

AssetCo plc

Annual report and financial statements

Year ended 30 September 2019

Registered number: 04966347




AssetCo®

COMPANY INFORMATION

Company registration number	04966347
Registered office	Singleton Court Business Park Wonastow Road Monmouth Monmouthshire NP25 5JA
Directors	Tudor Davies (Chairman) Christopher Mills Mark Butcher
Company secretary	Tudor Davies
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX
Nominated adviser and corporate broker	Arden Partners plc 125 Old Broad Street London EC2N 1AR
Registrar	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS13 8AE
Website	www.assetco.com

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Chairman's Statement

Results

The results for the year to 30 September 2019 reflect the loss, as previously announced in the final quarter of 2018, of the Abu Dhabi contract and consequently show sharply reduced revenues of £5.3m (2018:£22.9m) and a loss after taxation of £0.8m (2018: profit £1.4m).

The net assets at 30 September 2019 were £29.9m (2018: £30.0m), with a strong liquidity position represented by cash balances of £17.1m (2018: £16.8m), and cash held in respect of bonds of £3.5m (2018: £2.1m).

Since the year end the receipt of the outstanding trade receivables of £11.1m has significantly improved the company's cash balances and we expect the cash position to improve further during the course of this year as we recover additional bonds.

During the year the headcount was reduced from 229 to 5. The remaining staff are senior Fire Service and administration staff who have been dealing with the receivables, bonds, and tendering for new business. There are a number of opportunities we are pursuing which may take several months to realise and we shall keep shareholders informed of any material developments as and when they come to fruition.

Claim against former auditors

The claim for negligence against AssetCo Plc's former auditors, Grant Thornton, culminated in a trial in June 2018, for which a judgment in AssetCo's favour was handed down. The damages awarded were £22.4m plus interest of approximately £6.5m plus £5m on account of costs.

On 29 March 2019 Grant Thornton paid £34.3m into Court on which interest is accruing at the rate of 8% per annum. An appeal by Grant Thornton was lodged and later heard by the Court of Appeal at the end of January 2020 and the Court of Appeal's decision is expected to be handed down before the summer of 2020.

Outlook

We shall keep shareholders informed on any material developments regarding future business and the litigation against Grant Thornton.



Tudor Davies

26 February 2020

Board of Directors

Tudor Davies

Chairman

Appointed to the AssetCo plc board in March 2011, Tudor was the executive chairman of Dowding and Mills plc and, following a reverse acquisition, 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

Chairman of the Remuneration Committee

Chairman 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.

Mark Butcher

Non-executive director

Appointed to the AssetCo plc board in October 2012, Mark was previously an executive director of GPG (UK) Holdings plc which was the UK investment arm of Guinness Peat Group plc. He currently sits on the boards of Northgate plc and National Milk Records plc.

Strategic Report

Introduction

The directors present their strategic report on AssetCo plc (“AssetCo” or the “company”) for the year ended 30 September 2019.

Principal activities

AssetCo 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 continue the development of this business into new markets in the Middle East following the end of the contract with the Abu Dhabi government on 17 December 2018.

Business review

Further information relating to the performance of the business, strategy and progress is given in the Chairman’s Statement on page 1, which is incorporated into this report by reference.

Key performance indicators (KPIs)

The principal indicators used to measure the performance at company and segment level in the past year are operating profit and net change in cash. For the current year and the previous year, these are shown in the Income Statement and in the Statement of Cash Flows respectively. There were detailed KPIs within the company’s trading contract and these were monitored by senior management who reviewed monthly reports.

With the loss of the Fire Services contract in Abu Dhabi in December 2018 the profit and cashflows of the company have reduced significantly in the current year. As we discuss elsewhere we continue to seek and tender for new business in the UAE and consider that these KPIs remain relevant for when any new contract commences.

Principal risks and uncertainties

The directors continuously monitor the business and markets to identify and deal with risks and uncertainties as they arise. For a number of years now, the main risk to the company’s business has been a material reliance on one contract with a government agency. As announced on 16 October 2018, the company received notice of termination in respect of this contract and it terminated on 17 December 2018.

The future success of the company is dependent on winning further total managed services and other contracts. Such contracts may be dependent upon the ongoing purchasing power delegated to government agencies under government policy, which is subject to regular review. Contracts with public bodies, which are central to the company’s business, are normally 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 company may need to compete for such business with companies who provide similar services in other industry sectors. This may place competitive pressures on the company by driving price reductions or causing reduced margins.

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

Strategic Report (continued)

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

By order of the board



Tudor Davies
Company Secretary

26 February 2020

Company Registration Number: 04966347

Directors' Report

Introduction

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2019.

Results

The financial statements are set out on pages 15 to 38.

Dividend

The directors do not propose a dividend this year (2018: £nil).

