.9	-	0.9	-
Total borrowings and derivatives	30,31	409.0	409.0	-	409.0	-

				Fair value measurement using		
2014 €m	Note	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant observable inputs (level 3)
Financial assets	25	308.9	308.9	-	308.9	-
Borrowings		283.9	283.9	-	283.9	-
Derivatives		1.2	1.2	-	1.2	-
Total borrowings and derivatives	30,31	285.1	285.1	-	285.1	-

The SLT assessed that the fair value of cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and floors and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and the entity itself, foreign exchange spot and forward rates and interest rate curves. As at 31 December 2016, 2015 and 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk, and the marked-to-market value of derivative liability positions is net of a debit valuation adjustment attributable to derivative entity's own credit risk. The changes in credit risk of both counterparties and entity itself had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other instruments recognized at fair value.
- Fair values of the Group's borrowings are determined by using a DCF method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk is assessed to be stable between the date of entering into the contract and the reporting date.
- Fair values of the Group's financial assets are determined by using a DCF method with a discount rate that reflects the counterparty risk as at the end of the reporting period, which is assessed as consistent with prior periods.

40.3 Market, interest and foreign currency objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The SLT oversees the management of these risks. The SLT is supported by the Treasury department who advise on financial risks and the appropriate financial risk governance framework for the Group. All derivative activities for risk management purposes are carried out by a specialist team that has the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. Market risk consists of interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates (primarily Euribor/Libor) relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage this exposure, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge underlying debt obligations. Please refer to note 31. The Group's strategy is to hedge a minimum 66% of its long-term external borrowings for a minimum of three years from inception of the facility to mitigate interest rate risk. For financing via the ABS interest rate swaps are taken out to match the operating lease cash flow and duration for the financing component of the facility.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on principal borrowings and related party loan receivables, after the impact of hedge accounting where applicable. With all other variables held constant, the Group's profit before tax is affected, as follows:

2016 €m		Change in rate	Effect on profit before tax	Effect on OCI
RCF	Interest rate swaps	-0.25%	(1.7)	(0.6)
		0.25%	1.7	0.6
	Interest rate floor	-0.25%	(0.4)	-
		0.25%	0.4	-
ABS	Interest rate	-0.25%	(0.2)	-
		0.25%	0.2	-
Related party loan receivable	Interest rate	-0.25%	(0.6)	-
		0.25%	0.6	-

2015 €m		Change in rate	Effect on profit before tax	Effect on OCI
RCF	Interest rate swaps	-0.25%	(2.3)	-
		+0.25%	2.3	-
	Interest rate floor	-0.25%	(0.6)	-
		+0.25%	0.2	-
ABS	Interest rate	-0.25%	(0.1)	-
		+0.25%	0.1	-
Related party loan receivable	Interest rate	-0.25%	(0.7)	-
		+0.25%	0.7	-

2014 €m		Change in rate	Effect on profit before tax	Effect on OCI
€ term loans	Interest rate swaps	-0.25%	(0.3)	-
		+0.25%	0.3	-
	Interest rate floor	-0.25%	-	-
		+0.25%	-	-
$ term loans	Interest rate swaps	-0.25%	(0.2)	-
		+0.25%	0.2	-
	Interest rate floor	-0.25%	-	-
		+0.25%	-	-
Related party loan receivable	Interest rate	-0.25%	(0.7)	-
		+0.25%	0.7	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency risk is the risk that the fair value, or future cash flows, of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the centrally managed debt in currencies other than the functional currency, the Group's operating activities (predominantly fleet purchases and sales at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Group's net investments in foreign subsidiaries.

When financed by $ external loans, as part of the Group's foreign currency risk management strategy, the Group locked in forward rates to convert $ to € over a three month period and rolled it forward until maturity of the $ loan. Under the revolving credit and ABS facilities currently in place, the Group borrows in £, C$ SEK and NOK to naturally hedge internal loans in those currencies.

Foreign currency sensitivity

The following table demonstrate the sensitivity to a reasonable possible change in £ exchange rates as at 31 December, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

€m	Change in rate	Effect on profit before tax 2016	2015	2014
£	+ 5%	0.7	1.3	2.0

The following table shows the Group net assets after borrowings by currency:

Net assets after borrowings by currency	2016	2015	2014
€	63%	61%	63%
£	20%	25%	17%
C$	7%	-	-
DKK	3%	5%	8%
Others	7%	9%	12%
	100%	100%	100%

The Group does not hedge its intergroup net assets/investments after borrowings in non-reporting currency. In 2016 66% (2015: 66% and 2014: 71%) of its net assets/investments before borrowings are in € or currencies such as DKK which are formally tied to the €. When funding its UK, Canadian, Swedish and Norwegian businesses, the Group principally borrows in £, C$, SEK and NOK under its various financing facilities in order to substantially reduce its exposure to fluctuations in these currencies against the €. The Group assess the residual risk of the other currencies as limited.

