

AssetCo plc

Annual report and financial statements

18 month period ended 30 September 2011

Registered number: 04966347




AssetCo®

COMPANY INFORMATION

Company registration number	04966347
Registered office	800 Field End Road South Ruislip Middlesex HA4 0QH
Directors	Tudor Davies (Chairman) Christopher Mills Peter Manning Andrew Freemantle
Company secretary	Tudor Davies
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
Nominated adviser, financial adviser and corporate broker	Arden Partners plc 125 Old Broad Street London EC2N 1AR
Registrar	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgewater Road Bristol BS13 8AE
Website	www.assetco.com

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Chairman's statement

Introduction

This 18 month financial period being reported upon has been one of major disappointment for shareholders, as the share price collapsed from 60p to 1.75p once the serious liquidity problems became apparent, the potential approaches to acquire the business evaporated, and the Company was ultimately financed through the dilutive share issue which was announced last September.

However on 29 September the successful restructuring of the business was completed, this allowed for the parent company, AssetCo plc, to 're-finance' and 'ring-fence' the Company's business in the United Arab Emirates ("UAE") from the liabilities of the UK operations so that its focus can be on growing the operations in the UAE. In recognition of this change, we are today announcing the appointment to the main Plc's Board of our UAE's directors, Gareth White (Managing Director) and Dr Jeff Ord (Operations Director) to take effect from 11 April 2012.

Background

The Board has undergone significant change during the period under review with the departure of all of the directors who had been present since the time of the reverse acquisition back in 2007, namely Tim Wightman (Chairman), John Shannon (Chief Executive), Frank Flynn (Finance Director) and Adrian Bradshaw (Non-Executive). Also, Scott Brown who replaced Frank Flynn as Finance Director joined and left during the period.

I was appointed as Interim Executive Chairman on 23 March 2011 to replace Tim Wightman and, at the same time, Christopher Mills was appointed a Non-Executive Director of the Company. This followed announcements on 14 and 18 March 2011 that the £16 million placing was short in meeting working capital needs. The working capital requirement was quantified on 21 March as £3 – £4 million and both my appointment and Mr Mills' were a condition of further financial support from North Atlantic Value LLP, Gartmore Investment Management Ltd and Utilico Investments Ltd.

The liquidity problems the Company faced during the course of the year are well documented and explained in the Circular to Shareholders and the Scheme of Arrangement posted on 9 September 2011.

In addition and prior to the refinancing the Board also considered several approaches from potential bidders, none of which resulted in an offer.

The shortage of capital identified above as £3 – £4 million proved to be a significant understatement as the complex refinancing solution announced in September last year was ultimately a total package of £69 million involving a further £14 million capital from shareholders, a Scheme of Arrangement, and the restructuring of bank borrowings.

The solution was for AssetCo plc to be 'ring-fenced' from the liabilities of the rest of the Group enabling a change in strategy to focus on growing its operations in the Middle East where it continues to pursue several contract opportunities and sees potential for expansion for outsourced Fire and Rescue services.

The Balance sheet of the Parent Company AssetCo plc, the vehicle for the UAE operations as at 30 September 2011 shows net assets of £5.2 million. Not all of the cash due from the share Placing had been received by the year-end, but after allowing for these receipts and settling expenses, AssetCo plc had cash balances of approximately £7.5 million.

Change of Year End/Audited Financial Statements

The Board concluded at the time of the restructuring in September 2011 that, to reflect the changing nature of the business, the Company should change its year-end from 31 March to 30 September, this also enabled the impact of the refinancing to be taken into account in the audited financial statements.

Chairman's statement (continued)

Grant Thornton UK LLP resigned as Auditors and PricewaterhouseCoopers LLP were appointed Auditors of the Company

The timely production and audit of these financial statements for the 18 month period to 30 September 2011 has been hampered by the absence of those involved in the past financial statements, the lack of financial records, complexity of past accounting practices, and the going-concern issues associated with the continuing Bank and customer support for the UK subsidiaries

There is an unmodified audit opinion for the 2011 Balance sheet of the Parent Company that contains the UAE contracts and an emphasis of matter to clarify its basis of preparation as a going-concern to reflect the fact that it is 'ring-fenced' from the liabilities of the UK subsidiaries. However, the Company and the Group audit opinions in respect of the opening balance sheet at 1 April 2010 and the Income statements and Cash flows statements for the period ended 30 September 2011 are qualified, and the Group audit opinion is modified in respect of the going-concern basis of preparation of financial statements as a consequence of the UK subsidiaries' reliance on future Bank and customer support

It is regretful that due principally to a serious failure of management and internal financial controls in the UK operations and at Group level, there were significant overstatement of profits and assets in the financial accounts for the year ended 31 March 2010. As a consequence of a number of errors in the financial statements of prior years, and in accordance with IAS 8 "Accounting Policies, changes in accounting estimates and errors", the 2009 and the 2010 Balance sheets and the 2010 Income statement have been restated to reflect the relevant adjustments

The extent of these errors is significant: reported revenues for the year ended 31 March 2010 reduced by £19.0 million from £45.2 million to £26.2 million and Operating profits of £17.4 million reduced by £28.8 million to become operating losses of £11.4 million

The Consolidated Income Statement for the 18-month period ended 30 September 2011, shows Revenue of £49.0 million (2010 Restated £26.2 million), Operating loss before Exceptional items of £2.5 million (2010 Restated Operating loss before exceptional items of £2.1 million), Exceptional items of £9.6 million (2010 Restated Exceptional item of £9.3 million), Loss for the period of £22.2 million (2010 Restated loss of £23.3 million)

The prior-year adjustments to re-state the Income statements were £25.5 million in 2010 and £13 million in 2009 with the cumulative principal adjustments being Revenue recognition 2010 £23.2 million (2009 £6.6 million), Onerous lease provisions 2010 £11.9 million (2009 £7.2 million) and an adjustment relating to the write-off of related party balances connected to John Shannon of £2.5 million in 2010 (2009 £nil)

The prior-year adjustments relating to the Balance sheet were £149.7 million in 2010 and £120.3 million in 2009, with the principal adjustments being Property, plant and equipment 2010 £46.6 million (2009 £48.0 million), Goodwill 2010 £56.7 million (2009 £55.0 million), Trade and other Receivables 2010 £22.2 million (2009 £6.6 million) and Onerous leases 2010 £11.9 million (2009 £7.2 million)

Business Review

UAE

It was clear that there were opportunities for profit generation and growth in this territory and from the three-year Special Operations Command contract for outsourced Fire and Rescue Services which had commenced in March 2010, as well as from an agreement with Emirates Advanced Investments which also offers the potential to enter into similar contracts

Chairman's statement (continued)

The outsourcing operations in UAE commenced trading at the start of this period, it has been recognised by shareholders and remaining management that the business model had good prospects but had been deprived of capital by the previous management as they focussed the support on the UK operations. The vast majority of the capital taken from the UAE at the beginning of the contract has now been returned to these operations.

The underlying trading performance in UAE is best explained by reference to the Segmental Reporting for the Parent Company AssetCo plc, in the 18-month period ended 30 September 2011 the UAE business which commenced trading in April 2010 had Revenues of £12.8 million and operating profit of £1.3 million.

UK

In contrast to our UAE operation, the UK businesses are effectively vehicle leasing & maintenance, and capital had been continually allocated to the capital intensive asset management UK businesses and other companies associated with this sector.

These businesses, excluding the September 2011 £14 million Placing, had already been recipients of the various capital raisings totalling £65 million over the last four years.

It appears that income and cash generation levels generated were sufficient to meet interest payments but did not match the capital repayment profiles of the Bank borrowings or provide the necessary funds for the longer term asset replacement requirements of the contracts.

In effect, funds from shareholders had seemingly been provided to sustain a flawed business model and financial structure with little prospect of shareholder value.

The way forward was for shareholders not to inject any more capital into the UK business and for the Plc and UAE operations to be 'ring-fenced' from the liabilities of the UK businesses.

On this basis, the banks recognised that their borrowings were not matched by the underlying assets and the UK business was only sustainable with reduced levels of debt and capital repayments. As announced in the Circular to Shareholders, the banks agreed in principle to writing their debts down from £79 million to £43 million.

It is the intention of the Board to continue to improve performance, become more efficient and either refinance or dispose of these businesses following a period of review. As these are long term asset financing contracts we have been working with the banks and the customers to provide a solution but, given the lack of clarity in past financial statements, the need to finance replacement assets, possible breaches of contract and contract performance issues, the timing and ultimate outcomes are uncertain.

Outlook

The restructuring should provide a basis for a solution to the difficult UK vehicle leasing and maintenance businesses, but of primary importance is the successful ring-fencing and refinancing of the Parent company to provide a stable financial platform to enable management to concentrate on renewing their successful outsourcing contract in the UAE, and also pursuing further opportunities with their partners in the Middle-East region.

Board of directors

Tudor Davies

Executive Director Interim Chairman and Company Secretary

Appointed to the AssetCo plc board in March 2011 Tudor was the Executive Chairman of Dowding and Mills plc and was subsequently appointed to the board of Castle Support Services plc in June 2007. He was also a non-executive director and subsequently Chairman of Stratagem Group plc from 2000 to 2002. From 1990 to 1999 he was Chief Executive and subsequently Chairman of Hicking Pentecost plc. He is currently also the Chairman of Zytronic plc.

Christopher Mills

Non-executive Director

Chairman of the Audit Committee

Member of the Remuneration Committee

Member of the Nomination Committee

Appointed to the AssetCo plc board in March 2011 Christopher is Chief Executive Officer of Harwood Capital Management Limited and Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc.

Peter Manning

Non-executive Director

Chairman of the Remuneration Committee

Chairman of the Nomination Committee

Member of the Audit Committee

Appointed to the AssetCo plc board in September 2008 Peter has extensive international experience in senior operating and customer focused roles in business process outsourcing and in service and technology industries. Between 2004 and 2007, he was Chief Executive of HBS Limited, a business owned by Terra Firma Capital Partners providing business process outsourcing to the local government sector in the UK, which was subsequently sold to Mouchel Group plc.

Andrew Freemantle CBE

Non-executive Director

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nomination Committee

Appointed to the AssetCo plc board in January 2010 Andrew has extensive leadership experience in complex, multi-site organisations providing mission critical services to the public both in the UK and Internationally.

Andrew retired in 2010 as Chief Executive of the Royal National Lifeboat Institution a position he held for 10 years. The RNLI is the world's largest lifeboat service with an annual budget of over £124 million, operating with 450 lifeboats from 235 lifeboat stations with 1,250 staff and 4,700 volunteer crew.

Directors' report

Introduction

The directors present their annual report and the audited financial statements of the company and the Group for the period from 1 April 2010 until 30 September 2011

Principal Activities

AssetCo is a Fire and Rescue Services business, and includes the provision of outsourced fire and rescue services including personnel, training and equipment in the UAE, and the provision and maintenance of fire and rescue equipment under long term asset management contracts in the UK

Business Review

Further information relating to the performance of the business, strategy and progress is given in the Chairman's statement on pages 1 to 3 which is incorporated into this report by reference. The Group has recently been restructured to ring fence its International operations in the UAE which it views as its main focus for growth. The group is in the process of evaluating the future of its UK operations.

The Refinancing

AssetCo PLC announced Proposals on 9 September 2011 which were subsequently approved on 29 September, to refinance the Group, including the injection of £14 million of new equity into the Company, enabling the Company to focus on growing its operations in the UAE. The Proposals addressed the Company's current financial issues and effected a recapitalisation. The Proposals included

- A Scheme of Arrangement with Scheme Creditors to compromise and settle all of the Company's liabilities, other than liabilities which are specifically excluded from the Scheme (such as in respect of the Company's UAE operations)
- A capital reorganisation and a 1 for 1,000 share consolidation
- The exchange of the Subsidiary Preference Shares in consideration for the issue of 3.75 million New Ordinary Shares by the Company
- A placing of 7 million New Ordinary Shares to raise £14 million (before expenses)

Background to the Refinancing

Financial position of the Company

Between 13 December 2010 and 21 February 2011, the Company made a number of statements addressing a need for additional working capital, discussions on bank financing and the possibility of an equity fundraising.

On 4 February 2011, the Company became aware of a winding up petition by HMRC.

On 3 March 2011, the Company announced an equity placing to raise £16 million ("the March Placing")

On 18 March 2011, prior to the shareholder meeting to approve the March Placing, the Company announced that, due to accelerated creditor demands, the Company was short of working capital. It also stated that a number of Shareholders had indicated that they would be willing to provide additional support up to £10 million.

On 21 March 2011, the Company announced that it would need £3 to 4 million of working capital in addition to the £16 million March Placing. However, three Shareholders (NAV, Utilico Group and

Directors' report (continued)

Gartmore) had pledged £10 million should it be needed. The Company's shares were suspended in light of a notice from the then Chief Executive, John Shannon, that he refused to be bound by his irrevocable undertaking to vote in favour of the resolutions authorising and enabling the March Placing. On the same day a court injunction was granted requiring John Shannon to abide by his irrevocable undertaking and the March Placing completed on 22 March 2011.

On 23 March 2011, Tudor Davies was appointed as Interim Executive Chairman of the Company to replace Tim Wightman who stepped down as Chairman and subsequently as a Director on 30 June 2011, and Christopher Mills was appointed as Non-Executive Director of the Company.

On 24 March 2011, John Shannon resigned from the Board on request.

On 29 March 2011, the Company announced that the winding up petition from HMRC had been dismissed, but a new petitioner, including the previous management, had been substituted onto the petition.

In May 2011, the Company announced that agreement had been reached with the remaining petitioner and the petition had been dismissed. The Company also stated that it had counter claims against previous management, that John Shannon had been dismissed as an employee.

The Company also announced that whilst the Group was cash generative and could meet its interest costs, it did not generate sufficient funds to meet the repayment of capital as currently scheduled. The Company noted that its banks were supportive regarding the short term financing situation and were awaiting proposals on a financial restructuring, but in the meantime it was in breach of its banking arrangements. The Company also stated that it was considering all options to realise shareholder value.

On 18 May 2011, the Company announced that the Finance Director, Scott Brown, was leaving the Company with immediate effect.

On 24 May 2011, the Company announced that Northern Bank had lodged a winding up petition. At the winding up hearing on 29 June 2011, the Company sought and was given a 12 day deferral of the hearing.

On 11 July 2011, the Company announced that the court hearing led to a further two week adjournment to enable offer and restructuring discussions to continue.

On 25 July 2011 the Company announced it had been granted a further one month deferral to 25 August 2011.

On 25 August 2011, the Company announced that it had been granted a further deferral until 28 September 2011 in order to allow creditors to consider the proposed Scheme of Arrangement (referred to further below).

Potential approaches to the Company

In January 2011, the Company announced that it was in discussions with a third party that might or might not lead to an offer being made for the Company.

Subsequently, on 14 February 2011, the Company announced that it had discontinued offer talks with the potential offeror referred to in January 2011.

On 14 March 2011 the Directors confirmed that they had received a preliminary approach from a third party which was subject to various conditions including due diligence.

Directors' report (continued)

The independent directors considered the approach to be opportunistic and not in the interests of Shareholders as the indicated price range included an offer at a discount to the market price. As such, the independent directors confirmed that no talks were being conducted with this or any other party on any possible offer for the Company.

On 28 March 2011, the Board confirmed that Arcapita Bank B S C (c) had made an approach.

On 13 June 2011, the Board confirmed that the Company was in discussions with a number of parties which may or may not lead to an offer being made for the business.

Subsequently, in July 2011, the Company disclosed that discussions with a potential offeror had reached an advanced stage but the Board had not been able to reach an agreement and the potential offeror had not yet been able to reach agreement with the banks.

As at 9 September the Directors confirm that they had not had discussions with potential offerors for several weeks.

Further Arrangements- UK Business

At the time of the proposals it was explained that further steps would be required to stabilise the financial position of the London Group which carries out the contract with the LFEPA, the Lincoln Business which comprises the contract with the Lincoln Fire and Rescue Service, and the other subsidiaries within the Group.

The LFEPA contract delivers a steady stream of revenue to the London Group but this does not match the debt repayment profile. The Company is in advanced discussions with the London Group Banks which involve, *inter alia*, carrying out a restructuring of the London Group followed by a write down of the debt facilities within the London Group to an aggregate total of £30.6 million and agreement with the London Group Banks as to the implementation of such further steps, as are required, to put the London Group in a stable financial position. The Board intends to either refinance or sell the London Group, and consider options for the Lincoln business.

Results

The consolidated financial statements are set out on pages 39 to 101.

During the period a number of errors have been identified that relate to prior periods, and in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" defines a prior period error as

"Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that

- a) Was available when financial statements for those periods were authorised for issue, and
- b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud."

Please refer to note 5 in the consolidated financial statements.

Directors' report (continued)

Dividend

A dividend will not be proposed in this year (2010 1 5p per share £1 360,000, of this £847,000 was paid out with the balance due to shareholder directors. Given the matters set out in the Chairman's statement, these balances have been written back to the income statement. Due to the restatements made to the 31 March 2009 balance sheet, including retained earnings, this dividend may be unlawful)

Key Performance Indicators

Due to the liquidity problem, the principal indicators used to measure the performance at Group and segment level in the past 6 months are EBITDA and cash generation. There are very detailed KPIs at contract level and the appropriate KPIs for Plc control are under review.

Principal Risks and Uncertainties

The directors continuously monitor the business and markets to identify and deal with risks and uncertainties as they arise, as the main risk to the group's business is reliance on a very small number of contracts with Government agencies, and failure to perform could result in these contracts not being renewed or lost, leading to a significant reduction in revenues and materially affect the value and prospects of the Group.

Following the successful restructuring carried out in September 2011, and explained in the Circular to Shareholders and the Scheme of Arrangement, the focus is now on International Fire and Rescue and as part of the restructuring, the contract in the UAE has been ring fenced from the UK operations where the problems occurred.

Whilst credit risk is low due to the Government backed nature of the contracts, the concentration of revenues from a one source in UAE could expose the Group to material risk to trading performance and contracts in the event of contractual issues arising. The success of the Group depends upon continuing relationships with customers.

The Group may need to compete for business with companies who provide similar services in other industry sectors. This may place other competitive pressures on the Group by driving price reductions or causing reduced margins and/or loss of the Group's market share.

The Group's growth is dependent on winning further total managed services and other contracts and enhancing the returns from existing contracts. Other contracts may be dependent upon the ongoing purchasing power delegated to under Government policy, which is subject to regular review. Contracts with public bodies which are central to the Group's business are awarded through a formal competitive tendering process, presenting a number of risks, including substantial cost and managerial time and incorrectly estimating the resources and cost structure that will be required to service any contract.

The Group has contractual obligations to perform its services within stringent time criteria, and is subject to financial penalties. Any such circumstances may have a material adverse effect on the business, financial condition, trading performance and prospects. Further, the Group subcontracts some of its contracted obligations and may be responsible for and liable in respect of subcontractor defaults.

The Group is dependent upon senior management and so the focus is on the recruitment and retention of qualified employees. The loss of key personnel without adequate replacement may have a material adverse effect on the Group's business, performance and prospects.

The activities of the Group are subject to laws and regulation governing taxes, employment standards and occupational health, safety, environmental and other matters. Failure to comply with such requirements may result in fines and/or penalties being assessed against the Group which could have a material adverse effect on the Group's business, financial condition, trading performance and prospects.

Directors' report (continued)

Capital Structure

The Primary objective of the Group's capital management is to ensure that capital is available to allocate to business that maximises shareholder value. There were significant changes to the Group's equity structure, and the Group's borrowings during the year, and after the year end. Further details are contained in the Circular to shareholders and in the Scheme of Arrangement.

Details of the authorised and issued capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 25.

Financial Risk Management

See Note 3

Directors

The Directors who held office during the period were as follows

Tudor Davies (<i>Interim Executive Chairman</i>)	– appointed 23 March 2011
Christopher Mills (<i>Non- Executive</i>)	– appointed 23 March 2011
Peter Manning (<i>Non-Executive</i>)	
Andrew Freemantle (<i>Non-Executive</i>)	
Tim Wightman (<i>Non- Executive Chairman</i>)	– resigned as Chairman 23 March 2011, retired as a director 30 June 2011
Adrian Bradshaw (<i>Non-Executive</i>)	– resigned 18 August 2010
John Shannon (<i>Chief Executive Officer</i>)	– resigned 24 March 2011
Frank Flynn (<i>Chief Financial Officer</i>)	– resigned 4 October 2011
Scott Brown (<i>Chief Financial Officer</i>)	– appointed 4 October 2010 and resigned 17 May 2011

The Company Secretaries who held office during the period were as follows

Michael Lavender	– resigned 18 August 2010
Richard Fulton	– appointed 18 August 2010 and resigned 4 October 2010
Scott Brown	– appointed 4 October 2010 and resigned 5 September 2011
Tudor Davies	– appointed 5 September 2011

Directors' Shareholdings

The beneficial interests of the directors in the shares of the Company were as follows

	At 30 September 2011 Number	At 31 March 2010 Number
Executive directors		
Tudor Davies*	25,024	–
Christopher Mills**	5,915,779	–
John Shannon	–	26,963,327
Frank Flynn	–	7,447,222
Non-executive directors		
Peter Manning	278	28,846
Andrew Freemantle	18	8,480
Tim Wightman	–	532,083
Adrian Bradshaw	–	267,917

* Tudor Davies is also interested in the Company's shares through a discretionary fund managed by North Atlantic Value LLP ("NAV")

** Christopher Mills's shares are owned by NAV in which he has an ownership involvement

Directors' report (continued)

Substantial Shareholdings

At 10 April 2012 the Company Secretary has been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules ("DTR") as issued by the Financial Services Authority, of the following interest in 3% or more in the ordinary share capital of the Company

	Number of shares	% of issued share capital
North Atlantic Value LLP	5,915,779	53.8
Utilico Group	2,379,983	21.6
Henderson Global Investors Limited	2,349,304	21.4

Charitable Donations

The Group did not make any charitable donations during the year (2010 £nil)

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed with the Company and its suppliers provided that all trading terms have been complied with. During the year the Company's liquidity problems resulted in non-compliance with this policy. Trade creditors at the year end amount to 43 days (2010 restated nil days) of average supplies for the year.