40.4 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily through its leasing activities and trade receivables and from its financing activities, including derivative financial instruments.

Trade receivables

Customer credit risk is managed by the Risk team in each regional business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed in order to define credit limits based on internal and external credit ratings that take into account financial health and payment history.

The Chief Risk Officer of the Group delegates credit authorities to regional Risk Managers. Each regional Risk Manager ensures that they properly and consistently apply the policy for performing annual reviews on customer accounts. The risk should be appropriate to the level of exposure and risk assessment of the customer and include the maintenance of clear underwriting records identifying the rationale for agreeing to each and every credit line level. The regional Risk Managers are responsible for ensuring that the appropriate pricing, sourcing and asset policies have been complied with on the proposals they are underwriting.

The Group uses customer's financial statements and other information (industry risk, business position perspective and other internal risks analyses) in assessing a customer's risk level. The key internal risk analyses include but are not limited to:

- Cash flow coverage analysis
- A standardised credit rating based on the financial information of the customer
- The most current information from local credit bureaus
- The customer Risk Class is updated monthly based on analysis of historical quality of customer payments to TIP

All customers are monitored weekly by the Risk team and information about major overdue accounts is provided to the SLT on monthly basis.

A customer is moved to the Non-Earning Accounts status when there is doubt of the future capacity of that customer or customer group to fulfil its payment obligations. For customers placed on the Non-Earning Accounts status with an exposure exceeding a threshold (€0.5m), regional Risk Managers perform a review of all relevant risks and take appropriate actions to ensure any potential loss is mitigated. The review may include, but is not limited to, a review of updated company financial information and projections, current contractual arrangements, analysis of gap between net book value and fair value of an asset, site visits and review of exit strategy if the asset is retrieved. The payment profile of these customers is closely monitored.

A customer who has filed for administration or bankruptcy, or has had legal action instigated due to overdue payments is classified as a doubtful account. All maintenance, services and other sundry offerings are stopped from the date of the classification as a doubtful account. The regional Risk Managers develop a plan to recover outstanding amounts and to retrieve any equipment. The Chief Risk Officer reviews and approves this plan.

Excessive risk concentration

Concentrations arise when a number of customers are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group considers concentration risk using two key measures:

- Percentage of customers owing more than €0.25m and €1.0m
- Concentration in different credit rating classes

The summary of outstanding customers owing more than €0.25m and €1.0m is as follows:

	No. of customers owing >€0.25m	% of the non-impaired trade receivables	No. of customers owing >€1m	% of the non-impaired trade receivables
2016	31	57%	2	32%
2015	30	42%	3	14%
2014	21	43%	3	19%

The summary of customer credit rating is as follows:

Standardised credit rating		Lease portfolio		Trade receivables		Other receivables	
2016	Note	€m	%	€m	%	€m	%
AAA to AA-		14.2	2%	1.0	1%	0.1	4%
A+ to A-		119.3	15%	13.1	18%	0.3	17%
BBB+ to BBB-		235.4	30%	17.9	25%	0.4	29%
BB+ to BB-		272.6	35%	24.5	34%	0.6	36%
B+ to B-		96.7	12%	7.3	10%	0.2	10%
CCC+ to C		30.3	4%	1.5	2%	0.1	4%
D		3.4	1%	1.6	2%	-	0%
Unrated		3.5	1%	4.8	7%	-	0%
Total	22, 28	775.4	100%	71.6	100%	1.7	100%

Standardised credit rating		Lease portfolio		Trade receivables		Other receivables	
2015	Note	€m	%	€m	%	€m	%
AAA to AA-		4.8	1%	0.6	1%	0.1	2%
A+ to A-		86.0	17%	7.9	15%	1.4	15%
BBB+ to BBB-		150.8	29%	15.2	29%	2.7	29%
BB+ to BB-		148.6	29%	14.2	27%	2.6	28%
B+ to B-		95.5	19%	6.5	12%	1.7	18%
CCC+ to C		15.9	3%	1.9	4%	0.3	3%
D		4.3	1%	1.4	3%	0.2	2%
Unrated		5.0	1%	4.3	9%	0.3	3%
Total	22, 28	510.9	100%	52.0	100%	9.3	100%

Standardised credit rating		Lease portfolio		Trade receivables		Other receivables	
2014	Note	€m	%	€m	%	€m	%
AAA to AA-		8.5	2%	1.4	4%	0.1	1%
A+ to A-		54.1	15%	4.2	11%	1.2	12%
BBB+ to BBB-		90.3	24%	7.4	20%	2.3	23%
BB+ to BB-		146.1	39%	12.4	33%	2.4	24%
B+ to B-		56.6	15%	5.5	15%	2.8	28%
CCC+ to C		10.9	3%	4.4	12%	0.3	2%
D		5.0	1%	0.9	2%	0.1	1%
Unrated		1.5	1%	1.3	3%	0.8	9%
Total	22, 28	373.0	100%	37.4	100%	10.0	100%

The exposure of the lease portfolio comprises net book value of the leased assets for leases, rental payments and service contracts. Other receivables represent primarily unbilled lease receivables and therefore bear similar credit risk as the trade receivables of the respective customers. The Group maintains internal credit ratings for its customers. S&P ratings shown in the table above are mapped to the Group's rating classes. External ratings are used where available to benchmark internal credit assessments.

41. Events after the reporting period

Acquisitions:

On 3 January 2017 we completed the acquisition of a leasing portfolio in Germany for approximately €3m. The group has not finalised the accounting treatment for this acquisition.

Other:

On 23 January 2017, Willi Betz, an inactive distressed customer, paid €9m for a combination of unpaid account receivables which were provisioned in 2013, fleet sales and indemnification for damages. €5m was recorded in other revenue, €2m in fleet sales and €2m as recoveries in bad debts. The Group's legal and risk teams have used, over a number of years various 'out of court' debt recognition processes and several land and property charges to successfully secure this payment. This transaction has been recorded in the 2016 financials. Proceeds were received after the year end but before the financial statements were approved by the board and in such a situation, IFRS requires the transaction to be recorded in 2016.

GLOBAL TIP HOLDINGS TWO B.V

(company registration no 58146369)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

Statement of profit or loss for the period ended 31 December

€m	Note	2016	2015	2014
Other income	I	6.2	8.6	-
Cost of sales		-	-	-
Gross profit		**6.2**	**8.6**	**-**
Administrative and other operating expenses	II	(1.5)	(10.3)	(2.1)
Operating profit (EBIT)		**4.7**	**(1.7)**	**(2.1)**
Finance income	III	0.9	1.0	0.9
Finance cost	IV	(8.1)	(7.4)	(8.6)
Profit before tax		**(2.5)**	**(8.1)**	**(9.8)**
Non-exceptional taxation	V	1.1	2.4	4.2
Taxation		**1.1**	**2.4**	**4.2**
Result from subsidiaries	VI	17.0	30.3	18.6
Net profit/(loss)		**15.6**	**24.6**	**13.0**

Balance sheet for the period ended 31 December (after profit appropriation)

€m	Note	2016	2015	2014
Financial assets	VI	696.4	662.2	630.1
Deferred tax assets	VII	0.8	1.1	4.2
Non-current assets		**697.2**	**663.3**	**634.3**
Trade and other receivables	VIII	7.2	5.3	1.2
Cash and equivalents		-	0.1	-
Current assets		**7.2**	**5.4**	**1.2**
Total assets		**704.4**	**668.7**	**635.5**
Share capital	IX	-	-	-
Share premium	IX	513.2	513.2	513.2
Retained earnings	IX	45.9	33.8	9.2
Legal and other reserves	IX	(3.0)	(0.3)	(2.1)
Equity		**556.1**	**546.7**	**520.3**
Borrowings	X	147.5	116.1	103.3
Non-current liabilities		**147.5**	**116.1**	**103.3**
Borrowings	X	-	3.6	9.5
Trade and other payables	XI	0.8	2.3	2.4
Current tax liabilities		-	-	-
Current liabilities		**0.8**	**5.9**	**11.9**
Total equity and liabilities		**704.4**	**668.7**	**635.5**

NOTE TO THE COMPANY FINANCIAL STATEMENTS

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated balance sheet unless stated otherwise. The company financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRS pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

The accounting policies set out before in preparing the consolidated financial statements for the period ended 31 December 2016 are also applied in the company financial statements, with the exception of the valuation of investments in subsidiaries. Investments in subsidiaries are accounted using the net asset value, based upon accounting policies used in the consolidated financial statements. When the Company's share of losses exceeds its interest in the subsidiary, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations, which are expected to result in an outflow of resources, or made payments on behalf of the subsidiary.