Business combinations and disposals

Details of the Group's disposals can be found in Note 28 to the financial statements.

Post Balance sheet events

Details of significant events since the balance sheet date can be found in Note 33 to the financial statements.

Financial Control Issues

The Group has experienced serious failure of management and financial control at subsidiary and at Group level, and these have resulted in the prior year adjustments and exceptional items.

The Board believes the control failures were due to basic controls not being in place, controls being overridden by senior management, and incorrect accounting treatment.

The new board have been informed that under the stewardship of Mr Shannon and Mr Flynn there was a lack of transparent reporting, requests for information were ignored, and related party transactions were entered into without full board approval. The new board cannot be certain that all issues have been captured.

Mr Shannon was dismissed as an employee for breaches of fiduciary duty and whilst the company has not carried out a full investigation, as previously announced in May 2011 in connection with the claims against the Company by Messrs Shannon & Flynn in support of the winding up petition, it identified counter claims against John Shannon of £4.6m and also counter claims for breach of fiduciary duty of £3.4m against Frank Flynn.

Directors' report (continued)

Corporate Governance

As an AIM listed company, AssetCo plc is not obliged to comply with the UK Corporate Governance Code published in June 2010 (the "Code") but instead uses its provisions as a guide, but only as considered appropriate to the circumstances of the company

The company is committed to high standards of corporate governance but during the period to 30 September 2011, a combination of a considerable strain due to the pressures in its liquidity position, creditor action, and the departure of the Chairman, Chief Executive, two Finance Directors, the Company Secretary and the Financial Controller, and inadequate accounting systems, resulted in areas of non compliance. The principal areas of non compliance were a breakdown in the systems to produce timely and accurate management information, and for most of the period from 23 March 2011, the Interim Chairman Tudor Davies was the only executive and was required to cover a multiple of roles following the departure of the Chief Executive, the Finance Director and the Company Secretary

Going Concern

The directors have considered the going concern assumption for the Parent company, AssetCo plc, and the Group by assessing the operational and funding requirements of the Parent company and for each of the main trading entities

The directors have concluded that in respect of the Parent company which carries out the outsourcing contract in UAE, there are no material uncertainties that the directors have identified relating to events or conditions that may cast significant doubt about the ability of AssetCo plc to continue as a going concern. Critical to this assessment is the terms of the Scheme of Arrangement which exclude the Parent company from the liabilities of the remaining companies within the Group and also the receipt of additional funding through equity placings which took place during the period

As far as the UK trading subsidiaries are concerned, there is a breach of various banking covenants, and possibly some provisions of the customer contracts. For the past year or so the customers and the banks have been supportive regarding the continuance of these UK contracts but the banks have reserved their rights in respect of breaches of their loan agreements

The directors have therefore concluded that there are material uncertainties relating to events and conditions that cast significant doubt about the ability of these companies to continue as a going concern. The material uncertainties include the need for the continuing support from the banks and customers where contractual negotiations are ongoing, the achievability of future cashflow forecasts, the resolution of a disputed issue on a UK contract where there is a claim of irredeemable default, and formalising the necessary consents from the same parties to the transfer of these subsidiaries to a new holding company as part of a restructuring and separation of these companies from other Group companies that are now in liquidation. In the view of the directors, whilst these matters represent material uncertainties they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice

Directors' report (continued)

(United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively,

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor

Grant Thornton UK LLP resigned from office and PricewaterhouseCoopers LLP were appointed.

In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting.

By order of the Board

Tudor Davies
Company Secretary



Company Registration Number 04966347

Report of the independent auditor (company financial statements)

We have audited the parent company financial statements of AssetCo plc for the 18 month period ended 30 September 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the AssetCo plc annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial position as at 31 March 2010 and disclaimer of opinion on the profit and cash flows for the period ended 30 September 2011

The audit evidence available to us was limited in the following areas because of limitations in the nature of the accounting records maintained by the company:

- As explained in note 3 to the parent company financial statements, prior period restatements were identified by the Directors during the period. We were appointed auditors on 7 December 2011 and it was not possible for us to obtain sufficient appropriate audit evidence regarding the amounts, included the restated amounts, forming the comparative figures for the year ended 31 March 2010 and the opening balances as at 1 April 2010.
- During the period the directors identified a number of related party transactions with former directors of the company, disclosed in note 21 to the parent company financial statements. We have been unable to obtain sufficient appropriate audit evidence that there were no additional related party transactions which would be required to be disclosed in accordance with Financial Reporting Standard 8 and the Companies Act 2006.
- We have not been able to obtain sufficient appropriate audit evidence in relation to the completeness of the directors' emoluments disclosed in note 21 in relation to former directors of the company.

Report of the independent auditor (continued)

Qualified opinion on financial position as at 31 March 2010 and disclaimer of opinion on profit and cash flows for the period ended 30 September 2011

Because of the significance of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the parent company's profit and cash flows for the 18 month period ended 30 September 2011. Accordingly, we do not express an opinion on the parent company's profit and cash flows for the 18 month period ended 30 September 2011.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Basis of preparation

We draw attention to note 2 to the financial statements, which explains the basis of preparation of the financial statements. During the period ended 30 September 2011 the company raised additional funding through equity placings and also entered into a scheme of arrangement on 29 September 2011 which excluded it from the liabilities of its subsidiary companies. As a result, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

In respect solely of the limitations of our work referred to above,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit,
- in our opinion, adequate accounting records have not been kept by the parent company, and
- we have been unable to establish whether all disclosures of directors' remuneration specified by law have been made

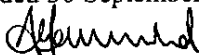
Report of the independent auditor (continued)

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

- returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns

Other matter

We have reported separately on the group financial statements of AssetCo plc for the 18 month period ended 30 September 2011. The opinion in that report is qualified



Andrew Hammond (*Senior Statutory Auditor*)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

10 April 2012

Company profit and loss account
for the 18 month period ended 30 September 2011

	Notes	18 months to 30 September 2011			12 months to 31 March 2010		
		Pre- exceptional £'000	Exceptional items (note 6) £'000	Total £'000	Pre- exceptional £'000	Exceptional items (note 6) £'000	Total £'000
					Restated	Restated	Restated (note 3)
Turnover	4	12,796	—	12,796	—	—	—
Cost of sales		(8,372)	—	(8,372)	—	—	—
Gross profit		4,424	—	4,424	—	—	—
Administrative expenses		(4,837)	(23,672)	(28,509)	(531)	(131,075)	(131,606)
Operating loss	5	(413)	(23,672)	(24,085)	(531)	(131,075)	(131,606)
Non operating exceptional items	6	—	106,628	106,628	—	(130)	(130)
(Loss)/profit on ordinary activities before interest and taxation		(413)	82,956	82,543	(531)	(131,205)	(131,736)
Interest receivable and similar income	8	57	—	57	236	—	236
Interest payable and similar charges	8	(245)	—	(245)	(6)	—	(6)
(Loss)/profit on ordinary activities before taxation		(601)	82,956	82,355	(301)	(131,205)	(131,506)
Tax on (loss)/profit on ordinary activities	9	—	—	—	—	(1,089)	(1,089)
(Loss)/profit for the period		(601)	82,956	82,355	(301)	(132,294)	(132,595)

All activities relate to continuing operations

There is no difference between the (loss)/profit on ordinary activities before taxation and the (losses) /profits for the financial period stated above, and their historical cost equivalent

There are no gains or losses other than the profit of £82 355,000 attributable to the shareholders for the period ended 30 September 2011 (2010 loss of £132,595,000) and therefore no separate statement of total recognised gains and losses has been presented. The cumulative effect of the prior period adjustments is £235,226,000 (2010 £235,226,000)

Company Balance Sheet
As at 30 September 2011

		30 September 2011		31 March 2010		31 March 2009	
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
					Restated (note 3)		Restated (note 3)
NET ASSETS EMPLOYED							
Fixed assets							
Investments in subsidiaries	11		—		—		—
Tangible fixed assets	12		103		—		—
Current assets							
Debtors	13	11,841		—		8 920	
Cash held in respect of the Scheme of Arrangement	14	5,000		—		—	
Cash held in respect of a bond		4,226		—		—	
Cash at bank and in hand		<u>1,688</u>		<u>21</u>		<u>7,500</u>	
		22,755		21		16 420	
Current liabilities							
Creditors – Amounts falling due within one year	15	(12,695)		(111 205)		(1 478)	
Amount owed to the Scheme of Arrangement	15	<u>(5,000)</u>		<u>—</u>		<u>—</u>	
		(17,695)		(111,205)		(1 478)	
Net current assets/ (liabilities)			<u>5,060</u>		<u>(111 184)</u>		<u>14 942</u>
Total assets less current liabilities and net assets			<u>5,163</u>		<u>(111,184)</u>		<u>14 942</u>
REPRESENTED BY							
Called up share capital	17	25,353		22 678		18 345	
Share premium account	17	62,645		29,288		26 115	
Merger reserve	18	68,293		68 293		68 293	
Share based payment reserve	18	—		680		580	
Profit and loss reserve	18	<u>(151,128)</u>		<u>(232,123)</u>		<u>(98 391)</u>	
Total shareholders' funds/(deficit)	19	<u>5,163</u>		<u>(111,184)</u>		<u>14 942</u>	

The financial statements on pages 16 to 35 were approved on behalf of the Board of Directors and signed by T G Davies on 10 April 2012

Registered number 04966347

T G Davies

Company Cash Flow Statement
for the 18 month period ended 30 September 2011

		18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Net cash outflow from operating activities	Note 23	(7,726)	(14,874)
<i>Returns on investments and servicing of finance</i>			
Interest received		57	236
Interest paid		(245)	(6)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(188)	230
Taxation		(1,096)	—
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(141)	—
Net cash outflow for capital expenditure and financial investment		(141)	—
Cash deposited in respect of scheme of arrangement and a bond		(9,226)	—
Equity dividends paid to shareholders		(847)	(1,137)
Net cash outflow before financing		(19,224)	(15,781)
<i>Financing</i>			
Issue of ordinary share capital		20,491	7,506
Net cash inflow from financing		20,491	7,506
Increase/(decrease) in net cash in the period		1,267	(8,275)
		18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Reconciliation of net (debt)/cash			
Net cash at beginning of period		(775)	7,500
Increase/(decrease) in net cash		1,267	(8,275)
Overdrafts eliminated through Creditor Scheme of Arrangement		1,196	—
		1,688	(775)

Notes to the parent company financial statements

for the 18 months period ended 30 September 2011

1. Legal status and activities

AssetCo plc ("the Company") is principally involved in the provision of management and resources to the fire and rescue emergency services in international markets. It currently trades through a branch in UAE and its strategy is to develop this business.

It is also the ultimate holding company for various UK domiciled subsidiaries, including AssetCo London Limited, AssetCo Engineering Limited, and AssetCo Lincoln Limited who operate under PFI contracts to provide and maintain fire and rescue equipment for both the London and Lincoln Fire Brigades.

On the 29 September 2011 a share placing totalling £14,000,000 and a creditor scheme of arrangement were approved, whereby effectively all known and unknown liabilities were settled for a total consideration of £5,000,000 and the company became ring fenced from all UK subsidiaries.

2. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The Company announced a change in its accounting reference date from 31 March to 30 September.

The principal accounting policies are summarised below and have been applied consistently in both periods presented.

Investments

Investments in subsidiary companies are stated at cost, less provisions for diminution in carrying value. Provisions are calculated with reference to value in use, adjusted for relevant debt.

Fixed assets

Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Fixtures and fittings	3 – 5 years
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The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the profit and loss account.

Notes to the parent company financial statements (continued)

Cash at bank and in hand

Cash at bank and in hand include cash in hand deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the company does not have immediate access to cash, it is separately classified in the balance sheet.

Accrued income

Material income earned from but not yet invoiced to customers in the financial period is included within prepayments and accrued income where receipt of such income is reasonably certain.

Deferred income

Deferred income arises when income from customers is received in advance of the period in which the company is contractually obliged to provide its service. Such income is held within accruals and deferred income and only released to the profit and loss account when the company has met its related obligations.

Tax

Tax on ordinary activities is provided on taxable profits/(losses) using tax rates enacted or substantially enacted at the balance sheet date.

Tax on ordinary activities is recognised in the profit and loss account except to the extent that it relates to items recognised directly in Shareholders' funds, in which case it is recognised in Shareholders' funds.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share capital

Ordinary shares are classified as Shareholders' funds.

Share premium

The share premium account represents the excess over nominal value of the fair value of consideration received for ordinary shares, net of expenses of the share issue.

Factored debtors

Factoring arrangements that do not transfer all economic risks and rewards are accounted for by continuing to recognise the continuing rights over the receivable and by recognising any related obligation to the third party factor.

Notes to the parent company financial statements (continued)

Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

Share based payments

The Company has applied the requirements of FRS 20, "Share-based Payments". The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

Foreign currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the profit and loss account.

Foreign operations translation

Balance sheets are translated into sterling at the exchange rate prevailing on the balance sheet date and gains or losses arising from the translation recognised through shareholders' funds.

Turnover

Turnover comprises the value of revenue recognised in respect of sale of goods and the provision of service contracts.

Revenue from the sale of goods is recognised when

- the significant risks and rewards of ownership of the goods have been transferred to the customer from the company and this is generally when the goods have been delivered to the customer and accepted
- effective control over the goods and the management involvement associated with ownership is no longer held by the company which is generally when the goods have been despatched
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from the provision of service contracts is only recognised when the stage of completion can be measured reliably and it is probable that economic benefit will flow to the company. Where lump sum payments are received, these revenue receipts are deferred and recognised by allocating the lump sum revenue over the life of the contract.

Notes to the parent company financial statements (continued)

Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant profit and loss account category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance. Items which may be included within the exceptional category include:

Non operating

- costs of fundamentally restructuring the business,
- profit and losses on sale of subsidiaries,
- profit and losses on sale of significant fixed assets,

Operating

- provisions against investments in subsidiaries,
- costs in relation to the Company's scheme of arrangement with creditors,
- provisions against amounts owed by subsidiaries

3. Restatement note

AssetCo has identified omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue, and
- b) could reasonably be expected to have been obtained and taken into account in the preparation of those financial statements

Accounting standards define such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The Company has therefore restated the 2009 and 2010 Balance Sheets, 2010 Profit and Loss account and 2010 Cash Flow Statement to reflect the relevant adjustments as explained below.

Provision against Investments in subsidiaries

Value in use calculations have been concluded for all subsidiaries and when relevant debt is taken into consideration there is no basis for recognition of an asset in respect of Investments, accordingly a provision of £98,720,000 was processed in 2010 (2009: £98,720,000).

Disposal of subsidiary

During 2010 the Company disposed of Auto Electrical Services (Manchester) Limited but the 2010 annual report and accounts did not account for the disposal of the investment.

Restatement of Amounts Due from subsidiaries

The amount reported in 2010 in respect of amounts due from subsidiaries was net of £107,622,000 due to subsidiaries. This restatement corrects that error.

Notes to the parent company financial statements (continued)

Provision against Amounts Due From subsidiaries

Value in use calculations have been concluded for all subsidiaries and when relevant debt is taken into consideration there is no basis for the recoverability of the amounts due from subsidiaries, accordingly a provision of £135,417,000 was processed in 2010. This amount varies to the £131,075,000 reported in Note 5 as £4,342,000 of the restatement has been accounted for in pre-exceptional operating profit.

The £4,342,000 restatement relates to the reversal of management recharges from the Company to its subsidiaries in 2010 that cannot be substantiated and a provision in respect of amount due from subsidiaries.

Taxation

The £1,089,000 restatement relates to the effects of the reversal of management recharges from the Company to its subsidiaries that cannot be substantiated.

Restatement of Prior Years

	As reported 31 March 2009 £'000	Provision in respect of Investments £'000	Restated 31 March 2009 £'000
Fixed assets			
Investments in subsidiaries	98,720	(98,720)	—
Current assets			
Debtors	8,920	—	8,920
Cash	7,500	—	7,500
	<u>16,420</u>	<u>—</u>	<u>16,420</u>
Creditors: amounts falling due within one year	<u>(1,478)</u>	<u>—</u>	<u>(1,478)</u>
Net current assets	<u>14,942</u>	<u>—</u>	<u>14,942</u>
Net Assets	<u>113,662</u>	<u>(98,720)</u>	<u>14,942</u>
Capital and reserves			
Call-up share capital	18,345	—	18,345
Share premium account	26,115	—	26,115
Merger reserve	68,293	—	68,293
Share-based payment reserve	580	—	580
Profit and loss account	329	(98,720)	(98,391)
Total shareholders' funds/(deficit)	<u>113,662</u>	<u>(98,720)</u>	<u>14,942</u>

Notes to the parent company financial statements (continued)

Restatement of Prior Years

	As reported 31 March 2010 £'000	Provision in respect of Investments £'000	Restatement of Amounts due from Subsidiaries £'000	Provision in respect of Amounts due from Subsidiaries £'000	Taxation £'000	Restated 31 March 2010 £'000
Company Balance Sheet						
Fixed assets						
Investments in subsidiaries	98,720	(98,720)	–	–	–	–
Current assets						
Debtors	27,795	–	107,622	(135,417)	–	–
Cash	21	–	–	–	–	21
	<u>27,816</u>	<u>–</u>	<u>107,622</u>	<u>(135,417)</u>	<u>–</u>	<u>21</u>
Creditors: amounts falling due within one year	<u>(2,494)</u>	<u>–</u>	<u>(107,622)</u>	<u>–</u>	<u>(1,089)</u>	<u>(111,205)</u>
Net Current assets/ (liabilities)	<u>25,322</u>	<u>–</u>	<u>–</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(111,184)</u>
Net Assets/(liabilities)	<u>124,042</u>	<u>(98,720)</u>	<u>–</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(111,184)</u>
Capital and reserves						
Call-up share capital	22,678	–	–	–	–	22,678
Share premium account	29,288	–	–	–	–	29,288
Merger reserve	68,293	–	–	–	–	68,293
Share-based payment reserve	680	–	–	–	–	680
Profit and loss account	<u>3,103</u>	<u>(98,720)</u>	<u>–</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(232,123)</u>
Total shareholders' funds/(deficit)	<u>124,042</u>	<u>(98,720)</u>	<u>–</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(111,184)</u>

4. Segmental reporting

Segment information is presented in respect of the Company's geographical settlement. The analysis is for the eighteen months to 30 September 2011 and twelve months to 31 March 2010. Unallocated comprises the UK head office. No secondary segmental information has been provided as in the view of the directors, the Company operates in only one segment, being in the provision of fire and rescue services.

Analysis of turnover and results by geographical settlement

Eighteen months to 30 September 2011

	UAE £'000	Unallocated £'000	Total Operations £'000
Turnover			
Turnover to external customers	12,796	–	12,796
Inter-segment turnover	–	–	–
Total turnover	<u>12,796</u>	<u>–</u>	<u>12,796</u>
Result			
Profit on ordinary activities before taxation	1,128	81,227	82,355
Assets and liabilities			
Total net assets	1,126	4,037	5,163

Turnover by destination is not materially different from the turnover by origin shown above.

Notes to the parent company financial statements (continued)

Analysis of turnover and results by geographical settlement

Twelve months to 31 March 2010

	UAE £'000	Unallocated £'000	Total Operations £'000 Restated
Turnover			
Turnover to external customers	—	—	—
Inter-segment turnover	—	—	—
Total turnover	<u>—</u>	<u>—</u>	<u>—</u>
Result			
Loss on ordinary activities before taxation	—	(131,506)	(131,506)
Assets and liabilities			
Total net liabilities	—	(111,184)	(111,184)

5. Operating loss

The analysis of the components of operating loss is shown below, after charging the following

	18 months to 30 September 2011		12 months to 31 March 2010	
	£'000	£'000	£'000	£'000 Restated
Depreciation of property, plant and equipment		38		—
Exceptional items		23,672		131,075
Fees payable to the company's auditor for the audit of the annual accounts	100		73	
Fees payable to the company's auditor and its associates for other services				
– other services relating to taxation	332		—	
– all other services	<u>123</u>		<u>73</u>	
		555		146
Lease rentals on company properties		113		—

In 2011 the Company's auditor was PricewaterhouseCoopers LLP (2010 Grant Thornton UK LLP)

Notes to the parent company financial statements (continued)

6. Exceptional items

During the 18 month period ending 30 September 2011 the Company has incurred a significant amount of exceptional costs and charges. These are summarised below

Exceptional items - administrative expenses

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Provision for impairment of subsidiaries	7,500	—
Provision against amounts owed by subsidiaries	12,499	—
Gain from Share Options	(680)	—
Fair Value of liabilities associated with guarantees	4,353	—
Provision against amounts due from subsidiaries	—	131,075
	<u>23,672</u>	<u>131,075</u>

Non operating exceptional items

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Costs associated with the restructuring of the AssetCo Group	1,706	—
(Profit)/loss from disposal of subsidiaries	(6,414)	130
Gain from the write-off of liabilities subject to the Scheme	(1,922)	—
Gain from the write-off of liabilities due to subsidiaries subject to the Scheme	(99,998)	—
Gain in respect of Creditor Scheme of Arrangement	(101,920)	—
	<u>(106,628)</u>	<u>130</u>

Gain from share options

All share options immediately lapsed and ceased to be exercisable upon the presentation of the winding up petition against the Company in March 2011. Accumulated charges have therefore been reversed to the profit and loss account.