I. Other income

€m	2016	2015	2014
Leasing	-	-	-
Rental	-	-	-
Damage protection	-	-	-
Leasing and rental	**-**	**-**	**-**
M&R 3rd party	-	-	-
Fleet sales	-	-	-
Other	6.2	8.6	-
Total	6.2	8.6	-

Under the purchase and transition services agreements with GE a final settlement has been agreed. As result of this agreement an amount of € 2.4 million has been booked as profit for 2016.

Furthermore, a profit of €3.8m related to fulfillment of the guaranteed obligations as defined in the parental guarantee dated May 8, 2014 has been booked at end of 2016.

II. Administrative and other operating expenses

€m	2016	2015	2014
Employee benefit expenses	**1.1**	**1.6**	**1.6**
Audit and accounting advisor fees	0.1	0.1	0.2
Legal	-	-	-
Other expenses	0.3	8.6	0.3
Other operating expenses	**0.4**	**8.7**	**0.5**
Total excluding exceptional	**1.5**	**10.3**	**2.1**
Exceptional items	-	-	-
Total	1.5	10.3	2.1

III. Finance income

€m	2016	2015	2014
Interest	0.9	1.0	0.9
Foreign exchange gains	-	-	-
Finance income before derivatives	**0.9**	**1.0**	**0.9**
Total excluding exceptional items	**0.9**	**1.0**	**0.9**
Exceptional item	-	-	-
Total	0.9	1.0	0.9

IV. Finance cost

€m	2016	2015	2014
Interest	8.1	7.4	8.6
Foreign exchange losses	-	-	-
Funding related fees	**8.1**	**7.4**	**8.6**
Foreign exchange losses	-	-	-
Finance cost before derivatives	**8.1**	**7.4**	**8.6**
Total excluding exceptional	**8.1**	**7.4**	**8.6**
Exceptional item	-	-	-
Exceptional items	**8.1**	**7.4**	**8.6**
Total	8.1	7.4	8.6

V. Taxation

The Company is part of a Dutch tax group for corporate tax purposes with Global TIP Holdings One B.V as head of the tax group. The TIP Trailer Services entities Global TIP Finance B.V., TIP Holdings (UK) Ltd., TIP Trailer Services Netherlands B.V, TIP Trailer Services Management B.V., TIP Fleet Services Netherlands B.V., Global TIP Holdings Three B.V, Global TIP Holdings Four B.V and Twan Heetkamp Trailers B.V. are part of the Dutch tax group as well. The Company is jointly and severally liable for all corporation tax liabilities resulting from the Dutch tax group in relation to the Dutch tax authorities. The current corporate tax benefit for 2016 is €1.0m (2015 and 2014: nil). Current taxes are determined at each individual entity of the Dutch tax group on the basis of its taxable profit or loss for the period taking into account permanent and temporary differences for the period. Deferred taxes for each individual entity of the tax group are determined on an individual basis taking into account temporary differences on a stand-alone basis. The forecasted profits of the Dutch tax group are used for the recognition of deferred tax assets.

€m	2016	2015	2014
Current taxation for the period	**1.0**	**-**	**-**
Net operating losses and tax credits	(0.3)	2.0	2.4
Adjustment to prior periods	0.4	0.4	1.8
Deferred tax assets	**0.1**	**2.4**	**4.2**
Taxation	**1.1**	**2.4**	**4.2**

VI. Financial asset

€m	2016	2015	2014
Loan receivables			
At 1 of January	**22.7**	**21.7**	**20.8**
Additions	-	-	-
Interest capitalised	0.9	1.0	0.9
Gross at period end exchange rates	**23.6**	**22.7**	**21.7**
Interest received			
At 1 of January	**(1.6)**	**(0.6)**	**-**
Income	0.9	1.0	0.9
Capitalised	(0.9)	(1.0)	(0.9)
Received	(0.9)	(1.0)	(0.6)
At 31 December	**(2.5)**	**(1.6)**	**(0.6)**
Loan and interest receivables	**21.1**	**21.1**	**21.1**
Investments in subsidiaries			
At 1 of January	**641.1**	**609.0**	**292.0**
Incorporation of subsidiary	23.4	-	-
Increase in capital during the year	-	-	300.8
Adjustment to defined benefit plan of subsidiaries	-	-	(1.4)
Cash hedge	(0.6)	0.1	-
Currency translation adjustment	(5.6)	1.7	(1.0)
Net profit from investments in subsidiaries, after tax	17.0	30.3	18.6
At 31 December	**675.3**	**641.1**	**609.0**
Total	**696.4**	**662.2**	**630.1**