Provisions against amounts due from subsidiaries

In the prior year, value in use calculations have been concluded for all subsidiaries and adjusted for relative debt. Where these calculations demonstrate that it is unlikely that surplus funds will be available to repay inter company debts, provisions have been made to write down amounts due from subsidiaries to the estimated recoverable amount.

Gain in Respect of Creditor Scheme of Arrangement

In August 2011 the Company announced a Creditor Scheme of Arrangement whereby all known and unknown liabilities at 28 December 2011 would be settled for a maximum cost of £5,000,000 and effectively the Company would be ring fenced from its UK subsidiaries.

Under the Scheme the Company has obligations in respect of certain guarantees provided previously and the fair value of these obligations, amounting to £4,353,000, has been recognised.

Notes to the parent company financial statements (continued)

As noted above, under the Scheme of Arrangement all liabilities are to be settled for a maximum amount of £5,000,000 and this sum has been expensed in the period. The liabilities to be settled amounted to £6,922,000 in respect of third parties and £99,998,000 in respect of subsidiaries and these amounts have been credited to the profit and loss account in the period.

Additional Liabilities – Creditor Scheme of Arrangement

Claims made under the Scheme have exceeded liabilities accounted for and the excess of £1,215,000 has been expensed in the period.

7. Employees and Directors

The average number of persons employed by the company (including executive directors) was

	18 months to 30 September 2011 Number	12 months to 31 March 2010 Number
Production	88	–
Sales	2	–
Administration	7	5
	<u>97</u>	<u>5</u>

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
The costs incurred in respect of these employees were		
Wages and salaries	1,640	734
Share based payments	(680)	100
Social security costs	76	122
	<u>1,036</u>	<u>956</u>

The above includes redundancy payments of £30,000 (2010: £nil). The costs disclosed above in this note in respect of 2010 were settled on behalf of the Company by a subsidiary.

8. Interest (payable)/receivable

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000
Interest payable on bank borrowings	(245)	(6)
Bank interest receivable	57	236
	<u>(188)</u>	<u>230</u>

Notes to the parent company financial statements (continued)

9. Tax on (loss)/profit on ordinary activities

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Current Taxation		
UK Corporation Tax at 26% (2010 28%) – Current Period	–	1,089
– Prior Period	–	–
Overseas Taxation – Current Period	–	–
– Prior Period	–	–
Total Current Tax	–	1,089
Deferred Tax		
– Current Period	–	–
– Prior Period	–	–
Total Deferred Tax	–	–
Tax on (loss)/profit on ordinary activities	–	1,089

The difference between the (loss)/profit on ordinary activities at the corporation tax rate of 27.33% (2010 28%) ruling in the UK and the actual current tax shown above is explained below

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Profit/(loss) on ordinary activities before taxation	82,355	(131,506)
Tax on profit/(loss) on ordinary activities at a standard rate of 27.33% (2010 28%)	22,510	(36,822)
Expenses not deductible for tax purposes	998	1,146
Losses from write-off of amounts due from subsidiaries	3,714	36,701
Capital gain on disposal (lower)/greater than accounting profit	(1,753)	36
Remuneration (credit)/expense on share based payments	(186)	28
Provision against investments	2,050	–
Gain from write-off of liabilities due to subsidiaries subject to the Scheme of Arrangement	(27,333)	–
Tax charge for the period	–	1,089

Given the material restatements set out in note 3 the Company will be resubmitting tax computations for prior periods. The directors believe that corporation tax may have been overpaid based on previously submitted returns and that as a result corporation tax may be recoverable as at the period end. Due to the breakdown of the Company's systems and controls in the period, as reported in the Directors' report, and significant level of uncertainty over the Company's historic tax position, no corporation tax recoverable balance is recognised as at the period end.

10. Dividends

A final dividend for 2011 has not been recommended (2010 1.5p per share £1,360,000, of this £847,000 was paid out by the Company, with the balance due to shareholder directors. Given the matters set out in the Chairman's statement, these balances have been written back to the profit and loss account. Due to the restatements made to the 31 March 2009 balance sheet, including retained earnings, this dividend may be unlawful).

Notes to the parent company financial statements (continued)

11. Investments in subsidiaries

	2011 £'000	2010 £'000 Restated	2009 £'000 Restated
Company			
Shares in group companies	—	—	—
		2011 £'000	2010 £'000 Restated
Cost			
At beginning of period		94,720	98,720
Additions		7,500	—
Disposals		(2,168)	(4,000)
At end of period		<u>100,052</u>	<u>94,720</u>
Provision for impairment			
At beginning of period		(94,720)	(98,720)
Amounts written off investments		(7,500)	—
Disposals		2,168	4,000
At end of period		<u>(100,052)</u>	<u>(94,720)</u>
Carrying value		<u>—</u>	<u>—</u>

Principal subsidiary companies

Subsidiary	Country of incorporation	Nature of business	Class of share
AssetCo Fire and Rescue Limited	England & Wales	Holding Company	Ordinary

All subsidiary companies as at 30 September 2011 were wholly owned. During the period the company disposed of its interest in AS Fire & Rescue Equipment Limited and Todd Research Limited as well as subsidiary companies held by AssetCo Fire and Rescue Limited.

The addition in the period relates to the acquisition of preference shares in AssetCo (Abu Dhabi) Limited in exchange for ordinary shares see note 17.

A full list of subsidiary undertakings is filed with the Annual Return at Companies House.

Notes to the parent company financial statements (continued)

12. Tangible assets

	Fixtures & Fittings £'000	Total £'000
Cost		
At 1 April 2010	—	—
Additions	141	141
At 30 September 2011	<u>141</u>	<u>141</u>
Accumulated depreciation		
At 1 April 2010	—	—
Charge for the period	38	38
At 30 September 2011	<u>38</u>	<u>38</u>
Net book value		
At 30 September 2011	103	103
At 31 March 2010	—	—

13. Debtors

	2011 £'000	2010 £'000 Restated	2009 £'000 Restated
Trade debtors	2,433	—	—
Amounts owed by group undertakings	—	—	8,872
Other debtors	222	—	—
Proceeds due from share placing	8,041	—	—
Taxation and social security	139	—	—
Prepayments and accrued income	1,006	—	48
	<u>11,841</u>	<u>—</u>	<u>8,920</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

14. Scheme of arrangement

The total liability in respect of the Scheme of Arrangement is limited to £5,000,000 and as at 30 September 2011 the Company was holding £5,000,000 of cash to fund the Scheme of Arrangement. This amount was transferred to the Scheme supervisor in October 2011. More detail in respect of the scheme of arrangement can be found in the notes to the consolidated financial statements.

Notes to the parent company financial statements (continued)

15. Creditors – Amounts falling due within one year

	2011 £'000	2010 £'000 Restated	2009 £'000 Restated
Bank loans and overdrafts	–	796	–
Trade creditors	1,303	–	–
Amounts owed to subsidiaries	–	107,622	–
Other creditors	305	–	–
Amounts owed in respect of factored receivables	2,395	–	–
Corporation tax	–	1,089	–
Taxation and social security	–	1,538	1,471
Accruals and deferred income	8,692	160	7
	<u>12,695</u>	<u>111,205</u>	<u>1,478</u>
Amounts owed to Scheme of Arrangement (Note 14)	5,000	–	–
	<u><u>17,695</u></u>	<u><u>111,205</u></u>	<u><u>1,478</u></u>

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand

16. Deferred Tax

There is no provision for deferred taxation in the parent company

Deferred tax assets not recognised in the parent company are as follows

	2011 £'000	2010 £'000 Restated
Tax losses	<u><u>170</u></u>	<u><u>44</u></u>

Notes to the parent company financial statements (continued)

17. Called Up Share Capital

a) Issued and fully paid:

	Number of Ordinary Shares				Number of Deferred Shares				Ordinary Share Capital £'000	Deferred Share Capital £'000	Share Premium £'000
	25p	1p	01p	10p	Total	24p	0 99p	495p	Total		
At 1 April 2009	73,379,406	-	-	-	73,379,406	-	-	-	-	18,345	26,115
Issue of Ordinary Shares of 25p each	17,333,334	-	-	-	17,333,334	-	-	-	-	4,333	3,173
At 31 March 2010	90,712,740	-	-	-	90,712,740	-	-	-	-	22,678	29,288
March 2011 Placing and Capital Reorganisation											
Capital Re-organisation	(90,712,740)	90,712,740	-	-	-	90,712,740	-	-	90,712,740	(21,771)	21,771
Issue of Ordinary Shares of 1p each	-	160,000,000	-	-	160,000,000	-	-	-	-	1,600	13,498
September 2011 Placing and Capital Reorganisation											
Capital Re-organisation	-(250,712,740)	250,712,740	-	-	-	-	250,712,740	-	250,712,740	(2,482)	2,482
Share Consolidation	-	-(250,712,740)	250,713	(250,462,027)	-	-(250,712,740)	-	501,425	(250,211,315)	-	-
Share Exchange	-	-	-	3,750,000	3,750,000	-	-	-	-	375	7,125
Issue of Ordinary Shares of 10p each	-	-	-	7,000,000	7,000,000	-	-	-	-	700	12,734
At 30 September 2011	-	-	-	11,000,713	11,000,713	90,712,740	-	501,425	91,214,165	1,100	24,253
											62,645

In July 2009 the Company issued 17,333,334 Ordinary Shares of 25p for an issue price of 45p each

In March 2011 the Company implemented a capital re-organisation whereby each Ordinary Share of 25p was sub-divided into 1 Ordinary Share with a nominal value of 1p and 1 Deferred Share with a nominal value of 24p. Immediately following this capital re-organisation 160,000,000 Ordinary Shares of 1p were issued for an issue price of 10p each

In September 2011 the Company implemented a further capital re-organisation whereby each Ordinary Share of 1p was sub-divided into 1 Ordinary Share with a nominal value of 0.01p and each Deferred Share of 24p was sub-divided into 1 Deferred Share with a nominal value of 0.99p. Immediately following the implementation of this a share consolidation was implemented whereby a 1000 Ordinary Shares with a nominal value of 0.01p each were consolidated into 1 Ordinary Share with a nominal value of 10p and 500 Deferred Shares with a nominal value of 0.99p each were consolidated into 1 Deferred Share with a nominal value of 495p

Notes to the parent company financial statements (continued)

The rights attaching to Deferred Shares are set out in the company's Articles of association and are minimal. They do not carry any voting rights or dividend rights.

Following the September 2011 capital re-organisation 3,750,000 Ordinary Shares with a nominal value of 10p each were issued in consideration for the purchase of £15m Preference Shares in AssetCo (Abu Dhabi) Limited and 7,000,000 Ordinary Shares with a nominal value of 10p each were issued for an issue price of 200p.

The fair value of the consideration for the purchase of the Preference Shares is considered to be £7.5m.

Following the Company's adoption of new Articles of Association in September 2011, and in accordance with the Companies Act 2006, the share capital has no authorised limit (2010 £32,500,000). All issued shares are fully paid, with the exception of £8,041,000 due from proceeds of the September 2011 placing.

b) Share-based payments

The credit for the period in respect of share-based payments, comprising share options and warrants, is £680,000 (2010 charge £100,000, 2009 charge £140,000).

c) Share options

Share options were granted to directors and to selected employees. The Group are under no legal or constructive obligation to repurchase or settle the options in cash and all share options immediately lapsed and ceased to be exercisable upon the presentation of the winding up petition against the Company in March 2011.

	30 September 2011		31 March 2010		31 March 2009	
	Average exercise price per share £	Options	Average exercise price per share £	Options	Average exercise price per share £	Options
Opening	1.70	1,212,603	1.76	1,352,603	1.77	1,819,327
Forfeited	—	—	2.29	(140,000)	1.82	(466,724)
Lapsed	1.70	(1,212,603)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>1.70</u>	<u>1,212,603</u>	<u>1.76</u>	<u>1,352,603</u>

The fair value of options at grant date were determined using the Black-Scholes method.

Share options at the end of the periods had the following expiry date and exercise prices:

Expiry Date	Exercise Price £ per share	30 September 2011 Shares	31 March 2010 Shares	31 March 2009 Shares
04 Dec 2013	1.00	—	210,000	210,000
29 Mar 2017	1.45	—	663,103	698,103
30 Jul 2017	2.30	—	105,000	120,000
30 Jul 2017	3.00	—	140,000	160,000
22 Nov 2017	2.30	—	50,000	100,000
22 Nov 2017	3.00	—	20,000	40,000
28 Nov 2017	2.04	—	24,500	24,500
		<u>—</u>	<u>1,212,603</u>	<u>1,352,603</u>

Notes to the parent company financial statements (continued)

18. Reserves

	Merger reserve £'000	Share based payment reserve £'000	Profit and loss reserve £'000
At 1 April 2010	68,293	680	(232,123)
Credit for share based payments	–	(680)	–
Profit for the financial period	–	–	82,355
Dividends paid	–	–	(1,360)
At 30 September 2011	<u>68,293</u>	<u>–</u>	<u>(151,128)</u>

19. Reconciliation of movements in shareholders' funds

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
(Loss)/profit for the period as previously reported	(16,365)	3,914
Prior period adjustment	<u>98,720</u>	<u>(136,509)</u>
Profit/(loss) for the period	82,355	(132,595)
New share capital subscribed	36,032	7,506
Share based payments	(680)	100
Dividends paid	(1,360)	(1,137)
Opening shareholders' (deficit)/funds	<u>(111,184)</u>	<u>14,942</u>
Closing shareholders' (deficit)/funds	<u>5,163</u>	<u>(111,184)</u>

Transaction costs of £1,468,000 (2010 £294,000) have been deducted from equity

20. Contingent Liabilities

The Company's Scheme of Arrangement compromised all UK based guarantees that had been provided by the Company up to 28 December 2011

During the last financial year the Company entered into a performance bond in connection to its UAE based contract which dictates a potential liability of 10% of the contract value upon failure to fulfil the terms of the contract. This liability would equate to a maximum of approximately £4m. The guarantee will remain in place in full until 90 days after the customer has confirmed that contractual terms have been met and it is expected that confirmation will occur in or around April 2013. At completion of the 90 day period the potential liability under this guarantee will reduce to 5% of the contract value and then progressively reduce to 0% in accordance with expiration of warranty periods relating to discrete contractual obligations and ranging between 12 months and 10 years in length.

The Company has provided an "Advanced Payment Guarantee" of approximately £8m in connection to its UAE based contract. The guarantee provides for the repayment in part or full of payments received from the customer in advance of contractual service delivery. The guarantee shall initially remain in place until April 2013 and shall progressively reduce over the contract period. If the services required under the contract remain outstanding beyond the contractual service period then the guarantee could be extended beyond the initial contract period and until the services are delivered in full.

Notes to the parent company financial statements (continued)

21. Related party transactions

Transactions between the company and its wholly owned subsidiaries, which are related parties, are not disclosed in this note as the Company has taken advantage of the exemption in FRS8. The company has no transactions or balances with its non-wholly owned subsidiaries.

Related party transactions are disclosed in note 34 to the consolidated financial statements.

22. Operating lease commitments

The Company leases an asset under a non-cancellable operating lease agreement. The lease expires in April 2013.

Operating lease payments due in the twelve months following the balance sheet date are:

	2011 Property £'000	2010 Property £'000 Restated	2011 Other £'000	2010 Other £'000 Restated
On leases which expire				
Within one year	—	—	—	—
Between one and five years	75	—	—	—
More than five years	—	—	—	—
	<u>75</u>	<u>—</u>	<u>—</u>	<u>—</u>

23. Net cash outflow from operating activities

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Operating loss	(413)	(531)
Depreciation	38	—
(Increase)/decrease in debtors	(3,800)	8,920
Decrease in creditors	(2,872)	(23,103)
Other non-cash charges	(679)	(160)
Net cash outflow from operating activities	<u>(7,726)</u>	<u>(14,874)</u>

24. Subsequent events

Post balance sheet events are disclosed in note 33 to the consolidated financial statements.

Report of the independent auditor

(consolidated financial statements)

We have audited the group financial statements of AssetCo plc for the 18 month period ended 30 September 2011 which comprise the Consolidated Statement of Financial Position, the Consolidated Income Statement the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the AssetCo plc annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the financial position as at 31 March 2010 and disclaimer of opinion on the loss and cash flows for the period ended 30 September 2011

The audit evidence available to us was limited in the following areas because of limitations in the nature of the accounting records maintained by the company:

- As explained in note 5 to the group financial statements, prior period restatements were identified by the Directors during the period. We were appointed auditors on 7 December 2011 and it was not possible for us to obtain sufficient appropriate audit evidence regarding the amounts, included the restated amounts, forming the comparative figures for the year ended 31 March 2010 and the opening balances as at 1 April 2010.
- Our audit work on property, plant and equipment included in the balance sheet at £24.3 million was restricted to obtaining evidence in respect of this net book value which is also subject to the material uncertainty noted below in respect of the Termination Notice. We were not able to obtain sufficient appropriate audit evidence in respect of the disclosures in note 13 to the financial statements of the cost of £91.8 million and accumulated depreciation of £67.5 million.
- During the period the directors identified a number of related party transactions with former directors of the company, disclosed in note 34 to the financial statements. We have been unable to obtain sufficient appropriate audit evidence that there were no additional related party

Report of the independent auditor (continued)

transactions which would be required to be disclosed in accordance with International Accounting Standard 24 and the Companies Act 2006

- We have not been able to obtain sufficient appropriate audit evidence in relation to the completeness of the directors' emoluments disclosed in note 34 in relation to former directors of the company

Qualified opinion on financial position as at 31 March 2010 and disclaimer of opinion on loss and cash flows for the period ended 30 September 2011

Because of the significance of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the group's loss and cash flows for the 18 month period ended 30 September 2011. Accordingly, we do not express an opinion on the group's loss or its cash flows for the 18 month period ended 30 September 2011.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, the group financial statements

- give a true and fair view of the state of the group's affairs as at 30 September 2011,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – going concern

We have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The group had breached all its borrowing covenants at the period end. The directors are in negotiations with the group's lenders to restructure the group's borrowings. Draft refinancing terms are in place for the restructuring of the group's borrowings but are yet to complete. The group is not a going concern without the completion of this refinancing and the continued support of the group's lenders. In addition the Group has received a termination notice in respect of one of its UK contracts. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and the carrying value of property, plant and equipment and the completeness of liabilities in relation to the disputed contract. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern or which may arise as a result of the termination notice.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

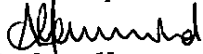
In respect solely of the limitations of our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we have been unable to establish whether all disclosures of directors' remuneration specified by law have been made

Report of the independent auditor (continued)

Other matter

We have reported separately on the parent company financial statements of AssetCo plc for the 18 month period ended 30 September 2011. The opinion in that report is qualified.



Andrew Hammond (*Senior Statutory Auditor*)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

10 April 2012

Consolidated Income Statement
for the 18 month period ended 30 September 2011

		18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated (note 5)
	Note		
Revenue	6	49,005	26,216
Cost of sales		<u>(26,853)</u>	<u>(18,451)</u>
Gross profit		22,152	7,765
Administrative expenses		<u>(34,203)</u>	<u>(19,139)</u>
Operating loss	7	(12,051)	(11,374)
Analysed as			
Operating loss before exceptional items		(2,490)	(2,050)
Exceptional items		(9,561)	(9,324)
Finance income	9	159	400
Finance costs	9	(8,306)	(7,213)
(Loss)/gain on fair value of financial instruments	24	<u>(1,390)</u>	<u>1,304</u>
Loss before tax		(21,588)	(16,883)
Income tax expense	11	<u>–</u>	<u>(1,089)</u>
Loss for the period from continuing operations		(21,588)	(17,972)
Discontinued operations			
Loss for the period from discontinued operations	28	<u>(610)</u>	<u>(5,296)</u>
Loss for the period		<u>(22,198)</u>	<u>(23,268)</u>
Earnings per share (EPS)			
Basic and diluted - pence			
Continuing operations	12	(14.71)	(21.15)
Discontinued operations	12	(0.42)	(6.23)

Consolidated Statement of Comprehensive Income for the 18 month period ended 30 September 2011

		18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated (note 5)
	Note		
Recognised loss for the period		(22,198)	(23,268)
Other comprehensive income			
Exchange differences on translating foreign operations		165	246
Actuarial losses on defined benefit pensions plan	15	(1,846)	(68)
Other comprehensive income, net of tax		(1,681)	178
Total comprehensive income for the period		<u>(23,879)</u>	<u>(23,090)</u>

All comprehensive income relates to continuing operations

Consolidated Statement of Financial Position
as at 30 September 2011

		30 September 2011 £'000	31 March 2010 £'000 Restated (note 5)	31 March 2009 £'000 Restated (note 5)
	Notes			
Assets				
Non-current assets				
Property, plant and equipment	13	24,332	28,140	28 897
Goodwill	14	–	280	2 106
Other intangible assets	14	100	284	194
Retirement benefit surplus	15	–	725	749
Cash held in respect of a bond		4,226	–	–
Total non-current assets		28,658	29 429	31 946
Current assets				
Inventories	16	291	201	6 607
Trade and other receivables	17	13,326	5,781	17 463
Cash and cash equivalents (excluding bank overdrafts)	21	4,395	2,597	22 498
Cash held in respect of scheme of arrangement		5,000	–	–
Total current assets		23 012	8,579	46 568
Assets held for sale	27	–	6,921	–
Total assets		51,670	44,929	78 514
Shareholders' equity				
Share capital	25	25,353	22 678	18 345
Equity component of compound financial instruments		–	7 917	7 917
Share premium	25	62,645	29,288	26 115
Reverse acquisition reserve		(12,644)	(12,644)	(12 644)
Foreign currency translation reserve		107	(58)	(304)
Other reserves	25	–	680	580
Profit and loss account		(150,723)	(133,236)	(108 763)
Total equity		(75,262)	(85,375)	(68 754)
Liabilities				
Current liabilities				
Trade and other payables	18/19	21,546	13,899	26 881
Amount held in respect of scheme of arrangement	19	5,000	–	–
Short-term provisions	23	3,638	1,024	570
Tax liabilities	26	–	1,089	–
Bank loans and short term borrowings	22	78,166	14,912	16 843
Derivative financial instruments	20	7,211	5,821	7 125
Total current liabilities		115,561	36,745	51 419
Non-current liabilities				
Long-term borrowings	22	–	67,267	81 676
Liability component of compound financial instruments		–	8,200	7 045
Retirement benefit liabilities	15	1,112	–	–
Long-term provisions	23	10,259	11 399	7 128
Total non-current liabilities		11,371	86,866	95 849
Liabilities associated with assets held for sale	27	–	6,693	–
Total liabilities		126,932	130,304	147 268
Total equity and liabilities		51,670	44,929	78 514

The notes on pages 44 to 101 are an integral part of these consolidated financial statements. The financial statements were authorised for issue by the board of directors on 10 April 2012 and were signed on its behalf by T G Davies

T G Davies

Consolidated Statement of Changes in Equity

for the 18 month period ended 30 September 2011

	Share capital £'000	Reverse acquisition reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Equity component of compound financial instruments £'000	Share premium £'000	Total equity £'000
Balance at 31 March 2009 (Restated)	18,345	(12,644)	(304)	580	(108,763)	7,917	26,115	(68,754)
Transactions with owners:								
Dividends	—	—	—	—	(1,137)	—	—	(1,137)
Share based payments	—	—	—	100	—	—	—	100
Issue of shares	4,333	—	—	—	—	—	3,173	7,506
Transactions with owners	<u>4,333</u>	<u>—</u>	<u>—</u>	<u>100</u>	<u>(1,137)</u>	<u>—</u>	<u>3,173</u>	<u>6,469</u>
Loss for the year	—	—	—	—	(23,268)	—	—	(23,268)
Other comprehensive income								
Exchange differences on translation	—	—	246	—	—	—	—	246
Actuarial losses on defined benefit pensions plan	—	—	—	—	(68)	—	—	(68)
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>246</u>	<u>—</u>	<u>(23,336)</u>	<u>—</u>	<u>—</u>	<u>(23,090)</u>
Balance at 31 March 2010 (Restated)	22,678	(12,644)	(58)	680	(133,236)	7,917	29,288	(85,375)
Dividends	—	—	—	—	(1,360)	—	—	(1,360)
Preference share expense	—	—	—	—	7,917	(7,917)	—	—
Share based payments	—	—	—	(680)	—	—	—	(680)
Issue of shares	2,675	—	—	—	—	—	33,357	36,032
Transactions with owners	<u>2,675</u>	<u>—</u>	<u>—</u>	<u>(680)</u>	<u>6,557</u>	<u>(7,917)</u>	<u>33,357</u>	<u>33,992</u>
Loss for the period	—	—	—	—	(22,198)	—	—	(22,198)
Other comprehensive income								
Exchange differences on translation	—	—	165	—	—	—	—	165
Actuarial losses on defined benefit pensions plan	—	—	—	—	(1,846)	—	—	(1,846)
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>165</u>	<u>—</u>	<u>(24,044)</u>	<u>—</u>	<u>—</u>	<u>(23,879)</u>
Balance at 30 September 2011	<u>25,353</u>	<u>(12,644)</u>	<u>107</u>	<u>—</u>	<u>(150,723)</u>	<u>—</u>	<u>62,645</u>	<u>(75,262)</u>

Consolidated Statement of Cash Flows

for the 18 month period ended 30 September 2011

		18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
	Note		
Cash flows from operating activities			
Cash generated from operations	31	4,554	4,173
Interest paid		(7,038)	(5,888)
Income taxes paid		(1,096)	—
Contributions to defined benefit pension schemes		—	(272)
Net cash flows from operating activities		<u>(3,580)</u>	<u>(1,987)</u>
Cash flows from investing activities			
Finance income		57	416
Disposal of businesses		2,515	—
Purchase of intangible assets		—	(126)
Purchase of property, plant, and equipment		(2,589)	(2,896)
Sale of property, plant, and equipment		566	37
Cash deposited in respect of scheme of arrangement and a bond		(9,226)	—
Net cash used in investing activities		<u>(8,677)</u>	<u>(2,569)</u>
Cash flows from financing activities			
Issue of shares (net of costs)		20,491	7,506
Dividends paid		(847)	(1,140)
Dividends/management charges		(450)	—
Repayments of amounts borrowed		(3,001)	(11,063)
Increase in borrowings		1,296	—
Finance lease additions		10,523	11,807
Finance lease repayments		(12,765)	(11,371)
Net cash generated from/(used) in financing activities		<u>15,247</u>	<u>(4,261)</u>
Net cash and cash equivalents		<u>2,990</u>	<u>(8,817)</u>
Cash flow from discontinued operations		—	(8,601)
Net change in cash and cash equivalents		<u>2,990</u>	<u>(17,418)</u>
Cash, cash equivalents and bank overdrafts at beginning of period		<u>1,387</u>	<u>18,805</u>
Cash, cash equivalents and bank overdrafts at end of period	21	<u><u>4,377</u></u>	<u><u>1,387</u></u>

Notes to the consolidated financial statements for the 18 month period ended 30 September 2011

1. Legal status and activities

AssetCo plc and its subsidiaries (together “the Group”) are principally involved with the provision of management services, the provision of asset management services and the supply of specialist equipment to the emergency services market

AssetCo plc is a public limited liability company incorporated and domiciled in England and Wales. The address of its registered office is 800 Field End Road, South Ruislip, Middlesex HA4 0QH. The Group operates from three sites throughout the United Kingdom, one in the Republic of Ireland, and one in UAE.

AssetCo plc shares are listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange.

The financial statements of AssetCo plc for the year ended 31 March 2010 were authorised for issue by the then Board of Directors on 12 July 2010 and the balance sheet was signed on the Board’s behalf by RF Flynn. Those financial statements received an unqualified audit report which did not contain statements under Section 237 (2) and (3) of the Companies Act 2006.

For greater clarity, the financial statements have been presented in Sterling to the nearest thousand pounds (£’000) except where otherwise indicated.

On 9 September 2011 the Group announced a change in its accounting reference date from 31 March to 30 September.

These consolidated financial statements were authorised for issue by the Board of Directors on 10 April 2012.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The Group’s financial statements comply with the AIM Rules and have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union as they apply to the financial statements of the Group for the 18 month period ended 30 September 2011 and applied in accordance with the Companies Act 2006. The financial statements are prepared using the historical cost convention as modified by financial liabilities at fair value through profit or loss. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 18 month period ended 30 September 2011.

Going concern

The directors have considered the going concern assumption for the Parent company, AssetCo plc, and the Group by assessing the operational and funding requirements of the Parent company and for each of the main trading entities.

The directors have concluded that in respect of the Parent company which carries out the outsourcing contract in UAE, there are no material uncertainties that the directors have identified relating to events or conditions that may cast significant doubt about the ability of AssetCo plc to continue as a going concern. Critical to this assessment is the terms of the Scheme of Arrangement which exclude the Parent company from the liabilities of the remaining companies within the Group and also the receipt of additional funding through equity placings which took place during the period.

Notes to the consolidated financial statements (continued)

As far as the UK trading subsidiaries are concerned, there is a breach of various banking covenants, and possibly some provisions of the customer contracts. For the past year or so the customers and the banks have been supportive regarding the continuance of these UK contracts but the banks have reserved their rights in respect of breaches of their loan agreements.

The directors have therefore concluded that there are material uncertainties relating to events and conditions that cast significant doubt about the ability of these companies to continue as a going concern. The material uncertainties include the need for the continuing support from the banks and customers where contractual negotiations are ongoing, the achievability of future cashflow forecasts, the resolution of a disputed issue on a UK contract where there is a claim of irredeemable default, and formalising the necessary consents from the same parties to the transfer of these subsidiaries to a new holding company as part of a restructuring and separation of these companies from other Group companies that are now in liquidation. In the view of the directors, whilst these matters represent material uncertainties they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The situation with regards to the non trading subsidiaries is less clear with a number either being struck-off, subject to application/proposal for striking off, subject to court orders to be wound-up, or have been placed in liquidation (please see note 33 – Post Balance Sheet Events).

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The nature of estimation means the actual outcomes may differ from the estimates. Further details on the critical accounting estimates used and judgements made in preparing these financial statements can be found in Note 4.

Accounting standards and interpretations

Adoption of new and revised Standards

With effect from 1 April 2010 the Group has implemented the following relevant accounting standards,

IFRS 1 (revised) 'First time adoption of International Financial Reporting Standards'

Amendments to IFRS 1 for additional exemptions

Amendment to IFRS 2, 'Share based payments'

IFRS 3 (revised) 'Business combinations'

IAS 27 (revised) 'Consolidated and separate financial statements'

Amendment to IAS 32, 'Financial Instruments Presentation'

Amendment to IAS 39, 'Financial Instruments Recognition and measurement', on eligible hedged items

Annual improvements 2009

IFRIC 15, 'Arrangements for construction of real estate'

Notes to the consolidated financial statements (continued)

IFRIC 17, 'Distributions of non cash assets to owners'

IFRIC 18, 'Transfer of assets from customers'

These standards, interpretations and amendments have had no impact on the current year

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective

Amendment to IFRS 1, 'First time adoption – exemption for severe hyperinflation and removal of fixed dates

Amendments to IFRS 7, Disclosures – Transfers of Financial Assets

IFRS 9, 'Financial Instruments'

IFRS 10, Consolidated Financial Statements

IFRS 11, Joint Arrangements

IFRS 12, Disclosure of Interests in Other Entities

IFRS 13 Fair value Measurement

Amendments to IAS 1, 'Presentation of financial statements'

Amendments to IAS 12, 'Income taxes' (deferred tax accounting for investment properties)

IAS 19 (Revised) – 'Employee Benefits'

IAS 24 (Revised) – 'Related party disclosures'

IAS 27 (Revised) – 'Consolidated and Separate Financial Statements'

IAS 28 (Revised) – 'Investments in Associates'

IAS 32 (Revised) – 'Financial Instruments Presentation'

Annual improvements 2010

Amendment to IFRIC 14, 'IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

IFRIC 20 – 'Stripping Costs in the Production Phase of a Surface Mine'

The directors are currently assessing the impact of the adoption of these standards and interpretations on the financial statements of the Group

Notes to the consolidated financial statements (continued)

2.2 Consolidation

The Group financial statements consolidate the financial statements of AssetCo plc and the entities it controls (its subsidiaries) drawn up to 30 September (previously 31 March) each year

a) Reverse acquisition accounting

Under IFRS 3 “Business Combinations”, the acquisition of AssetCo Fire and Rescue Limited (previously named AssetCo Group Limited) (the “legal subsidiary”) by the Company (the “legal parent”) has been accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of AssetCo Fire and Rescue Limited

Under reverse acquisition accounting, the cost of a business combination is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent

The assets and liabilities of the legal subsidiary (the “acquirer”) are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts. The assets and liabilities of the legal parent (the “acquiree”) are fair valued at the acquisition date

The retained earnings and other reserves recognised in the consolidated financial statements should be those of the legal subsidiary immediately before the business combination. The equity structure shown in the consolidated financial statements should reflect the legal parent’s equity structure, including the equity instruments issued by the legal parent to effect the combination

b) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies and generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that control ceases. Control comprises the power to govern the financial and operating policies of the investment so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of identifiable net assets acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

When settlement of all or any part of the cost of a business combination is deferred, the fair value of that deferred component shall be determined by discounting the amounts payable to their present value at the date of exchange, taking into account any premium or discount likely to be incurred in settlement

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless there is evidence of impairment of the asset, but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

Notes to the consolidated financial statements (continued)

c) Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for its recognition as a completed sale within one year from the date of classification.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

a) Rendering of services

Services provided by the Group include:

- provision of vehicles and equipment for use by the fire emergency services under PPP and PFI fixed term contracts in the UK,
- provision of maintenance of vehicles and equipment used by the fire emergency services in the UK,
- provision of trained fire service personnel cover for deployment in the event of a pandemic or other unplanned actions in the UK, and
- provision and training of fire service personnel used by fire emergency services in UAE.

The Group receives a fixed unitary payment for the provision of its vehicles, equipment and maintenance PPP and PFI fixed term contracts. Revenue is recognised on a straight-line basis on fulfilment of the group's performance under these contracts, with deductions made for any service shortfall in the period.

Revenue is recognised on performance of the Group's service obligations in respect of the Group's fire service personnel contracts. Deductions are made for any service shortfalls in the period.

b) Sale of goods

Revenue from the sale of goods to the emergency services market is recognised when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the goods have been successfully delivered to the customer and accepted,

Notes to the consolidated financial statements (continued)

- the Group retains neither continuous managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally when the goods have been despatched,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

c) Leasing and short-term hire

Revenue from the leasing and short-term hire of assets is recognised in the income statement on a straight-line basis over the period of the hire

d) Interest income

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling (£), which is the Company's functional and presentation currency

There has been no change in the Company's functional or presentation currency during the period under review

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies recognised through equity

c) Foreign operations translation

The consolidated Group accounts are prepared in sterling. Income statements of foreign operations are translated into sterling at the average exchange rates for the period and balance sheets are translated into sterling at the exchange rate ruling on the balance sheet date

Notes to the consolidated financial statements (continued)

2.5 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors

2.7 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance is charged to the income statement during the financial period in which they are incurred

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows

Leasehold buildings	Over the term of the lease
Leasehold improvements	Over the term of the lease
Fixtures and fittings	3 – 5 years
Equipment, plant and machinery	2 – 5 years
Operational equipment and motor vehicles	2 – 20 years

Land is not depreciated

Operational equipment and motor vehicles that have been provided to customers under long-term contracts are grouped as “assets under long-term arrangements” in Note 13 to the financial statements

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. Details of revisions in the year, and their related effect, are set out in note 13

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement

Notes to the consolidated financial statements (continued)

2 8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (separately identifiable cash flows) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each contract that it operates and the underlying business to which the goodwill relates.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives of three to five years.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Goodwill with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2 9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out ("FIFO") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2 10 Financial instruments

a) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the consolidated financial statements (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than twelve months after the balance sheet. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents".

Trade receivables

Trade receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Factored receivables

Factoring arrangements that do not transfer all economic risks and rewards are accounted for by continuing to recognise the continuing rights over the receivable and by recognising any related obligation to the third party factor.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

b) Financial liabilities and equity instruments

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Where the contractual obligations of financial instruments, including share capital, are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are classified as such in the balance sheet.

Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate or return on the outstanding liability.

Notes to the consolidated financial statements (continued)

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Any gains or losses arising from changes in the fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement. The fair value of interest rate swap contracts is determined by reference to discounted cash flows for similar instruments.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Equity

Issued share capital

Ordinary and deferred shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

The share premium account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Reverse acquisition reserve

The reverse acquisition reserve arises on the acquisition of Asfare Group plc by AssetCo Fire and Rescue Limited and represents the extent to which the reserves of AssetCo Fire and Rescue Limited have been capitalised as a result of the business combination.

Translation reserve

The translation reserve represents the movement on the translation of the net investment in foreign operations recorded in foreign currencies at the balance sheet date. Exchange differences arising in the ordinary course of trading are included in the income statement.

Other reserve

The other reserve represents equity-settled share-based employee remuneration until such share options are exercised, forfeited, lapsed or expired.

Notes to the consolidated financial statements (continued)

2.12 Leases

Group as a lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases other than finance leases are classified as operating leases and payments are charged to the income statement on a straight-line basis over the lease term. Lease incentives, if applicable, are spread over the term of the lease.

Group as a lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

2.13 Income taxes

Income tax payable is provided on taxable profits using tax rates enacted or substantially enacted at the balance sheet date.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 Employee benefits

Pension obligations – defined benefit schemes

Group companies operate two defined benefit pension schemes. In 2010 actuarial gains and losses arising on defined benefit retirement benefits were accounted for under the corridor approach. The directors have reviewed this policy and concluded that given the proposed changes to IAS 19 it is more appropriate to account for actuarial gains and losses in full in the period. The effect of this is demonstrated in note 5. This represents a voluntary change of accounting policy as in the directors' opinion this accounting policy is more appropriate.

Notes to the consolidated financial statements (continued)

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses. Interest on the scheme liabilities and the expected return on scheme assets are included in finance costs and income.

Pension contributions – defined contribution scheme

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Contributions to defined contribution schemes are recognised in the income statement during the period in which they become payable.

Equity settled share-based payment

All share-based payment arrangements are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserves".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Termination benefits

Termination benefits are payable when an employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of acceptance of an offer of voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Notes to the consolidated financial statements (continued)

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2.16 Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

2.17 Preference shares

Preference shares that are convertible to ordinary shares are classified as a compound financial instrument with an equity component and a liability component. The calculation of each component is based upon the terms attaching to the specific share issue.

2.18 Accrued income

Material income earned from, but not yet invoiced to, customers in the financial period is included within prepayments and accrued income where receipt of such income is reasonably certain.

2.19 Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance. Items which are included within the exceptional category include:

- costs of restructuring the business,
- costs in relation to the Company's scheme of arrangement with creditors,
- significant goodwill or other asset impairments,
- significant movements in provisions, and
- other particularly significant or unusual items.

Exceptional items are excluded from the headline profit measure EBITDA, as explained in Note 6. The basis of calculation of these measures is explained.

2.20 Deferred income

Deferred income arises when income from customers is received in advance of the period in which the Group is contractually obliged to provide its service. Such income is held within accruals and deferred income and only released to the income statement when the Group has met its related obligations.

Notes to the consolidated financial statements (continued)

3. Financial risk management

Whilst risk management policies were disclosed last year the events that have occurred during the year, such as creditor action, Creditor Scheme of Arrangement, and requirement to raise additional capital via share placings, suggest that the policies were neither effective nor robust

The considerable strain arising from managing the events detailed above necessitated a more informal approach to risk management throughout the period. However, the board consider that the following describes what prevails at the date of approval of these accounts

3.1 Financial risk factors

a) Credit risk

The Group's exposure to credit risk is detailed in Notes 17 and 21

The Group has exposure to less than ten customers, with the vast majority of revenue accruing with UK Fire Authorities, whom are considered to offer an extremely small credit risk, or a department of the Abu Dhabi government, whom are also considered to offer an extremely small credit risk

The Group has policies that limit the amount of credit exposure to any financial institution. The credit risk on liquid funds is limited because the counterparties are financial institutions with strong credit ratings assigned by international credit-rating agencies. The possibility of material loss is therefore considered to be unlikely

b) Market risk

Currency risk

The group transacts principally in Sterling and Dirhams but also has exposure to Euros

Transaction risk in the Group is principally managed by seeking to ensure that sales, payroll costs and purchases are made in the same currency and, if material imbalances are predicted to arise, a decision is made on whether to hedge the exposure

In relation to translation risk the Group's current policy is not to hedge the net asset values of the overseas investments although, where appropriate and cost effective facilities are available, local borrowings are utilised to reduce the translation risk

Cash flow interest-rate risk

The Group's policy on managing interest rate risk is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group seeks to limit its exposure to fluctuating interest rates by keeping a significant proportion of the Group's borrowings at fixed interest rates

Financial assets

The Group holds its surplus funds in short-term bank deposits

Financial liabilities

The Group's cash flow interest rate risk arises from long-term borrowings issued at variable rates to finance its Private Finance Initiative and Public Private Partnership contracts. In order to reduce funding risk and maintain interest cover, the Group manages the risk by using floating-to-fixed interest rate swaps. Under the swaps, the Group agrees to exchange, at specific intervals, the difference between

Notes to the consolidated financial statements (continued)

fixed contract rates and floating rate interest amounts, calculated by reference to the agreed notional principal amount. These interest rate swaps have the effect of converting borrowings from floating rates to fixed rates for a specified period of time.

The Group's obligations under finance leases carry interest at a fixed rate.

Other price risk

Other price risk, such as changes in the fair value of financial instruments being caused by movements in commodity or equity prices, is not applicable to the Group's operations. The Group does not hold any investments in companies listed on recognised Stock Exchanges and the Group's UK operations revenue contracts are subject to RPI.

c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. During the period the company has implemented a Creditor Scheme of Arrangement and raised £30,000,000, gross of issue costs, through two share placings. The company maintains adequate bank balances to fund its operations. As a result of the Scheme of Arrangement the company is ring fenced from its UK subsidiaries. As explained in other areas of this annual report and financial statements, certain of those UK subsidiaries are experiencing liquidity issues and the Group remains in discussions with the bankers for those subsidiaries with a view to agreeing to both a reduction in the level of debts payable by those subsidiaries and a rescheduling of repayments due.

3.2 Capital risk management

Group companies are funded through various shareholders' funds, cash balances, and bank debt, including term loans, asset finance and overdrafts.