The Group provided a loan to a related party on 23 October 2013. The loan is denominated in € and is a term loan facility amounting to €20.5m which terminates at the date falling within 6 year after the borrowing date, with a maturity date of 22 October 2019. The interest rate is set out as Euribor +4.50% and the interest period is 3 months. The Group receives accrued interest every quarter. The loan is repayable by the lender at five business days' notice. Refer to note 35 "Share capital and share premium" of the consolidated financial statement regarding the capital increase in 2014.

VII. Deferred tax assets

€m	2016	2015	2014
At 1 January	**1.1**	**4.2**	**-**
Current and prior year deferred taxes	(0.3)	2.4	4.2
Settlement of tax losses with tax group	-	(5.5)	-
At 31 December	**0.8**	**1.1**	**4.2**

VIII. Trade and other receivables

€m	2016	2015	2014
Receivables from GE	1.0	0.4	1.1
Receivables from Global TIP Holdings One B.V.	4.8	4.9	-
Receivables from Global TIP Finance B.V.	1.4	-	-
VAT receivables	-	-	0.1
Total	**7.2**	**5.3**	**1.2**

Receivables from GE are neither past due nor impaired (see consolidated financial statement note 28). Receivable from parent company Global TIP Holdings One B.V. relates to remaining current year tax settlement (refer to note III Taxation) and €3.8m related to fulfillment of the guaranteed obligations as defined in the parental guarantee dated May 8, 2014.

IX. Share capital and share premium

a) Share capital

€	2016	2015	2014
Authorised shares			
Ordinary shares 1,000 of €0.01 each	10	10	10
Ordinary shares issued and fully paid			
At 1 January and 31 December	**10**	**10**	**10**

b) Share premium

€m	Note	2016	2015	2014
At 1 January		**513.2**	**513.2**	**212.4**
Increase:		-	-	300.8
At 31 December		**513.2**	**513.2**	**513.2**

The movement in shareholder's equity is as follows:

€m	Notes	Share capital	Share premium	Retained earnings	Legal and other reserves	Equity
At 1 January 2014	IX	-	212.4	(2.5)	(0.9)	209.0
Net profit/(loss)		-	-	13.0	-	13.0
Movement for the period		-	-	-	(2.5)	(2.5)
Total comprehensive income		-	-	13.0	(2.5)	10.5
Reclass		-	-	(1.3)	1.3	-
Issued capital	IX	-	-	-	-	-
Share premium	IX	-	300.8	-	-	300.8
2014		-	513.2	9.2	(2.1)	520.3
Net profit/(loss)		-	-	24.6	-	24.6
Movement for the period		-	-	-	1.8	1.8
Total comprehensive income		-	-	24.6	1.8	26.4
Reclass		-	-	-	-	-
Issued capital	IX	-	-	-	-	-
Share premium	IX	-	-	-	-	-
2015		-	513.2	33.8	(0.3)	546.7
Net profit/(loss)		-	-	15.6	-	15.6
Movement for the period		-	-	-	(6.2)	(6.2)
Total comprehensive income		-	-	15.6	(6.2)	9.5
Reclass		-	-	(3.5)	3.5	-
Issued capital	IX	-	-	-	-	-
Share premium	IX	-	-	-	-	-
2016		-	513.2	45.9	(3.0)	556.1

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

The breakdown of legal and other reserves is as follows:

€m	Retained earnings	Foreign currency translation	Cash flow hedge	Defined benefit plans	Reserve for internal software	Total Legal and other reserves
At 1 January 2014	(2.5)	(1.1)	(0.1)	0.3	-	(0.9)
Net profit/(loss)	13.0	-	-	-	-	-
Movement for the period	-	(1.0)	0.1	(1.6)	-	(2.5)
Total comprehensive income	13.0	(1.0)	0.1	(1.6)	-	(2.5)
Reclass	(1.3)	-	-	1.3	-	1.3
2014	9.2	(2.1)	-	-	-	(2.1)
Net profit/(loss)	24.6	-	-	-	-	-
Movement for the period	-	1.7	0.1	-	-	1.8
Total comprehensive income	24.6	1.7	0.1	-	-	1.8
Reclass	-	-	-	-	-	-
2015	33.8	(0.4)	0.1	-	-	(0.3)
Net profit/(loss)	15.6	-	-	-	-	-
Movement for the period	-	(5.6)	(0.6)	-	-	(6.2)
Total comprehensive income	15.6	(5.6)	(0.6)	-	-	(6.2)
Reclass	(3.5)	-	-	-	3.5	3.5
2016	45.9	(6.0)	(0.5)	-	3.5	(3.0)