		2011	2010
	Note	£'000	Restated £'000
Issued share capital	25	25,353	22,678
Compound financial instruments		–	16,117
Share premium account	25	62,645	29,288
Accumulated reserves		(150,723)	(133,236)
		(62,725)	(65,153)
Cash and cash equivalents	21	(4,395)	(2,597)
Cash held in respect of a bond		(4,226)	–
Cash held in respect of the scheme of arrangement		(5,000)	–
Bank loans and short term borrowings	22	78,166	14,912
Long-term borrowings	22	–	67,267
		<u>1,820</u>	<u>14,429</u>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to externally impaired capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the consolidated financial statements (continued)

During the period a number of Group subsidiaries were in breach of the covenants of their banking facilities. The banks involved continue to support the subsidiaries involved but have reserved their rights in respect of the breaches and these include immediate withdrawal of the facilities. The covenant breaches during the period include failure to make capital repayments and interest payments as they fall due, and the effect of creditor action. The covenant breaches have not been remedied since period end. Borrowings amounting to £78,166 000 (2010 £82,179 000) were in default in the period.

As a result of the restatements reported in this annual report and financial statements various subsidiaries are also likely to be in breach of a wide spectrum of financial covenants, including debt service ratios (cash-flow to the aggregate of interest and repayments due), interest cover ratios (EBIT to interest), total borrowing cost ratios (total borrowings to EBITDA), and minimum tangible net worth levels.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

Value in use is determined through the analysis of discounted cash flow forecasts based on financial forecasts approved by management which takes account of both past performance and expected future market developments. Management has used a pre-tax discount rate of 8% (2010 9%) equivalent to the weighted average cost of capital of the Group. This has been determined as reflecting current market assessments of the time value of money and risks specific to the industry and Group.

Property, plant and equipment

Useful economic lives of property, plant and equipment have been established with reference to firstly contractual replacement obligations and secondly to historical experience and an assessment of the nature of the assets involved.

Pensions

The directors have employed the services of an actuary in assessing pension liabilities. However, the directors recognise that final liabilities and asset returns may differ from actuarial estimates.

b) Judgements

The following critical judgements have been made in preparing the financial statements which have a significant risk of causing a material adjustment to be made to the carrying amounts of assets and liabilities within the next financial year.

Notes to the consolidated financial statements (continued)

Post-employment benefits

Application of IAS 19 “Employee Benefits”, requires the exercise of judgement in relation to setting the assumptions used by the actuaries in assessing the financial position of each scheme. The Group determines the assumptions to be adopted in discussion with its actuaries, and believes these assumptions to be in line with UK generally accepted practice, but the application of different assumptions could have a significant effect on the amounts reflected in the Income Statement, Statement of Comprehensive Income and Statement of Financial Position in respect of post-employment benefits. The sensitivity of principal scheme liabilities to changes in the assumptions used by actuaries is set out in Note 15.

Taxation

Significant judgement is required in determining the Group’s provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. As a result, the exercising of judgement is required in order to assess the exposures in these areas and set the appropriate level of provision.

Fair value of financial instruments

The fair value of the interest rate swaps has been calculated by discounting the expected future cash flows.

Provisions

Significant judgement is required in order to determine the Group’s level of provisions. In arriving at an estimate the Group firstly considers as to whether there is a present obligation arising from past events, the settlement of which is expected to result in an outflow from the entity of results embodying economic benefits. In concluding in this respect the Group reviews contracts and where appropriate considers legal advice. If the conclusion is that a present obligation arising from a past event exists then the Group draws on the experience of its management in considering the individual characteristics of each obligation and arriving at an estimate of the expenditure required to settle the present obligation at the balance sheet date.

Notes to the consolidated financial statements (continued)

Consolidated Statement of Financial Position

	As reported 31/03/09 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/09 £'000
ASSETS													
Non-current assets													
Property, plant and equipment	76,877	(6,622)	(3,242)	(35,448)	(2,424)	(54,975)				(244)			28,897
Goodwill	57,081												2,106
Other intangible assets	5,666				(5,472)					(414)		(5,162)	194
Investment in associates	414												-
Deferred tax asset	5,162												-
Retirement benefit surplus	429										320		749
	<u>145,629</u>	<u>(6,622)</u>	<u>(3,242)</u>	<u>(35,448)</u>	<u>(7,896)</u>	<u>(54,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>320</u>	<u>(5,162)</u>	<u>31,946</u>
Current assets													
Inventories	6,607						(6,599)						6,607
Trade and other receivables	24,062												17,463
Cash	22,498						(6,599)						22,498
	<u>53,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,568</u>
Assets held for sale	-												-
Total assets	<u>198,796</u>	<u>(6,622)</u>	<u>(3,242)</u>	<u>(35,448)</u>	<u>(7,896)</u>	<u>(54,975)</u>	<u>(6,599)</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>320</u>	<u>(5,162)</u>	<u>78,514</u>
EQUITY													
Issued share capital	18,345												18,345
Equity component of compound financial instruments	7,917												7,917
Share premium accounts	26,115												26,115
Reverse acquisition reserve	(11,701)				(943)								(12,644)
Translation reserve	(304)												(304)
Other reserve	580												580
Retained earnings	10,883	(6,622)	(3,242)	(35,448)	(6,953)	(54,975)	(6,599)	-	(7,198)	(1,158)	320	2,229	(108,763)
Total equity	<u>51,835</u>	<u>(6,622)</u>	<u>(3,242)</u>	<u>(35,448)</u>	<u>(7,896)</u>	<u>(54,975)</u>	<u>(6,599)</u>	<u>-</u>	<u>(7,198)</u>	<u>(1,158)</u>	<u>320</u>	<u>2,229</u>	<u>(68,754)</u>
LIABILITIES													
Borrowings	81,676												81,676
Liability component of compound financial instruments	7,045												7,045
Provisions	-									500		(7,391)	7,128
Deferred tax liabilities	7,391												-
	<u>96,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,628</u>	<u>500</u>	<u>-</u>	<u>(7,391)</u>	<u>95,849</u>
Current liabilities													
Trade and other payables	26,881												26,881
Current income tax liabilities	-												-
Borrowings	16,843												16,843
Provisions	-								570				570
Derivative financial instruments	7,125												7,125
	<u>50,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,419</u>
Liabilities associated with assets classified as held for sale	-												-
Total liabilities	<u>146,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,198</u>	<u>500</u>	<u>-</u>	<u>(7,391)</u>	<u>147,268</u>
Total equity and liabilities	<u>198,796</u>	<u>(6,622)</u>	<u>(3,242)</u>	<u>(35,448)</u>	<u>(7,896)</u>	<u>(54,975)</u>	<u>(6,599)</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>320</u>	<u>(5,162)</u>	<u>78,514</u>

Notes to the consolidated financial statements (continued)

Consolidated Income Statement

	As reported 31/03/10 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/10 £'000
Continuing operations													
Revenue	45,231	(3,093)	(2,050)	6,776	(3,204)	-	(17,334)	-	-	(1,681)	-	-	26,216
Cost of sales	(17,671)	(3,093)	(2,050)	6,776	(3,204)	-	758	-	-	33	-	-	(18,451)
Gross profit	27,560	(3,093)	(2,050)	6,776	(3,204)	-	(16,576)	(2,456)	-	(1,648)	-	-	7,765
Administrative expenses	(10,139)	(3,093)	(2,050)	-	(3,204)	(1,729)	(16,576)	(2,456)	(4,555)	16	44	(320)	(19,139)
Operating profit/(loss)	17,421	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,555)	(1,632)	44	(320)	(11,374)
Analysed as													
Operating loss before exceptional items	17,421	(3,093)	(2,050)	6,776	(3,204)	-	(16,576)	(2,456)	584	(1,632)	44	(320)	(2,050)
Exceptional items	-	-	-	-	-	(1,729)	-	-	(5,139)	(16)	-	-	(9,324)
Finance income	416	-	-	-	-	-	-	-	-	-	-	-	400
Finance costs	(7,043)	-	-	-	-	-	-	-	(170)	-	-	-	(7,213)
Gain on fair value of financial instrument	1,304	-	-	-	-	-	-	-	-	-	-	-	1,304
Profit before taxation	12,098	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	(320)	(16,883)
Taxation	(4,166)	-	-	-	-	-	-	-	-	-	-	3,077	(1,089)
Deferred tax movement on gain of financial instrument	(365)	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year from continuing operations	7,567	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	3,122	(17,972)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year from discontinued operations	(5,296)	(3,093)	(2,050)	-	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	3,122	(5,296)
Profit for the year	2,271	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	3,122	(23,268)
EPS - Basic (pence per share)	2.7	(3.6)	(2.4)	8.0	(3.8)	(2.0)	(19.5)	(2.9)	(5.6)	(1.9)	0.1	3.7	(27.4)
LPS - Diluted (pence per share)	2.7	(3.6)	(2.4)	8.0	(3.8)	(2.0)	(19.5)	(2.9)	(5.6)	(1.9)	0.1	3.7	(27.4)

Consolidated Statement of Comprehensive Income

	As reported 31/03/10 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/10 £'000
Profit for the year	2,271	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	3,122	(23,268)
Other comprehensive income													
Exchange differences on translating of foreign operations	246	-	-	-	-	-	-	-	-	-	(68)	-	(68)
Actuarial losses on defined benefit pensions plan	-	-	-	-	-	-	-	-	-	-	(68)	-	(68)
Total comprehensive income	2,517	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	(24)	3,122	(23,090)

Notes to the consolidated financial statements (continued)

Consolidated Statement of Financial Position

	As reported 31/03/10 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/10 £'000
ASSETS													
Non-current assets													
Property plant and equipment	74,714	(9,715)	(5,292)	(28,669)	(3,445)	(47,625)	758	-	-	(211)	296	(4,377)	28,140
Goodwill	47,905				(7,655)								280
Other intangible assets	7,939												284
Investment in associates	414												-
Deferred tax asset	4,377												-
Retirement benefit surplus	429												725
	<u>135,778</u>	<u>(9,715)</u>	<u>(5,292)</u>	<u>(28,669)</u>	<u>(11,100)</u>	<u>(47,625)</u>	<u>758</u>	<u>-</u>	<u>-</u>	<u>(625)</u>	<u>296</u>	<u>(4,377)</u>	<u>29,429</u>
Current assets													
Inventories	201												201
Trade and other receivables	28,014						(23,933)	(1,500)		3,200			5,781
Cash	13,697									(11,100)			2,597
	<u>41,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,933)</u>	<u>(1,500)</u>	<u>-</u>	<u>(7,900)</u>	<u>-</u>	<u>-</u>	<u>8,579</u>
Assets held for sale	16,956					(9,079)		(956)					6,921
Total assets	<u>194,646</u>	<u>(9,715)</u>	<u>(5,292)</u>	<u>(28,669)</u>	<u>(11,100)</u>	<u>(56,704)</u>	<u>(23,175)</u>	<u>(2,456)</u>	<u>-</u>	<u>(8,525)</u>	<u>296</u>	<u>(4,377)</u>	<u>44,929</u>
EQUITY													
Issued share capital	22,678												22,678
F equity component of compound financial instruments	7,917												7,917
Share premium accounts	29,288												29,288
Reverse acquisition reserve	(11,701)				(943)								(12,644)
Translation reserve	(58)												(58)
Other reserve	680												680
Retained earnings	12,014	(9,715)	(5,292)	(28,669)	(10,157)	(56,704)	(23,175)	(2,456)	(11,923)	(2,806)	296	5,351	(133,236)
Total equity	<u>60,818</u>	<u>(9,715)</u>	<u>(5,292)</u>	<u>(28,669)</u>	<u>(11,100)</u>	<u>(56,704)</u>	<u>(23,175)</u>	<u>(2,456)</u>	<u>(11,923)</u>	<u>(2,806)</u>	<u>296</u>	<u>5,351</u>	<u>(85,375)</u>
LIABILITIES													
Borrowings	67,267												67,267
Liability component of compound financial instruments	8,200								10,899	500		(9,959)	8,200
Provisions	9,959												11,399
Deferred tax liabilities	85,426	-	-	-	-	-	-	-	10,899	500	-	(9,959)	86,866
Current liabilities													
Trade and other payables	20,118									(6,219)			13,899
Current income tax liabilities	858											231	1,089
Borrowings	14,912								1,024				14,912
Provisions	5,821												1,024
Derivative financial instruments	41,709	-	-	-	-	-	-	-	1,024	(6,219)	-	231	5,821
Current liabilities	<u>86,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024</u>	<u>(6,219)</u>	<u>-</u>	<u>231</u>	<u>86,925</u>
Liabilities associated with assets classified as held for sale	6,693												6,693
Total liabilities	<u>133,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,923</u>	<u>(5,719)</u>	<u>-</u>	<u>(9,728)</u>	<u>130,304</u>
Total equity and liabilities	<u>194,646</u>	<u>(9,715)</u>	<u>(5,292)</u>	<u>(28,669)</u>	<u>(11,100)</u>	<u>(56,704)</u>	<u>(23,175)</u>	<u>(2,456)</u>	<u>-</u>	<u>(8,525)</u>	<u>296</u>	<u>(4,377)</u>	<u>44,929</u>

Notes to the consolidated financial statements (continued)

5. Restatement of Prior Years

Correction of prior year errors

AssetCo has identified omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that

- a) was available when financial statements for those periods were authorised for issue, and
- b) could reasonably be expected to have been obtained and taken into account in the preparation of those financial statements

IAS 8 defines such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud

AssetCo has therefore restated the 2009 and 2010 Statement of Financial Position, 2010 Income Statement and 2010 Cash Flow Statement to reflect the relevant adjustments as explained below

Overstatement of Property, Plant and Equipment Values

AssetCo has undertaken a process of comparing capitalised cost to third party documentation, such as supplier invoices, and noted that on a large number of occasions capitalised cost has been overstated

The adjustments processed of £9,715,000 in 2010 and £6,622,000 in 2009 restate costs to those that are supportable and adjust subsequent depreciation accordingly

Useful Economic Lives

In 2009 AssetCo reported that "during the year, as a result of management review revisions were made to the residual values and useful economic lives of certain assets. These revisions resulted in residual values ranging from £10,000 to £25,000 and corresponding lives of 24 years. This has resulted in a £2.05m reduction in the equivalent depreciation charge for the year ended 31 March 2009"

A subsequent review of the revision reported has identified that the revised useful economic lives were longer than the asset lives as detailed within customer contracts and this change was therefore applied in error

The adjustments processed during the restatement above of £5,292,000 in 2010 and £3,242,000 in 2009 are therefore to re-align the useful economic lives with their contractual lives

Impairment

Value in use calculations have been concluded for all Cash Generating Units and where required, to state carrying values at the lower of book value or value in use, impairment provisions have been processed firstly against any relative Intangible Assets and secondly against any relative property, plant and equipment. The adjustments processed are 2010 £28,669,000 and 2009 £35,448,000

Reversal of capitalised Items

A review of items capitalised has identified that AssetCo had previously reported items capitalised that do not conform with AssetCo's policy for property, plant and equipment

Notes to the consolidated financial statements (continued)

Examples of this include

In 2009 and 2010 AssetCo reported non-current asset additions including £1,839,000 and £258,000 respectively of assets that were purchased and paid for by a customer. These amounts were reported as income within the Income Statements of each year respectively.

During 2010 AssetCo incorrectly reported non-current asset additions including £1,134,000 in respect of expenses related to a new contract.

In order to correct this, an adjustment of £11,100,000 has been processed in 2010 and £7,896,000 in 2009.

Goodwill

As at 31 March 2009 AssetCo reported a net book value of Goodwill of £57,081,000. It is the view of the board that it was a fundamental error to report £54,975,000 of this asset and accordingly this amount has been written off or provided against as appropriate.

The following are examples illustrating the errors:

- a) £34,646,000 of the net book value of Goodwill as at 31 March 2009 related to the PFI contracts for the London ("LFEPA") and Lincoln Fire Authorities ("Lincoln"). On 9 September 2011 AssetCo announced that "the contract with the LFEPA delivers a steady stream of revenue to the London Group but this does not match the debt repayment profile which is accelerated versus the length of the contract. Therefore the cash flows of the contract are unable to match the capital, interest and repayments required by the banking facilities of the London Group" and that "the assets and the amount of debt on those assets have been mismatched, leading to excess indebtedness compared to the underlying asset values." The revenues and expenses, capital replacement cycle, and amount of relative asset finance have remained broadly consistent for some considerable time and AssetCo therefore cannot substantiate the value of Goodwill attributed to the LFEPA contract now or in the past. This is the same in respect of the Lincoln contract.
- b) £7,547,000 of the net book value of Goodwill as at 31 March 2009 related to the acquisition of UV Modular Limited ("UVM") on 22 December 2007. UVM reported operating losses in both 2007 and 2008 and had net liabilities of £2,860,000 immediately preceding acquisition. The board cannot substantiate the goodwill recognised on acquisition.
- c) £7,543,000 of the net book value of Goodwill as at 31 March 2009 related to acquisition of The Vehicle Application Centre Limited ("TVAC"). This company entered into Administration on 18 December 2008. Further, in 2009 AssetCo reported that "In the interim statement, we reported that TVAC had continued to make losses and absorb cash and that the Board had instigated a strategic review of the business. The outcome of this review was that TVAC showed no signs of being viable and accordingly the company was put into administration on 18 December 2008. This resulted in a £5.2m loss which is detailed in the Income Statement and also caused a considerable drain on the group's cash resources. TVAC, which was in distress at the time of its acquisition, was acquired because it was a large supplier to AssetCo London supplying fire appliances for the largest build programme undertaken in UK Fire in FY07 and FY08. Failure to deliver to vehicles on time could have resulted in substantial penalties for AssetCo. Following the acquisition of TVAC, the deliveries were completed on time, however the business continued to need ongoing cash support from the parent company."

Notes to the consolidated financial statements (continued)

During 2008 AssetCo reported that “on 16 April 2007, the Group acquired 100% of the issued share capital of Simentra Limited for consideration of £450,000” It recognised £506,000 on this transaction. The board have concluded that Simentra had no more than three employees, net liabilities, and had reported very little trade prior to its acquisition and that it was inappropriate to capitalise goodwill in this respect.

The restated net book value of Goodwill as at 31 March 2009 is £2,106,000 and review of the information available necessitates a further impairment of £1,729,000 during 2010.

Revenue Recognition

In 2009 AssetCo recognised £4,991,000 in respect of a Finance Lease Debtor and £1,608,000 in respect of Accrued Income. Following review AssetCo has concluded that the level of unchanged recurring revenue in respect of these items did not support the recognition of Revenue or the corresponding current assets.

In 2010 AssetCo reported that “during the year management considered the sale of Thermal Imaging Cameras and training equipment to be assets sold under a finance lease arrangement as the customer will retain these assets for substantially all of their useful economic lives”. AssetCo reported an additional Finance Lease Debtor of £12,671,000 and further unrelated Accrued Income of £4,662,000. Following review the board notes that the Thermal Imaging Cameras were replacement items provided to LFEPA under the terms of the PFI contract and as such that there was no corresponding increase in the revenues due under the contract and that therefore there is no basis for the recognition of further Revenue or the corresponding current asset. The restatement reverses the effects of the above.

Related Party Transactions

In 2010 AssetCo reported the following:

- a) “In May 2009, Jaras Property Developments Limited [“Jaras”], a company from which the Group rents a property was purchased by John Shannon, the Group’s former CEO, the value of these rentals amounted to £166,666 in the year. At 31 March 2010, the Group had an asset balance with this company totalling £1.5m (2009: £nil)”
- b) “On 31 March 2010, the Group completed the acquisition of 100% of the share capital of Graphic Traffic Limited for consideration of £1,000 creating goodwill on acquisition of £956,000. This business has been purchased with a view to resale hence the goodwill is included within assets held for sale and further that the vendor of Graphic Traffic Limited (see note 31) was John Shannon.”

In respect of the ‘Jaras’ transaction, AssetCo have reviewed internal communications between the date in December 2009 when the £1,500,000 was first paid, and finalisation of the 2010 audited accounts, the management and statutory accounts for the business occupying the property and concluded that:

- a) on an arms length basis it would be difficult to substantiate effectively paying six years rent in advance in respect of the property,
- b) the payment was originally classified as a Directors’ Loan and was subsequently reclassified as prepaid rent in order to satisfy audit disclosure requirements, and
- c) the business occupying the property is now in Liquidation.

Notes to the consolidated financial statements (continued)

Further, there is sufficient doubt that either Jaras (where a Receiver has been appointed) or John Shannon will repay the amount and accordingly the £1,500,000 current asset has been provided for in this restatement

In respect of the Graphic Traffic Limited transaction, AssetCo has reviewed the documentation relating to this transaction and notes that

- a) it was reported that AssetCo purchased a business to hold for resale and that company had net liabilities, and was disclosed as Dormant in its statutory accounts,
- b) the net liabilities disclosed as acquired were significantly higher than reported in the statutory accounts preceding acquisition and that the company was reported as Dormant, and
- c) the beneficiary of AssetCo settling the net liabilities acquired was either John Shannon or parties related to him

Accordingly the amount capitalised as Goodwill of £956,000 in respect of this acquisition has been expensed in the restatement

Onerous Leases

This restatement provides for unavoidable future lease costs relating to one business in 2009 and two in 2010 whereby the businesses where either loss making at period end or AssetCo had announced that the business would close. The adjustments processed are £11,923,000 in 2010 and £7,198,000 in 2009

Other

The 2010 restatement of £2,806,000 is in respect of

- £500,000 dilapidations provisions in respect of onerous property leases
- £414,000 provision against an investment in an associate
- £211,000 in respect of further property, plant and equipment that cannot be substantiated
- £1,681,000 reversal of revenue received in advance of service delivery and recognised as revenue in 2010

The reversal of £11,100,000 of 'cash in transit' reported as received in 2010 but as far as the board can ascertain actually was still in transit

The 2009 restatement of £1,158,000 is in respect of

- £500,000 dilapidations provisions in respect of onerous property leases
- £414,000 provision against an investment in an associate
- £244,000 in respect of further tangible fixed assets that cannot be substantiated

Change in accounting policies

Retirements Benefits

This restatement eliminates the effects of applying the "corridor approach" to accounting for Retirement Benefits. The "corridor approach" is currently permissible under IAS 19 – Employee Benefits but will be phased out by 2014 and effectively allows actuarial gains and losses to be spread over the employees remaining service lives. The adjustments processed are £296,000 in 2010 and £320,000 in 2009

Notes to the consolidated financial statements (continued)

6. Segmental Reporting

The core principle of IFRS 8 'Operating Segments' is to require an entity to disclose information that enables users of the financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. The directors consider that the chief operating decision maker is the board.

Given the breakdown in controls during the period and the focus of the board on managing liquidity issues, as explained elsewhere in this annual report and financial statements, there has been a reduced amount of formal management information presented to the board during the period.

However, the board consider that the following analysis is in the format that will be used to underpin management information to be reviewed by them once formal reporting requirements are reintroduced. Unallocated comprised the UK head office.

In the 2010 annual report and financial statements the segments reported were Fire and Rescue, Held for Sale, Discontinued operations, and Consolidation adjustments but they have been restated on the basis of what the board consider appropriate.

Notes to the consolidated financial statements (continued)

Analysis of revenue and results by geographical settlement

Eighteen months to 30 September 2011

	UK £'000	UAE £'000	Unallocated £'000	Total Operations £'000
Revenue				
Revenue to external customers	35,982	13,023	–	49,005
Inter-segment revenue	–	–	–	–
Total revenue	<u>35,982</u>	<u>13,023</u>	<u>–</u>	<u>49,005</u>
Result				
EBITDA	(2,104)	1,290	(1,639)	(2,453)
Operating (loss)/profit before exceptional items	(8,232)	1,252	(1,639)	(8,619)
Exceptional items	(6,389)	–	2,957	(3,432)
Operating (loss)/profit	(14,621)	1,252	1,318	(12,051)
Finance income	101	58	–	159
Finance costs	(8,058)	(158)	(90)	(8,306)
Loss on fair value of financial instrument	(1,390)	–	–	(1,390)
(Loss)/profit before tax	(23,968)	1,152	1,228	(21,588)
Income tax expense	–	–	–	–
(Loss)/profit for the period from continuing operations	(23,968)	1,152	1,228	(21,588)
Discontinued operations				
Loss for the year from discontinued operations	(610)	–	–	(610)
(Loss)/profit for the period	<u>(24,578)</u>	<u>1,152</u>	<u>1,228</u>	<u>(22,198)</u>
Assets and liabilities				
Total segment assets	28,812	10,895	11,963	51,670
Total segment liabilities	(109,237)	(9,769)	(7,926)	(126,932)
Total net (liabilities)/assets	<u>(80,425)</u>	<u>1,126</u>	<u>4,037</u>	<u>(75,262)</u>
Other segment information				
Total capital expenditure	2,448	141	–	2,589
Depreciation	5,944	38	–	5,982
Amortisation and impairment of intangible assets	184	–	–	184

Operating (loss)/profit before exceptional items has been calculated by subtracting depreciation and amortisation from EBITDA

Revenues of approximately £30,471,000 are derived from a single external customer within the UK segment and revenues of approximately £13,023,000 are derived from a single customer within the UAE segment

The amounts provided to the board with respect to net assets are measured in a manner consistent with that of the financial statements

The Group is domiciled in the UK and also operates out of branch in UAE. Revenue by destination is not materially different from the turnover by origin shown above. All revenue relates to services.

Notes to the consolidated financial statements (continued)

Twelve months to 31 March 2010

	UK £'000	Unallocated £'000	Total Operations £'000 Restated
Revenue			
Revenue to external customers	26,216	–	26,216
Inter-segment revenue	–	–	–
Total revenue	<u>26,216</u>	<u>–</u>	<u>26,216</u>
Result			
EBITDA	(4,873)	(531)	(5,404)
Operating loss before exceptional items	(8 715)	(531)	(9,246)
Exceptional items	<u>(1,998)</u>	<u>(130)</u>	<u>(2,128)</u>
Operating loss	(10,713)	(661)	(11,374)
Finance income	164	236	400
Finance costs	(7,207)	(6)	(7,213)
Gain on fair value of financial instrument	<u>1,304</u>	<u>–</u>	<u>1,304</u>
Loss before tax	(16,452)	(431)	(16,883)
Income tax expense	<u>–</u>	<u>(1,089)</u>	<u>(1,089)</u>
Loss for the period from continuing operations	(16,452)	(1,520)	(17,972)
Discontinued operations			
Loss for the period from discontinued operations	<u>(5 296)</u>	<u>–</u>	<u>(5,296)</u>
Loss for the period	<u>(21,748)</u>	<u>(1,520)</u>	<u>(23,268)</u>
Assets and liabilities			
Total segment assets	44,908	21	44,929
Total segment liabilities	<u>(126,721)</u>	<u>(3,583)</u>	<u>(130,304)</u>
Total net liabilities	<u>(81,813)</u>	<u>(3,562)</u>	<u>(85,375)</u>
Other segment information			
Total capital expenditure	2,896	–	2,896
Depreciation	1,121	–	1,121
Amortisation and impairment of intangible assets	2,721	–	2,721

Operating loss before exceptional items has been calculated by subtracting depreciation and amortisation from EBITDA

Revenues of approximately £19,472,000 are derived from a single external customer within the UK segment and £2,820,000 are derived from another single external customer within the UK segment

Notes to the consolidated financial statements (continued)

7. Operating loss

The analysis of the components of operating loss is shown below, after charging the following

	18 months to 30 September 2011		12 months to 31 March 2010	
	£'000	£'000	£'000	£'000 Restated
Depreciation of property, plant and equipment (note 13)		5,982		1,121
Amortisation and impairment of intangible assets (note 14)		184		2,721
Exceptional items		9,561		9,324
Fees payable to the company's auditor for the audit of the annual accounts	100		73	
Fees payable to the company's auditor and its associates for other services				
– the audit of the company's subsidiaries, pursuant to legislation	255		54	
– other services relating to taxation	332		–	
– all other services	123		73	
		810		200
Operating lease rentals on group properties		1,062		1,155
Operating lease rentals on other		71		–
Employee benefit expense		18,827		6,533
Raw materials and consumables used		10,147		11,289

Exceptional items

During the 18 month period ending 30 September 2011 the group incurred a number of exceptional charges and credits amounting to £9,561,000 loss (2010 £9,324,000 loss)

	18 months to 30 September 2011	12 months to 31 March 2010
Exceptional items by category	£'000	£'000 Restated
Goodwill impairment	610	1,729
Related party transactions	–	2,456
Creation of provisions	2,530	5,139
Sale of property, plant and equipment	347	–
Fair Value of liabilities associated with guarantees	4,353	
Scheme of Arrangement	4,990	
Gain from the write-off of liabilities subject to the Scheme	(6,922)	
Loss in respect of Creditor Scheme of Arrangement	2,421	
Gain on preference share exchange	(1,600)	–
Gain from share options	(680)	–
Correction of accounting errors	180	–
Restructuring expenses	5,753	–
	<u>9,561</u>	<u>9,324</u>

Notes to the consolidated financial statements (continued)

Goodwill impairment

The 2010 expense of £1,729,000 is explained in note 5

Related Party Transactions

This reflects the restatement as explained in note 5. It relates to the write-off of a £1,500,000 prepayment made to Jaras Property Developments Limited, a related party to John Shannon – the Group's previous CEO, in respect of six years rent due with regards to one of the Group's operating business, and also the £956,000 of Goodwill recognised in respect of the acquisition of Graphic Traffic Limited, a related party to John Shannon.

Creation of provisions

The expense in 2010 provides for unavoidable future lease costs relating to two businesses whereby the businesses where either loss making at the previous period end or AssetCo had announced prior to that date that the business would close (see note 5).

The expense in 2011 relates to the creation of provisions as detailed in note 23.

Loss in Respect of Creditor Scheme of Arrangement

In August 2010 the Group announced a Creditor Scheme of Arrangement whereby all known and unknown liabilities at 28 December 2011 would be settled for a maximum cost of £4,990,000 in respect of third parties (excludes £10,000 in respect of amounts due to subsidiaries).

Under the Scheme the Group has obligations in respect of certain guarantees provided previously and the fair value of these obligations, amounting to £4,353,000, have been recognised.

As noted above, under the Scheme of Arrangement all liabilities are to be settled for a maximum amount of £4,990,000 and this sum has been expensed in the period. The liabilities to be settled amounted to £6,922,000 in respect of third parties and these amounts have been credited to the income statement in the period.

A loss has been recognised in the income statement, effectively, netting the loss from recognising the fair value of guarantees with the cost of the scheme and the gain from settling liabilities.

Gain on Preference Share Exchange

Following the capital re-organisation, announced on 9 September 2011, 3,750,000 Ordinary Shares with a nominal value of 10p each were issued in consideration for the purchase of £15m Preference Shares in AssetCo (Abu Dhabi) Limited. The fair value of the Ordinary Shares issued has been assessed at £7,500,000 and at purchase date the book value of liabilities in respect of the Preference Shares was £17,017,000. Of this amount £7,917,000 was identified as equity instruments and therefore the book profit recognised in operating loss was £1,600,000.

Gain from share options

All share options immediately lapsed and ceased to be exercisable upon the presentation of the winding up petition against the Group in March 2011. Accumulated charges have therefore been reversed to the income statement in the period.

Notes to the consolidated financial statements (continued)

Correction of accounting errors

As explained elsewhere in the annual report and financial statements the Group has been subject to a breakdown in systems and controls. The expense of £180,000 in 2011 relates to the write-off of unsubstantiated balances.

Restructuring expenses

During the 18 month period the Group has incurred significant incremental advisor costs in respect of the various liquidity issues that the Group has faced. These issues are explained in detail elsewhere in the annual report and financial statements but principally relate to creditor action, breaches of bank facilities, share placings, and a creditor scheme of arrangement.

8. Employees and Directors

The average number of persons employed by the group (including executive directors) was

	18 months to 30 September 2011 Number	12 months to 31 March 2010 Number
Production	158	110
Sales	2	1
Administration	83	30
	<u>243</u>	<u>141</u>

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
The costs incurred in respect of these employees were		
Wages and salaries	19,131	5,659
Share based payments	(680)	100
Social security costs	882	546
Other pension costs	869	212
	<u>20,202</u>	<u>6,517</u>

The above includes redundancy payments of £486,000 (2010: Due to the breakdown in systems and controls as explained elsewhere in the annual report and financial statements we are unable to provide the 2010 comparative).

Key management compensation

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
<i>Payments made to board directors</i>		
Aggregate fees and emoluments	<u>1,416</u>	<u>591</u>

There were no pension contributions made to key management.

The above includes redundancy payments of £30,000 (2010: £nil).

Notes to the consolidated financial statements (continued)

Total emoluments include the following amounts in respect of the highest paid director

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Salary and benefits	<u>633</u>	<u>317</u>

The directors consider the executive directors to be the key management

9. Finance income and finance costs

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Interest payable on bank borrowings and finance leases	(7,826)	(5,888)
Finance cost on liability component of compound financial instruments	–	(1,155)
Provisions unwinding of discount (note 23)	(480)	(170)
Bank interest receivable	57	416
Net finance income – pensions	102	–
Net finance expense – pensions	–	(16)
	<u>(8,147)</u>	<u>(6,813)</u>

Interest payable on bank borrowings and finance leases includes a settlement amount of £769,000 (2010 £nil) for the termination of the HBOS Swap

10. Dividends

A final dividend for 2011 has not been recommended (2010 1 5p per share £1,360,000, of this £847,000 was paid out with the balance due to shareholder directors. Given the matters set out in the Chairman's statement, these balances have been written back to the income statement. Due to the restatements made to the 31 March 2009 balance sheet, including retained earnings, this dividend may be unlawful)

11. Income Tax Expense

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Current Taxation		
UK Corporation Tax – Current Period	–	1,089
Total Current Tax	<u>–</u>	<u>1,089</u>
Income Tax Expense	<u>–</u>	<u>1,089</u>

Notes to the consolidated financial statements (continued)

The difference between the loss on ordinary activities at the corporation tax rate of 27.33% (2010: 28%) ruling in the UK and the actual current tax shown above is explained below

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Loss before tax	(22,198)	(22,179)
Tax on loss on ordinary activities at a standard rate of 27.33% (2010: 28%)	(6,067)	(6,210)
Factors affecting tax charge for the period		
Expenses not allowable for tax purposes	2,876	4,767
Amortisation of intangible assets	537	300
Tax losses eliminated	2,740	2,082
Preference shares for share exchange	(437)	—
Deferred tax balances not recognised	351	150
	<u>—</u>	<u>1,089</u>

A number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Given the material restatements set out in note 5 the group will be resubmitting prior period tax computations for all material companies. The directors believe that corporation tax may in prior periods may have been overpaid based on the previously submitted corporation returns and that as a result corporation tax may be recoverable as at the period end. Due to the breakdown of the group's systems and controls in the period, as reported in the Directors' report, and significant level of uncertainty over the group's tax historic tax position no corporation tax recoverable balance is recognised as at the period end.

12. Loss Per Share

- a) Basic loss per share is calculated by dividing the profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated
Loss for the period	(21,588)	(17,972)
Loss from discontinued operations	(610)	(5,296)
	<u>(22,198)</u>	<u>(23,268)</u>
Weighted average number of ordinary shares in issue	146,771,286	84,992,740
Basic loss per share (EPS) – pence – continuing	(14.71)	(21.15)
Basic loss per share (EPS) – pence – discontinued	(0.42)	(6.23)
Basic loss per share (EPS) – pence	(15.12)	(27.38)

Notes to the consolidated financial statements (continued)

- b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and warrants. A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants. As there has been a loss for both the current period and prior year no dilution has occurred.

13. Property, plant and equipment

	Leasehold land and buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Equipment plant and machinery £'000	Assets under long term arrangements £'000	Total £'000
Cost						
At 1 April 2009 (Restated)	1,050	2,631	717	7,643	82,401	94,442
Additions	–	–	–	174	2,722	2,896
Disposals	–	(18)	–	(133)	(3,539)	(3,690)
On acquisition	–	–	–	43	–	43
Assets held for sale	(1,050)	(369)	(393)	(2,391)	–	(4,203)
At 31 March 2010 (Restated)	–	2,244	324	5,336	81,584	89,488
Additions	–	–	143	61	2,385	2,589
Disposals	–	(19)	(235)	(58)	(2,302)	(2,614)
Assets held for sale	1,050	346	187	815	–	2,398
Exchange differences	–	(10)	(6)	(7)	–	(23)
At 30 September 2011	<u>1,050</u>	<u>2,561</u>	<u>413</u>	<u>6,147</u>	<u>81,667</u>	<u>91,838</u>
Accumulated depreciation						
At 1 April 2009 (Restated)	9	1,369	464	6,203	57,500	65,545
Charge for the year	9	173	87	735	117	1,121
Disposals	–	(18)	–	(111)	(2,834)	(2,963)
Assets held for sale	(18)	(41)	(332)	(1,964)	–	(2,355)
At 31 March 2010 (Restated)	–	1,483	219	4,863	54,783	61,348
Charge for the year	1,032	401	90	273	4,186	5,982
Disposals	–	(3)	(116)	(30)	(575)	(724)
Assets held for sale	18	37	134	741	(17)	913
Exchange differences	–	(2)	(4)	(7)	–	(13)
At 30 September 2011	<u>1,050</u>	<u>1,916</u>	<u>323</u>	<u>5,840</u>	<u>58,377</u>	<u>67,506</u>
Net book amount						
At 30 September 2011	–	645	90	307	23,290	24,332
At 31 March 2010	–	761	105	473	26,801	28,140
At 31 March 2009	1,041	1,262	253	1,440	24,901	28,897

The net book value of assets held under finance leases amounts to £23,290,000 (2010 restated £26,801,000)

Notes to the consolidated financial statements (continued)

Assets under long-term arrangements

Assets under long-term arrangements comprise principally of items of operational equipment and motor vehicles that have been provided to customers under the Group's Private Finance Initiative and Public Private Partnership long-term contracts

Depreciation

Depreciation expense of £5,631,000 (2010 restated £421,000) has been charged in cost of sales and £351,000 (2010 restated £700,000) in administrative expenses

Security

Leasehold land and buildings with a carrying amount of £nil (2010 £1,041,000) have been pledged to secure borrowings of the Group (see Note 22) under a mortgage. The Group is not permitted to pledge these assets as security for other borrowings or to sell them to another entity

In addition, the Group's obligations under finance leases (see Note 22) are secured by the lessors' title to the leased assets, which have a carrying amount of £nil (2010 £2,047,000)

Assets under long-term arrangements include a net book value of £23,290,000 (2010 restated £26,801,000) in respect of assets secured by the lessor

14. Intangible assets

	Goodwill £'000	Bid costs £'000	Software development cost £'000	Total £'000
Cost				
At 1 April 2009 (Restated)	48,669	—	253	48,922
Additions	956	100	26	1,082
Disposals	(11,166)	—	—	(11,166)
Assets held for resale	(1,053)	—	—	(1,053)
At 31 March 2010 (Restated)	37,406	100	279	37,785
Disposals	(2,254)	—	—	(2,254)
At 30 September 2011	35,152	100	279	35,531
Accumulated amortisation				
At 1 April 2009 (Restated)	46,563	—	59	46,622
Charge for the year	—	—	36	36
Impairment	2,685	—	—	2,685
Disposals	(11,166)	—	—	(11,166)
Assets held for resale	(956)	—	—	(956)
At 31 March 2010 (Restated)	37,126	—	95	37,221
Charge for the year	—	—	42	42
Impairment	—	—	142	142
Disposals	(1,974)	—	—	(1,974)
At 30 September 2011	35,152	—	279	35,431
Net book amount				
At 30 September 2011	—	100	—	100
At 31 March 2010	280	100	184	564
At 31 March 2009	2,106	—	194	2,300

Notes to the consolidated financial statements (continued)

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. All CGUs form part of the UK & ROI operating segment. The CGUs include London/Lincoln, Specialist equipment and Vehicle assembly.

As at 31 March 2009 AssetCo reported a net book value of Goodwill of £57,081,000. It is the view of the board that the prior period financial statements included a material error relating to the carrying value of goodwill. The recoverable amounts of the CGUs are determined from value in use calculations. Value in use calculations have been re-performed for the periods ended 31 March 2009, 31 March 2010 and 30 September 2011.

The value in use performed as at 31 March 2009 has resulted in an impairment adjustment of £54,975,000 being recorded. Full details are included in note 5. The value in use adjustment has resulted in the write off of goodwill of £34.6 million relating to the London/Lincoln CGU and an impairment of London/Lincoln fixed assets down to £24.3 million. Additional goodwill impairment charges amounting to £20.3 million have been recorded for the Specialist equipment and Vehicle assembly CGUs.

The key assumptions for the value in use calculations are those regarding future cash flows, terminal value of assets, discount rates and growth rates. For the London/Lincoln CGU management estimates the cashflows to the end of the contract based upon its understanding of current cash flows for the next 12 months extrapolated to the end of the relevant contract period at a long term growth rate. If the London/Lincoln projects are not extended beyond their current terms then the customer is required to repurchase the project fixed assets. Management uses its experience of the industry to estimate the projected terminal asset value at the end of the contract.

Discount rates are estimated by management by using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate used at 30 September 2011 was 8%, for 31 March 2010 and 31 March 2009 they were 9% and 11% respectively. The growth rates are based on internal growth forecasts and management has used 2.5% as a proxy for inflation. This rate does not exceed the average long-term growth rate for the relevant markets.

The value in use calculation for the London/Lincoln CGU is sensitive to movements in the terminal value assumption, if the terminal asset values were £10 million lower than estimated then the value in use would reduce by about £3 million.

The carrying amount of goodwill has been allocated by CGU as follows:

2011	Opening £'000	Addition £'000	Disposal £'000	Impairment £'000	Assets for resale £'000	Closing £'000
London/Lincoln	—	—	—	—	—	—
Specialist equipment	280	—	(280)	—	—	—
Vehicle assembly	—	—	—	—	—	—
	<u>280</u>	<u>—</u>	<u>(280)</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the consolidated financial statements (continued)

2010

	Opening £'000	Addition £'000	Disposal £'000	Impairment £'000	Assets for resale £'000	Closing £'000
London/Lincoln	—	—	—	—	—	—
Specialist equipment	2,009	956	—	(2,685)	—	280
Vehicle assembly	97	—	—	—	(97)	—
	<u>2,106</u>	<u>956</u>	<u>—</u>	<u>(2,685)</u>	<u>(97)</u>	<u>280</u>

The changes in goodwill in the period relate to the disposal of RIG Systems Limited. The main changes in goodwill in the prior year relate to the sale of AES in September 2009, the loss of control of UVM, which was placed in Administration in January 2010, and the purchase of Graphic Traffic Limited which was transferred to assets held for sale.

15. Employee Benefit Obligations

Group companies operate two defined benefit pension schemes. In 2010 actuarial gains and losses arising on defined benefit retirement benefits were accounted for under the corridor approach, the directors have reviewed this policy and concluded that given the proposed changes to IAS 19 it is more appropriate to account for actuarial gains and losses in full in the period. The effect of this is demonstrated in note 5. This represents a voluntary change of accounting policy as in the directors' opinion this accounting policy is more appropriate.

The Group has therefore accounted for pensions in accordance with IAS19 as set out below.