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Dutch Civil Code and/or by local law.The foreign currency translation reserve contains all foreign currency exchange rate differences as a result of translation of the financial statements of foreign Group companies into Euro. The reserve for internally generated software relates to attributable internal working hours to generate this software. Both aforementioned reserves and the cash flow hedge reserve are legal reserves, which are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code. There are no statutory reserves prescribed in the Articles of Association of the Company.

X. Borrowings

The company has the following borrowings with Global TIP Finance B.V., Amsterdam, Netherlands.

€m	2016	2015	2014
Borrowings 1	81.7	80.4	82.5
Borrowings 2	21.2	21.0	20.8
Borrowings 3	44.6	14.7	-
Cashpool	-	3.6	9.5
Total	147.5	119.7	112.8
Current	-	3.6	9.5
Non-current	147.5	116.1	103.3

Borrowings 1: Effective since 23 October 2013, maturity 7 years until 22 October 2020. The interest rate is set out as Euribor +6.00% and the interest period is 3 months.

Borrowings 2: Effective since 23 October 2013, maturity 6 years until 22 October 2019. The interest rate is set out as Euribor +4.50% and the interest period is 3 months.

Borrowings 3: Effective since 1 April 2015, maturity 4.75 years until 31 December 2019. The interest rate is set out as Euribor +3.1% and the interest period is 3 months.

XI. Trade and other payables

€m	2016	2015	2014
Payroll	0.5	0.5	0.6
Others	0.3	1.8	1.8
Total	0.8	2.3	2.4
Current	0.8	2.3	2.4
Non-current	-	-	-

Employees
During the 2016 financiat year, the average number of staff employed by the Company, converted into full-time equivalents, amounted to 3 (2015:3 and 2014:2), of which none were employed outside the Netherlands.

Remuneration of management
The managing of directors of the Company have recived a remuneration of €0.7m in 2016 (2015: €0.6m).

Auditor's fees
Auditor's fee of the Company has been disclosed in the consolidated financial statement of the Company, refer to note 13 "Audit and accounting advisor fees".

Financial instruments risk management
Refer to note 40 "Financial risk management" of the consolidated financial statements.

Proposed appropriation of the 2016 net profit

In anticipation of the Annual General Meeting of Shareholders' adopting the annual financial statements, it is proposed that the 2016 net profit, amounting to €15.6m, will be added to the retained earnings. The 2015 and 2014 net profits, amounting to €24.6m and €13.0m respectively, have been included in retained earnings as part of shareholders' equity.

Events after the reporting period
See note 41 of the consolidated financial statements.

Board of directors of Global TIP Holdings Two B.V.
Amsterdam, 15 March 2017

(signed version is available, upon request, at the registered office located at "Alpha Tower" building, De Entree 33, 1101 BH, Amsterdam Zuidoost)

Global TIP Holding One B.V.

Represented by

Bob Fast
Director A of Global TIP Holdings One B.V. sitting as Director A of Global TIP Holdings Two B.V.

Jan Ilhau

Malachy Mc Enroe

Jorrit Achterberg

Tom Zhuo

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements
We have audited the financial statements 2016 of Global TIP Holdings Two B.V, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the balance sheet of Global TIP Holdings Two B.V as at 31 December 2016, and of it's profit or loss and it's cash flow for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2016
- The following statements for 2016: the consolidated and company statement of profit or loss, the consolidated statement of comprehensive income, changes in equity and cash flow
- The notes comprising a summary of the significant accounting policies and other explanatory information

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Global TIP Holdings Two B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other informations
In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Auditor's responsibility

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 15 March 2017

Ernst & Young Accountants LLP

Signed by P.J.A.J. Nijssen

OTHER INFORMATION

Appropriation of net profit as provided for by the articles of association

In Article 11 of the Company's articles of association the following has been stated concerning the profit or loss allocation: The general meeting is authorised to appropriate the net profit determined by the adoption of the financial statements and to adopt resolutions regarding distributions, to the extend the net assets exceed the reserves which must be maintained by law or the articles of association.


TIP