UK Schemes'

During the period the Group operated two defined benefit schemes' for some of its UK employees. The two schemes were the AssetCo pension scheme [formerly the Brook Henderson pension scheme] and the Todd Research Limited retirement benefits scheme [Todd Research Limited was sold in December 2010 along with the assets/liabilities of the pension scheme – see note 28]. The remaining schemes' assets are held separately from those of the group and are administered by the trustees and managed professionally.

The AssetCo pension scheme was subject to a full actuarial valuation as at 30 September 2011 by an independently qualified actuary and showed a deficit of £1,112,000 (2010 surplus £725,000 2009 surplus £749,000).

The anticipated employer contribution to the scheme in the coming year is £231,000 (2010 £500,000).

Actuarial losses of £1,846,000 (2010 £68,000) are included in other comprehensive income. Actual return on assets amounts to £19,000 (2010 £1,829,000).

The assumptions for the expected return on assets as at 30 September 2011 are made up of the following,

Equities	– an expected return that is 3% above government bond yields
Government bonds	– the yield on 15 year fixed government bonds, albeit, at measurement date no assets were held in fixed government bonds
Corporate bonds	– average annual yield on 15 year plus AA rated corporate bonds
Cash	– current Bank of England base rate

Notes to the consolidated financial statements (continued)

The key assumptions used in the IAS 19 valuations are

Criteria	Assumptions at 30 September 2011 Projected unit	Assumptions at 31 March 2010 Projected unit	Assumptions at 31 March 2009 Projected unit
Valuation method			
Discount rate	5.10%	5.60%	6.70%
Increase to pensions in payment	2.1 % – 3.10 %	2.8 % – 3.25 %	2.1 % – 2.75 %
Inflation	3.10%	3.25%	2.25%
Expected return on plan assets	5.50%	6.70%	6.50%
Salary increases	3.10%	2.00%	2.25%
Demographic assumptions			
– Future mortality	Long cohort, 1% underpin	Long cohort, 1% underpin	Long cohort, 1% underpin

The value of assets in the schemes and the expected rate of return were

	Long term rate of return expected at 30 September 2011	Market value at 30 September 2011 £'000	Long term rate of return expected at 31 March 2010	Market value at 31 March 2010 £'000	Long term rate of return expected at 31 March 2009	Market value at 31 March 2009 £'000
Equities	5.90%	3,922	7.40%	4,615	7.50%	3,032
Government bonds	2.90%	–	4.40%	14	4.50%	–
Corporate bonds	5.10%	2,932	5.60%	2,440	6.30%	2,098
Cash and Cash equivalents	0.50%	44	0.50%	42	0.00%	41
Total market value of assets		6,898		7,111		5,171
Present value of scheme liabilities		(8,010)		(6,386)		(4,422)
(Deficit)/Surplus		<u>(1,112)</u>		<u>725</u>		<u>749</u>

The amounts recognised in the statement of financial position are as follows

	30 Sept 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Present value of funded obligations	(8,010)	(6,386)	(4,422)
Fair value of scheme assets	6,898	7,111	5,171
	<u>(1,112)</u>	<u>725</u>	<u>749</u>

The amounts recognised in the income statement are as follows

	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000
Current service cost	413	212
Loss on settlement of liabilities	30	–
Included in operating loss	<u>443</u>	<u>212</u>
Interest on obligation	531	298
Expected return on scheme assets	(633)	(282)
Included in net financing costs	<u>(102)</u>	<u>16</u>

Notes to the consolidated financial statements (continued)

Reconciliation of the present value of scheme liabilities and assets

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Change in the present value of the defined benefit obligation			
Opening defined benefit obligation	(6,386)	(4,422)	(4,376)
Service cost	(413)	(212)	(284)
Interest cost	(531)	(298)	(274)
Employees' contributions	(53)	(35)	(43)
Change of assumptions	(1,217)	(1,687)	454
Liabilities settled	420	–	(188)
Actuarial (losses)/gains	(15)	72	(100)
Benefits paid	185	196	389
Closing defined benefit obligation	<u>(8,010)</u>	<u>(6,386)</u>	<u>(4,422)</u>
Change in the fair value of scheme assets			
Opening fair value of scheme assets	7,111	5,171	6,424
Expected return	633	282	415
Actuarial (losses)/gains	(614)	1,547	(1,586)
Contributions by the employer	350	272	264
Contributions by employees	53	35	43
Liability settlement costs	(450)	–	–
Benefits paid	(185)	(196)	(389)
Closing fair value of scheme assets	<u>6,898</u>	<u>7,111</u>	<u>5,171</u>

History of experience gains and losses

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Fair value of scheme assets	6,898	7,111	5,171	6,424
Present value of the defined benefit obligation	<u>(8,010)</u>	<u>(6,386)</u>	<u>(4,422)</u>	<u>(4,376)</u>
(Deficit)/surplus in the plan	(1,112)	725	749	2,048
Experience (losses) and gains on scheme assets	(614)	1,547	(1,586)	(464)
Experience (losses) and gains on scheme liabilities	(15)	72	(100)	(161)

Given the breakdown in controls during the period and the focus of the board on managing liquidity issues, as explained elsewhere in this Report & Accounts, there has been a reduced amount of formal management information presented to the board during the period

Notes to the consolidated financial statements (continued)

Sensitivity analysis

	Discount rate	Discount rate	Discount rate
	4.60%	5.10%	5.60%
	£'000	£'000	£'000
Liabilities	(8,957)	(8,010)	(7,201)
Assets	6,898	6,898	6,898
Deficit	<u>(2,059)</u>	<u>(1,112)</u>	<u>(303)</u>
	Inflation	Inflation	Inflation
	2.60%	3.10%	3.60%
	£'000	£'000	£'000
Liabilities	(7,196)	(8,010)	(8,960)
Assets	6,898	6,898	6,898
Deficit	<u>(298)</u>	<u>(1,112)</u>	<u>(2,062)</u>
	Salary increases	Salary increases	Salary increases
	2.60%	3.10%	3.60%
	£'000	£'000	£'000
Liabilities	(7,845)	(8,010)	(8,186)
Assets	6,898	6,898	6,898
Deficit	<u>(947)</u>	<u>(1,112)</u>	<u>(1,288)</u>
		SAPS Ic with 1% underpin (-1 year)	SAPS Ic with 1% underpin (+1 year)
		£'000	£'000
Liabilities		(8,128)	(7,890)
Assets		6,898	6,898
Deficit		<u>(1,230)</u>	<u>(992)</u>

Overseas schemes

There are no pension arrangements in the Republic of Ireland subsidiary whilst the Abu Dhabi branch operates a defined contribution scheme. The total cost in the period for this scheme was £456,000 (2010: £nil).

16. Inventories

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Raw materials	291	201	2,138
Work in progress	—	—	4,469
	<u>291</u>	<u>201</u>	<u>6,607</u>

The net movement in the inventory provision resulted in £291,000 debit (2010: £12,000 credit, 2009: £60,000 credit) being recognised in the cost of sales.

As at 30 September 2011 inventories of £291,000 (2010: £201,000, 2009: £6,607,000) were pledged as security for some of the Group's bank loans.

Notes to the consolidated financial statements (continued)

17. Trade and Other Receivables

	30 September 2011 £'000	31 March 2010 £'000 Restated	31 March 2009 £'000 Restated
Trade receivables	3,059	4,744	8,588
Amounts provided for doubtful debts	(141)	(9)	(11)
Other receivables	222	154	1,669
Proceeds due from share placing	8,041	–	–
Prepayments and accrued income	2,145	892	7,217
	<u>13,326</u>	<u>5,781</u>	<u>17,463</u>

Due to their short-term nature the carrying value of trade and other receivables approximates to their fair value

Trade and other receivables held in AED and Euros amounted to £2,889,000 and £6,000 (2010 £nil and £11,000) respectively

No impairment provision has been made against other receivables. Trade receivables that have not been received within the agreed payment terms are classified as overdue. The ageing of amounts due as at 30 September 2011 and 31 March 2010 and 2009 excluding impairment are as follows

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not yet due	2,760	4,688	8,142
Past due but not more than 30 days	114	–	–
Past due more than 30 days but not more than 60 days	38	47	173
Past due more than 60 days	147	9	273
	<u>3,059</u>	<u>4,744</u>	<u>8,588</u>

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The group does not hold any collateral as security.

There is a material concentration of credit risk due to the group's individual material trade debts being predominantly with UK local authorities and the Abu Dhabi government. However, these are nationally backed and have very strong AAA credit ratings as well as there being a strong history of collection and cash generation.

As of 30 September 2011, trade receivables of £147,000 (2010 £9,000) were impaired. The amount of the provision was £141,000 (2010 £9,000). The ageing of these receivables are all past due more than 60 days. Movement in the provision for doubtful debts is as follows

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Balance at beginning of year	9	11	273
Income statement charge/(credit)	132	(2)	(262)
Balance at end of year	<u>141</u>	<u>9</u>	<u>11</u>

Notes to the consolidated financial statements (continued)

18. Trade and Other Payables

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Trade and other payables	<u>2,905</u>	<u>1,816</u>	<u>8,550</u>

Due to their short-term nature the carrying value of trade and other payables approximates to their fair value

Trade and other payables held in AED and Euros amounted to £674,000 and £29,000 (2010 £nil and £54,000) respectively

19. Short-term Liabilities

	30 September 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Other payables	2,665	4	451
Amount held in respect of scheme of arrangement	5,000	—	—
Other taxation and social security	1,385	2,132	4,236
Accruals and deferred income	14,591	7,447	10,086
Deferred consideration	—	2,500	3,558
	<u>23,641</u>	<u>12,083</u>	<u>18,331</u>

20. Derivative financial instruments

The objectives, policies, and strategies associated with the use of derivative financial instruments can be found under the financial instruments section of the basis of preparation note

Fair values of financial liabilities

At 30 September 2011, four amortising interest rate swaps were in place covering loans of £31.8m (2010 £39.8m, 2009 £44.5m) at a fixed rate of 5.795% payable monthly with HBOS, £7.2m (2010 £7.9m, 2009 £7.9m) at a fixed rate of 4.63% payable quarterly with Co-Op, £0.7m (2010 £3.8m, 2009 £3.7m) at a fixed rate of 3.43% payable quarterly with Co-Op, and £1.6m (2010 £3.1m, 2009 £4.0m) at a fixed rate of 2.1% payable monthly with Co-Op

The fair value of interest rate swap contracts is determined by reference to discounted cash flows for similar instruments

Title	Termination date	2011 Fair value £'000	2010 Fair value £'000	2009 Fair value £'000
HBOS swap	31 March 2021	5,456	5,232	6,143
Co-Op swap	21 April 2026	1,732	423	775
Co-Op swap	23 January 2012	8	82	—
Co-Op swap	09 April 2013	15	—	—
Barclays swap	14 October 2010	—	84	207
		<u>7,211</u>	<u>5,821</u>	<u>7,125</u>

Notes to the consolidated financial statements (continued)

21. Cash and cash Equivalents

	2011 £'000	2010 £'000	2009 £'000
Cash in bank and hand	4,395	2,597	4,533
Short-term deposits	—	—	17,965
Cash and cash equivalents (excluding bank overdrafts)	4,395	2,597	22,498
Bank overdrafts	(18)	(1,210)	(3,693)
Cash and cash equivalents	<u>4,377</u>	<u>1,387</u>	<u>18,805</u>

Cash and cash equivalents (excluding bank overdrafts)

	2011 £'000	2010 £'000	2009 £'000
UK sterling	3,661	2,565	22,493
Euros	12	32	5
A E Dirhams	722	—	—
	<u>4,395</u>	<u>2,597</u>	<u>22,498</u>

Cash and cash equivalents receive interest at the floating rate and are carried on the balance sheet at a value approximate to their fair values

Additional to the above A E Dirhams of £4,226,000 (2010 £3,971,000) is held on deposit as part of the advance payment fee which was paid upfront in March 2010. This is locked in until April 2013.

22. Borrowings

The Group's bank borrowings and overdrafts are secured by a debenture over the assets of the Group and mature in November 2016.

Finance lease liabilities principally relate to assets provided to customers under long-term arrangements.

Current borrowings

	2011 £'000	2010 £'000	2009 £'000
Bank borrowings	16,117	5,141	4,319
Finance lease liabilities	62,031	8,561	8,831
Bank overdraft	18	1,210	3,693
	<u>78,166</u>	<u>14,912</u>	<u>16,843</u>

Due to AssetCo being in breach of the terms of its' lending conditions all borrowings are deemed to be current at 30 September 2011.

Total borrowings of £78,166,000 are in UK sterling (2010 £82,179,000, 2009 £98,519,000)

Notes to the consolidated financial statements (continued)

Non-current borrowings

	2011 £'000	2010 £'000	2009 £'000
Bank borrowings	–	12,578	27,693
Finance lease liabilities	–	54,689	53,983
	<u>–</u>	<u>67,267</u>	<u>81,676</u>
The bank borrowings are repayable			
in more than one year, but less than two years	–	6,148	12,792
in more than two years, but not more than five years	–	4,869	9,372
in more than five years	–	1,561	5,529
	<u>–</u>	<u>12,578</u>	<u>27,693</u>
The finance lease liabilities are repayable			
in more than one year, but less than two years	–	7,634	8,561
in more than two years, but not more than five years	–	27,776	24,627
in more than five years	–	19,279	20,795
	<u>–</u>	<u>54,689</u>	<u>53,983</u>

Maturity analysis of financial liabilities

The following disclosures show the maturity profile of gross undiscounted cash flows of financial liabilities excluding accruals and deferred income as at 30 September 2011

Maturity of financial liabilities

	Total	Bank	Finance	Interest	Trade	Other	Other
	£'000	borrowings	lease	rate	and other	payables	taxation
		£'000	liabilities	swaps	payables		and social
			£'000	£'000	£'000	£'000	security
							£'000
In one year or less	97,332	16,135	62,031	7,211	2,905	7,665	1,385
	<u>97,332</u>	<u>16,135</u>	<u>62,031</u>	<u>7,211</u>	<u>2,905</u>	<u>7,665</u>	<u>1,385</u>

The group has defaulted on its borrowings and finance lease liabilities as at the period end and therefore all balances are classified as due in less than one year at the balance sheet date. The maturity disclosures include overdue interest payments. No penalty interest or related costs are included as the group is currently in discussion with its lenders, as set out in note 1, to restructure the group's debt however no agreement had been finalised as at the date of approval of these financial statements.

Currency risk

The group has used a sensitivity technique that measures the estimated change to the fair value of the group's financial instruments of a 10% strengthening in sterling against all other currencies, from the closing rates as at 30 September 2011, with all other variables remaining constant. A 10% variation would have had an impact on the balance sheet of £598,000. All of this charge would be taken to the income statement.

Notes to the consolidated financial statements (continued)

	UK sterling £'000	Euro £'000	AE Dirhams £'000	Total £'000	10% £'000
Financial assets	17,186	12	7,604	24,802	(692)
Financial liabilities	(96,301)	(107)	(924)	(97,332)	94
	<u>(79,115)</u>	<u>(95)</u>	<u>6,680</u>	<u>(72,520)</u>	<u>(598)</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless the analysis above is considered to be representative of the Group's exposure to currency risk.

Bank borrowings

Details of the Group's bank borrowings at 30 September 2011 are summarised as follows:

Bank	Date	Initial loan	Term	Rate
HBOS	November 2007	£16 million	9 years	2% over 3 month Libor
Barclays	September 2008	£4.1 million	5 years	1.25% over 1 month Libor
Barclays	September 2008	£0.96m	7 years	2.25% over 1 month Libor
Co-op	March 2009	£4m	4 years	2.1% over base

At 30 September 2011, the Group had four principal loans with three different financial institutions (2010: six principal loans with four different financial institutions).

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Finance lease liabilities are secured by a first and only debenture from a subsidiary undertaking and first and only chattel mortgage over the assets of one of the Group companies.

The average lease term is 10 years. For the period ended 30 September 2011, the average effective borrowing rate on leases was 6.75% (2010: 6.75%, 2009: 6.75%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Minimum lease payments under finance lease liabilities are as follows:

	2011 £'000	2010 £'000	2009 £'000
In one year or less	82,173	10,956	12,182
Between one and five years	–	45,325	42,149
More than five years	–	24,677	26,056
	<u>82,173</u>	<u>80,958</u>	<u>80,387</u>
Future finance charges on finance leases	(20,142)	(17,708)	(17,573)
Present value of minimum lease payments	<u>62,031</u>	<u>63,250</u>	<u>62,814</u>

Notes to the consolidated financial statements (continued)

23. Provisions

	Restructuring £'000	Dilapidations £'000	Employment £'000	Employment Grants £'000	Pension £'000	Total £'000
As at 31 March 2009 (restated)	7,198	500	—	—	—	7,698
Unwinding of discount	170	—	—	—	—	170
Additions	5,139	—	—	—	—	5,139
Utilised during the period	(584)	—	—	—	—	(584)
As at 31 March 2010 (restated)	11,923	500	—	—	—	12,423
Unwinding of discount	480	—	—	—	—	480
Additions	—	—	729	1,102	750	2,581
Utilised during the period	(1,587)	—	—	—	—	(1,587)
As at 30 September 2011	<u>10,816</u>	<u>500</u>	<u>729</u>	<u>1,102</u>	<u>750</u>	<u>13,897</u>

	Restructuring £'000	Dilapidations £'000	Employment £'000	Employment Grants £'000	Pension £'000	Total £'000	2010 £'000 Restated	2009 £'000 Restated
Short-term	1,057	—	729	1,102	750	3,638	1,024	570
Long-term	9,759	500	—	—	—	10,259	11,399	7,128
Total	<u>10,816</u>	<u>500</u>	<u>729</u>	<u>1,102</u>	<u>750</u>	<u>13,897</u>	<u>12,423</u>	<u>7,698</u>

Restructuring

The restructuring provision relates to onerous property leases. Application of IAS37 requires provision for all irrecoverable costs on onerous leases. The leases included have a period remaining until the earliest break opportunity of between 10 and 30 years.

Dilapidations

As at 30 September 2011, the group, based on best estimates, holds provisions of £500,000 in order to cover any dilapidation costs on exit from the buildings covered by the onerous lease provision. The obligations are expected to be settled coterminous with cessation of the leases provided for.

Employment

The employment provision relates to potential claims made in connection with employees who have left the business. Management consider that these obligations will be settled within the next twelve months.

Employment Grants

Employment grants were received during 2008 and 2009 in respect of job creation and have a contingent liability clause. The clause provides for a clawback for a period of up to 5 years from the last payment of the grant should the group breach the stated terms and conditions of the letter of the offer. There is considerable uncertainty as to when this obligation will be settled but management consider that it is reasonable to expect settlement to be within the next twelve months.

Pension

The pension provision relates to a claim received in relation to the settlement of an historic section 75 pension liability. There is considerable uncertainty as to when this obligation will be settled but management consider that it is reasonable to expect settlement to be within the next twelve months.

Notes to the consolidated financial statements (continued)

24. Financial Assets and liabilities

The following tables illustrate the categorisation and carrying value of financial assets and liabilities as at 30 September 2011

Financial assets	Loans and receivables	Total
	£'000	£'000
Trade and other receivables	11,181	11,181
Cash and cash equivalents	4,395	4,395
Cash held in respect of a bond	4,226	4,226
Cash held in respect of scheme of arrangement	5,000	5,000
	<u>24,802</u>	<u>24,802</u>

Financial liabilities	Fair value through profit and loss	Other financial liabilities	Total
	£'000	£'000	£'000
Trade and other payables	–	11,955	11,955
Bank overdraft	–	18	18
Borrowings – short term	–	6,781	6,781
Finance lease liabilities – short term	–	16,195	16,195
Borrowings – long term	–	9,336	9,336
Finance lease liabilities – long term	–	45,836	45,836
Derivatives – long term	7,211	–	7,211
	<u>7,211</u>	<u>90,121</u>	<u>97,332</u>

Fair value hierarchy	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Derivatives – long term	<u>–</u>	<u>7,211</u>	<u>–</u>	<u>7,211</u>

For the prior period total financial assets amounted to £7 486,000 and financial liabilities amounted to £94,402,000

The derivatives entered into by the group are not traded in active markets. The fair value of these contracts is estimated using a valuation technique that maximises the use of observable market inputs (Level 2) within IFRS 7's fair value hierarchy (2010 Level 2)

The movement in the fair value of financial instruments amounted to £1 390,000 loss (2010 £1,304,000 gain)

Notes to the consolidated financial statements (continued)

25. Share Capital

a) Issued and fully paid:

	Number of Ordinary Shares				Number of Deferred Shares			Ordinary Share Capital £'000	Deferred Share Capital £'000	Share Premium £'000
	25p	1p	01p	10p	Total	24p	0 99p	495p	Total	
At 1 April 2009	73,379,406	-	-	-	73,379,406	-	-	-	-	26,115
Issue of Ordinary Shares of 25p each	17,333,334	-	-	-	17,333,334	-	-	-	-	3,173
At 31 March 2010	90,712,740	-	-	-	90,712,740	-	-	-	-	29,288
March 2011 Placing and Capital Reorganisation										
Capital Re-organisation	(90,712,740)	90,712,740	-	-	-	90,712,740	-	-	(21,771)	21,771
Issue of Ordinary Shares of 1p each	-	160,000,000	-	-	160,000,000	-	-	-	1,600	13,498
September 2011 Placing and Capital Reorganisation										
Capital Re-organisation	-	(250,712,740)	250,712,740	-	-	-	250,712,740	-	(2,482)	2,482
Share Consolidation	-	-	(250,712,740)	250,713	(250,462,027)	-	(250,712,740)	501,425	(250,211,315)	-
Share Exchange	-	-	-	3,750,000	3,750,000	-	-	-	375	7,125
Issue of Ordinary Shares of 10p each	-	-	-	7,000,000	7,000,000	-	-	-	700	12,734
At 30 September 2011	-	-	-	11,000,713	11,000,713	90,712,740	-	501,425	91,214,165	24,253
										62,645

In July 2009 the Company issued 17,333,334 Ordinary Shares of 25p for an issue price of 45p each

In March 2011 the Company implemented a capital re-organisation whereby each Ordinary Share of 25p was sub-divided into 1 Ordinary Share with a nominal value of 1p and 1 Deferred Share with a nominal value of 24p. Immediately following this capital re-organisation 160,000,000 Ordinary Shares of 1p were issued for an issue price of 10p each.

In September 2011 the Company implemented a further capital re-organisation whereby each Ordinary Share of 1p was sub-divided into 1 Ordinary Share with a nominal value of 0 01p and each Deferred Share of 24p was sub-divided into 1 Deferred Share with a nominal value of 0 99p. Immediately following the implementation of this a share consolidation was implemented whereby a 1000 Ordinary Shares with a nominal value of 0 01p each were consolidated into 1 Ordinary Share with a nominal value of 10p and 500 Deferred Shares with a nominal value of 0 99p each were consolidated into 1 Deferred Share with a nominal value of 495p.

Notes to the consolidated financial statements (continued)

The rights attaching to Deferred Shares are set out in the company's Articles of association and are minimal. They do not carry any voting rights or dividend rights.

Following the September 2011 capital re-organisation 3,750,000 Ordinary Shares with a nominal value of 10p each were issued in consideration for the purchase of £15m Preference Shares in AssetCo (Abu Dhabi) Limited and 7,000,000 Ordinary Shares with a nominal value of 10p each were issued for an issue price of 200p.

The fair value of the consideration for the purchase of the Preference Shares is considered to be £7.5m.

Following the Company's adoption of new Articles of Association in September 2011, and in accordance with the Companies Act 2006, the share capital has no authorised limit (2010 £32,500,000). All issued shares are fully paid, with the exception of £8,041,000 due from proceeds of the September 2011 placing.

b) Share-based payments

The credit for the period in respect of share-based payments, comprising share options and warrants, is £680,000 (2010 charge £100,000, 2009 charge £140,000).

c) Share options

Share options were granted to directors and to selected employees. The Group is under no legal or constructive obligation to repurchase or settle the options in cash and all options immediately lapsed and ceased to be exercisable upon the commencement of the winding up of the company in March 2011.

	30 September 2011		31 March 2010		31 March 2009	
	Average exercise price per share £	Options	Average exercise price per share £	Options	Average exercise price per share £	Options
Opening	1.70	1,212,603	1.76	1,352,603	1.77	1,819,327
Forfeited	—	—	2.29	(140,000)	1.82	(466,724)
Lapsed	1.70	(1,212,603)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>1.70</u>	<u>1,212,603</u>	<u>1.76</u>	<u>1,352,603</u>

The fair value of options at grant date were determined using the Black-Scholes method.

Share options at the end of the periods had the following expiry date and exercise prices:

Expiry Date	Exercise Price £ per share	30 Sep 2011 Shares	31 Mar 2010 Shares	31 Mar 2009 Shares
04 Dec 2013	1.00	—	210,000	210,000
29 Mar 2017	1.45	—	663,103	698,103
30 Jul 2017	2.30	—	105,000	120,000
30 Jul 2017	3.00	—	140,000	160,000
22 Nov 2017	2.30	—	50,000	100,000
22 Nov 2017	3.00	—	20,000	40,000
28 Nov 2017	2.04	—	24,500	24,500
		<u>—</u>	<u>1,212,603</u>	<u>1,352,603</u>

Notes to the consolidated financial statements (continued)

26. Tax Liabilities and Deferred Taxation

Tax liabilities

	2011 £'000	2010 £'000 Restated	2009 £'000 Restated
Tax liabilities	<u>—</u>	<u>1,089</u>	<u>—</u>

Given the material restatements set out in note 5, the group will be resubmitting prior period tax computations for all material companies. The group's deferred tax position represents the directors' best estimates but due to the breakdown of the group's systems and controls in the period, as reported in the Directors' report, and the significant level of uncertainty over the Group's historic tax position, the deferred taxation position represent an area of significant uncertainty. The significant accounting judgement that the Group has made relates to the tax treatment for the fixed asset impairment charges made in these financial statements, where the Group has currently assumed no change to the previously claimed capital allowances.

The group has concluded that the tax impact of the prior period restatements is to reduce the group's recognised deferred tax asset and liability position to nil resulting in a consolidated unrecognised deferred tax asset position. The directors have concluded that the tax impacts of the accounting restatement relate primarily to the opening balance sheet as at 31 March 2009 and as a result the tax restatements are recorded against retained earnings at this date.

Deferred taxation

There was no deferred tax asset or liability recognised at the balance sheet dates.

Deferred tax

Deferred tax liabilities	Accelerated tax depreciation £'000	Other £'000	Tax losses £'000	Total £'000
At 1 April 2009 as previously reported	7,559	805	(973)	7,391
Restatements (see note 5)	(7,559)	(805)	973	(7,391)
At 1 April 2009 as restated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2010 as restated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 September 2011	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred tax asset	Accelerated tax depreciation £'000	Other £'000	Tax losses £'000	Total £'000
At 1 April 2009 as previously reported	(393)	(2,884)	(1,885)	(5,162)
Restatements (see note 5)	393	2,884	1,885	5,162
At 1 April 2009 as restated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2010 as restated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 September 2011	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary

Notes to the consolidated financial statements (continued)

differences can be deducted. Where the temporary differences relate to losses, the availability of the losses to offset against future profitability is also considered. The directors consider that given the circumstances explained above there is no basis on which to recognise deferred tax assets at 31 March 2009, 31 March 2010 or September 2011. The unrecognised asset in respect of tax losses at 30 September 2011 amounts to £8,600,000 (2010 restated £9,200,000).

27. Assets held for sale

During the period to 31 March 2010 the Treka Bus, Supply 999, RIG Systems, Nene Whitewater Centre and Papworth Specialist Vehicles businesses were identified as non-core and marketing for their sale was commenced. Accordingly they were transferred to assets classified as held for sale at that date. Those companies which have been sold or which have been placed in a form of insolvency in the period to 30 September 2011 are referred to in note 28. Papworth Specialist Vehicles was not sold during the financial period and is no longer being marketed for sale and accordingly its assets and liabilities have been transferred back to continuing assets as at 30 September 2011.

As set out in note 5 Restatement of Prior Years the board believes that ascribing a carrying value of goodwill as originally reported was a material error and the amount has been largely written off or provided against. The value included in these prior period restatements is an amount for goodwill held in assets held for resale of £10,035,000.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2011 £'000	2010 £'000 Restated
Goodwill	—	97
Property, plant and equipment	—	1,848
Trade and other receivables	—	2,916
Inventories	—	2,060
Total assets classified as held for sale	—	6,921
Finance lease liabilities	—	75
Borrowings	—	3,950
Trade and other payables	—	2,668
Total liabilities associated with assets classified as held for sale	—	6,693
Net assets of disposal group	—	228

Notes to the consolidated financial statements (continued)

28. Investments

Details of Group companies can be found in Note 29 to the financial statements

Discontinued operations

Discontinued operations principally include activities relating to the Treka Bus and Supply 999 businesses which were sold in October 2010 and December 2010 respectively, as well as the Papworth Specialist Vehicles business which ceased to trade in September 2010. Two smaller businesses were also sold in the period, RIG Systems Limited in July 2010 and the assets of Nene Whitewater Centre Limited in August 2010. Details of performance in the period are outlined below

	18 months to 30 September 2011 £'000	12 months to 31 March 10 £'000
Revenue	3,209	28,331
Expenses	(3,209)	(33,627)
Net loss after tax	—	(5,296)
Loss on disposal	(610)	—
Loss for the period from discontinued operations	(610)	(5,296)

Prior year discontinued businesses included Papworth Specialist Vehicles Limited which, as it has not been sold during the period, has been transferred back to continuing businesses as at 1 April 2010 and its results are included in the income statement

The taxation effect of discontinued operations is nil in 2011 and 2010

Business Combinations

No acquisitions were made during the period (2010 Acquisition of Graphic Traffic Limited for consideration of £1,000)

The Group disposed of Supply 999 Limited, AS Fire & Rescue Limited, Todd Research Limited, Treka Bus Limited, RIG Systems Limited and the assets of Nene Whitewater Centre Limited. The aggregate effect of these disposals is as follows

	Carrying value at date of disposal £'000
Goodwill	377
Plant, property and equipment	977
Trade and other receivables	4,053
Inventories	1,277
Cash	5
Borrowings	(1,259)
Trade and other payables	(1,611)
Taxation	(694)
	3,125
Net consideration	(2,515)
Loss on disposal	610

Notes to the consolidated financial statements (continued)

As referred to elsewhere in the financial statements the books and records have not allowed a complete and accurate assessment of underlying figures so the fair value of net assets for the businesses sold is based on signed accounts at 31 March 2010, with management estimates of the movements from that date to the time of disposal

The net cash flows attributable to assets held for sale and discontinued operations are as follows

	2011 £'000	2010 £'000
Operating cash flows	—	(8,601)
	<u>—</u>	<u>(8,601)</u>

Investment in associate

At 31 March 2010 the Group had a 25% interest in the issued share capital of Miquet Limited, a company incorporated in England and Wales which provided integrated solutions for asset management. Miquet Limited went into administration on 26 August 2011 after being loss-making for some time. The carrying value as at 31 March 2010 has been restated at nil, accordingly there is no profit or loss on disposal reflected in these accounts.

Notes to the consolidated financial statements (continued)

29. Group undertakings

AssetCo plc has a controlling interest through shares, directly or indirectly, in the following group undertakings

Subsidiary	Country of incorporation	Group	Company	Shares held	Nature of business
AssetCo Fire and Rescue Limited	N Ireland	100%	100%	Ordinary	Holding Company
AssetCo Abu Dhabi Limited	Bermuda	100%	100%	Ordinary	Holding Company
AssetCo Emergency Limited	England & Wales	100%	-%	Ordinary	Holding Company
AssetCo Engineering Limited	England & Wales	100%	-%	Ordinary	Emergency Equipment
AssetCo Lincoln Limited	N Ireland	100%	-%	Ordinary	Managed Services
AssetCo London Limited	England & Wales	100%	-%	Ordinary	Managed Services
AssetCo Managed Services (ROI) Limited	Republic of Ireland	100%	-%	Ordinary	Support Services
MFlow Limited	England & Wales	100%	-%	Ordinary	Electrical & Comms
AssetCo Resource Limited	England & Wales	100%	-%	Ordinary	Human Resources
AssetCo Municipal Limited	England & Wales	100%	-%	Ordinary	Fleet and Management
Asfare No 1 Limited	England & Wales	100%	-%	Ordinary	Dormant
AssetCo Contracts Limited	N Ireland	100%	-%	Ordinary	Dormant
AssetCo Servicecare Limited	N Ireland	100%	-%	Ordinary	Dormant
AssetCo Solutions Limited	N Ireland	100%	-%	Ordinary	Dormant
Fire Guns Limited	England & Wales	100%	-%	Ordinary	Dormant
AS America Inc	USA	100%	-%	Ordinary	Dormant
AssetCo SVO Limited	England & Wales	100%	-%	Ordinary	Dormant
AssetCo Managed Services Limited	England & Wales	100%	-%	Ordinary	Dormant
Papworth Specialist Vehicles Limited	England & Wales	100%	-%	Ordinary	Dormant
AssetCo Specialist Vehicles Limited	England & Wales	100%	100%	Ordinary	Holding Company
Nene Whitewater Centre	England & Wales	100%	-%	Ordinary	Dormant
Simentra Limited	N Ireland	100%	-%	Ordinary	Dormant

There were no Group investments in associates and interests in joint ventures as at the balance sheet date (see note 28)

The percentage of shares held equates to voting rights for all of the subsidiaries listed above

Notes to the consolidated financial statements (continued)

30. Future Capital Commitments

	2011 £'000	2010 £'000
Contracted for but not provided in these financial statements	<u>851</u>	<u>—</u>

Operating lease commitments

The Group leases various assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 Property £'000	2010 Property £'000 Restated	2011 Other £'000	2010 Other £'000 Restated
Within one year	1,354	1,192	105	—
More than one year and less than five years	4,731	4,638	34	—
After five years	5,769	6,853	—	—
	<u>11,854</u>	<u>12,683</u>	<u>139</u>	<u>—</u>

The property lease commitment includes £8,172,000 (2010: £9,093,000) included in a provision for costs associated with onerous leases (note 23).

The business leases the commercial properties from which it operates. All leases were taken at the open market rent for the property prevailing at the outset of the lease. Lease renewals in respect of property are governed by the laws of the countries in which the leases are held. There are no purchase rights to any of the leased properties and no contingent rents are payable. None of the leases imposes financial or operating restrictions upon the business other than those associated with planning laws.

Notes to the consolidated financial statements (continued)

31. Reconciliation of loss before tax to net cash generated from operations

	30 September 2011	31 March 2010
	£'000	Restated £'000
Loss for the year before taxation	(22,198)	(22,179)
Depreciation and impairment (note 13)	5,982	1,121
Amortisation and impairment (note 14)	184	2,721
Loss on sale of property, plant, and equipment	347	–
Loss on disposal of businesses	610	–
Share-based payments	(680)	100
Interest rate swaps	1,390	(1,304)
Movement in financial restructuring	–	4,725
Other finance (income)/expense (note 9)	(102)	16
Exchange differences	–	246
Interest expense (note 9)	7,826	7,043
Interest received (note 9)	(57)	(416)
Other non-cash movements	3,737	4,324
Decrease/(increase) in inventories	374	(224)
Decrease/(increase) in debtors	(1,013)	10,501
Increase/(decrease) in creditors	9,169	(2,501)
Increase in provisions	(1,108)	–
Loss on pension settlement	30	–
Service cost in excess of contributions to the DB pension scheme	63	–
Cash generated from operations	4,554	4,173

Analysis of net debt

	2011 £'000	2010 £'000	2009 £'000
Bank borrowings	16,117	17,719	32,012
Finance lease liabilities	62,031	63,250	62,814
Bank overdrafts	18	1,210	3,693
Cash at bank and in hand	(13,621)	(2,597)	(22,498)
	64,545	79,582	76,021
Interest rate swaps	7,211	5,821	7,125
	71,756	85,403	83,146

Net debt of £71,756,000 (2010 £85,403,000, 2009 £83,146,000) includes the fair value of the interest rate swaps taken out with HBOS, Co-Op and Barclays (see note 20) and cash held in a bond £4,226,000 and cash held in the scheme of arrangement of £5,000,000

32. Contingent Liabilities

The Company's Scheme of Arrangement compromised all UK based guarantees that had been provided by the Company up to 28 December 2011

During the last financial year the Group entered into a performance bond relating to a UAE based contract which dictates a potential liability of 10% of the contract value upon failure to fulfill the terms of the contract. This liability would equate to a maximum of approximately £4m. The guarantee will remain in place in full until 90 days after the customer has confirmed that contractual terms have been met and it is expected that confirmation will occur in or around April 2013. At completion of the 90 day

Notes to the consolidated financial statements (continued)

period the potential liability under this guarantee will reduce to 5% of the contract value and then progressively reduce to 0% in accordance with expiration of warranty periods relating to discrete contractual obligations and ranging between 12 months and 10 years in length

The Group has provided an "Advanced Payment Guarantee" of approximately £8m in connection to a UAE based contract. The guarantee provides for the repayment in part or full of payments received from the customer in advance of contractual service delivery. The guarantee shall initially remain in place until April 2013 and shall progressively reduce over the contract period. If the services required under the contract remain outstanding beyond the contractual service period then the guarantee could be extended beyond the initial contract period and until the services are delivered in full.

33. Post Balance Sheet Events

On 9 September 2011 AssetCo announced that "the UK subsidiaries of the Company, which include a substantial number of dormant and legacy trading companies as well as the London and Lincoln operating companies, are to be ring fenced from the Company and will be restructured, disposed of, or wound up." The following restructuring and events have occurred since the balance sheet date:

- Proposals to strike off the following dormant companies have been advertised: AssetCo Resource Limited, AssetCo SVO Limited, and AssetCo Emergency Equipment Limited.
- On 6 December 2011 Asfare No 1 Limited was dissolved. Asfare No 1 Limited was a dormant Group subsidiary.
- On 9 December 2011 a Liquidator was appointed to AssetCo Municipal Limited ["Municipal"]. In the 18 month period to 30 September 2011 Municipal reported Sales of £1,411,000 and a Loss before tax and Exceptional Items of £192,000. The Statement of Affairs dated 9 December 2011 reports a "Estimated deficiency as regards non-preferential creditors" of £10,594,481.
- On 29 February 2012 AssetCo Emergency Limited sold the entire issued share capital in Mflow Solutions Limited, AssetCo London Limited and AssetCo Engineering Limited to Continental Shelf 547 Limited ["547"], and AssetCo Lincoln Limited and AssetCo Solutions Limited to Continental Shelf 548 Limited ["548"]. The entire issued share capital of both 547 and 548 are owned by AssetCo PLC. In the case of each disposal consent to the transfer of share ownership is required from various lenders and discussions still continue in this regard.
- On 1 March 2012 a Winding-Up Petition was successfully presented against AssetCo Fire and Rescue Limited and accordingly a court order was made to wind up AssetCo Fire and Rescue Limited. AssetCo Fire and Rescue Limited remains the shareholder of the majority of the remaining "dormant" or legacy trading companies.
- On 4 April 2012 a termination notice claiming an irredeemable breach in respect of a contract was received. We are examining the basis and validity of this notice and the extent and timing of any exit management requirements.

34. Related Party Transactions

Related parties comprise the Company's shareholders, subsidiaries, associated companies, joint ventures, other entities over which the shareholders of the Group have the ability to control or exercise significant influence over their financial and operating decisions, and key management personnel.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Notes to the consolidated financial statements (continued)

During the period, the Group entered into the following significant transactions with related parties at prices and on terms agreed between the related parties

Remuneration of the directors

		Compensation for loss of office			Total emoluments	Compensation for loss of office			Total emoluments
		Salary 2011 £'000	2011 £'000	Benefits in Kind 2011 £'000		Salary 2010 £'000	2010 £'000	Benefits in Kind 2010 £'000	
Tudor Davies	i	633	—	—	633	—	—	—	—
John Shannon	ii	441	—	51	492	300	—	17	317
Scott Brown	iii	156	—	—	156	—	—	—	—
Frank Flynn	iv	93	30	12	135	250	—	24	274
Total		1,323	30	63	1,416	550	—	41	591

- i Tudor Davies was appointed Executive Chairman on 23 March 2011
 ii John Shannon was resigned as a director on 24 March 2011
 iii Scott Brown was appointed as a director on 4 October 2010 and resigned as a director on 17 May 2011
 iv Frank Flynn resigned as a director on 4 October 2010

Non-executive directors' remuneration

		2011 £'000	2010 £'000
Tim Wightman	v	74	55
Christopher Mills	vi	13	—
Adrian Bradshaw	vii	31	35
Peter Manning		53	35
Andrew Freemantle	viii	53	18
Total		224	143

- v Tim Wightman resigned as a non-executive director on 30 June 2011
 vi Christopher Mills was appointed as a non-executive director on 23 March 2011
 vii Adrian Bradshaw resigned as a non-executive director on 18 August 2010
 viii Andrew Freemantle was appointed as a non-executive director on 5 January 2010

All Directors' share options – see note 25 – lapsed in the period

In 2010 AssetCo reported the following

- a) “In May 2009, Jaras Property Developments Limited [“Jaras”], a company from which the Group rents a property was purchased by John Shannon, the Group's former CEO. The value of these rentals amounted to £166,666 in the year. At 31 March 2010, the Group had an asset balance with this company totalling £1.5m (2009: £nil)”
- b) “On 31 March 2010, the Group completed the acquisition of 100% of the share capital of Graphic Traffic Limited for consideration of £1,000 creating goodwill on acquisition of £956,000. This business has been purchased with a view to resale hence the goodwill is included within assets held for sale and further that the vendor of Graphic Traffic Limited (see note 5) was John Shannon.”

Notes to the consolidated financial statements (continued)

In respect of the 'Jaras' transaction, AssetCo have reviewed internal communications between the date in December 2009 when the £1,500,000 was first paid, and finalisation of the 2010 audited accounts, the management and statutory accounts for the business occupying the property and concluded that

- a) on an arms length basis it would be difficult to substantiate effectively paying six years rent in advance in respect of the property,
- b) the payment was originally classified as a Directors Loan and was subsequently reclassified as prepaid rent in order to satisfy audit disclosure requirements, and
- c) the business occupying the property is now in Liquidation

Further, there is sufficient doubt that either Jaras (were a Receiver has been appointed) or John Shannon will repay the amount and accordingly the £1,500,000 current asset has been provided for in the prior period restatement restatement

In respect of the Graphic Traffic Limited transaction, AssetCo has reviewed the documentation relating to this transaction and notes that

- a) it was reported that AssetCo purchased a business to hold for resale a company and that that company had net liabilities, and was disclosed as Dormant in its statutory accounts,
- b) the net liabilities disclosed as acquired were significantly higher than reported in the statutory accounts preceding acquisition and that the company was reported as Dormant, and
- c) the beneficiary of AssetCo settling the net liabilities acquired was either John Shannon or parties related to him

Accordingly the amount capitalised as Goodwill of £956,000 in respect of this acquisition has been expensed in the prior period restatement

John Shannon claimed expenses amounting to at least £33,000 during the period and at least £27,000 during 2010 in respect of payments made with regards to personal chauffeur services