Capital structure

The primary objective of the company's capital management is to ensure that capital is available to allocate to the business that maximises shareholder value.

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 17.

The Company

AssetCo Plc, registered and domiciled in England and Wales, with the registered number 4966347, is a stand-alone company without subsidiaries or ultimate holding company. Its principal operations are carried out by a branch operating in UAE.

Financial risk management

See note 3 to the financial statements.

Future developments

The outlook for the company is set out in the Chairman's Statement.

Directors

The directors who held office for the whole of the period, and up to the date of signing this report, were as follows:

Tudor Davies (*Chairman*)

Christopher Mills (*Non- Executive*)

Mark Butcher (*Non-Executive*)

The company secretary who held office for the whole of the period, and up to the date of signing this report, was Tudor Davies.

Directors' shareholdings

The beneficial interests of the directors in the shares of the company were as follows:

	At 30 September 2019 No.	At 30 September 2018 No.
Tudor Davies*	32,813	32,813
Christopher Mills*	5,905,779	5,905,779
Mark Butcher	—	—

* Christopher Mills, as chief executive and a member of Harwood Capital LLP, is deemed to have an interest in the 5,905,779 shares owned by various funds associated with Harwood Capital LLP. Those shares, which include the 32,813 that Tudor Davies has an interest in as a private client of Harwood Capital LLP, are held on a discretionary management basis for a number of private clients who remain the ultimate beneficial owners. On 16 January 2020, the company was notified that Christopher Mills' beneficial interest had reduced to 5,805,779 shares.

Directors' Report (continued)

Substantial shareholdings

At 25 February 2020 the company secretary has been notified, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules sourcebook as issued by the Financial Conduct Authority, of the following interest in 3% or more in the ordinary share capital of the company:

	Number of shares	% of issued share capital
Harwood Capital LLP	5,805,779	47.5%
Lombard Odier Asset Management (Europe) Limited	3,363,963	27.5%
Ingot Capital Management	2,401,580	19.7%

Business combinations and disposals

There have been no business combinations or disposals during the period.

Post balance sheet events

Grant Thornton's appeal against the judgement handed down against them on 31 January 2018 was heard at the Court of Appeal on 20 to 22 January 2020. The outcome of this hearing is expected before the summer of 2020. There are no other post balance sheet events.

Corporate governance

AssetCo uses the 2018 QCA Corporate Governance Code as far as it is applicable to the company.

The company's ownership is very concentrated with 95% of shares held by three separate fund management groups. Accordingly, the governance and culture of the company is led by the chairman, based on a strategy agreed with the company's major shareholders and as set out in the Strategic Report.

Promoting value for shareholders

The principal activities of the company and its strategy are explained in the Strategic Report and in the Chairman's Statement.

Meeting shareholder needs and expectations

The company, through the chairman, has regular contact with its institutional shareholders. The board supports the principle that the annual general meeting be used to communicate with private shareholders and encourages them to participate.

Taking into account wider stakeholder and social responsibilities

The company's employees, customers and suppliers are located in the United Arab Emirates ("UAE") which operates as a branch of the company, and in the United Kingdom. The company ensures that it complies with all laws and regulations governing employment standards, occupational health, safety, environmental and other matters within the jurisdictions within which it operates.

Embedding risk management

The board considers regularly the risks relating to AssetCo's activities. Details of the principal risks and uncertainties facing the company are set out in the Strategic Report.

Directors' Report (continued)

Directors

Brief biographical details of the directors in office are set out on page 2.

The board consists of a chairman and two non-executive directors, who are considered by the board to be independent of the chairman. The board considers that it has an appropriate balance of skills, experience, ages and length of service.

The board is a small board and individual members have a wide range of qualifications and expertise to bring to any debate. All members of the board have considerable experience of operating at board level in corporate environments. The board meets as necessary. The board has considered the need to appoint a senior independent director and believes that it is not necessary at present.

In view of the small size of the board, there is no formal board evaluation process.

Board meetings

At each scheduled meeting of the board, reports are received on the company's operations and the financial position of the company. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the company secretary to all directors in advance of board meetings. In addition to scheduled board meetings, the board may carry out certain urgent matters not requiring debate by way of delegation to a committee of the board or by resolution in writing of all directors.

Remuneration committee

All of the non-executive directors comprise the remuneration committee. The remuneration committee reviews the remuneration paid to the chairman and any executive directors.

Audit committee

The board is supported by an audit committee which comprises all of the non-executive directors.

The audit committee meets twice a year with the external auditors in attendance as required. It assists the board in ensuring that appropriate accounting policies, financial systems, internal controls and compliance procedures are in place. It also reviews the relationship between the company and external auditors in terms of the provision of non-audit services and ensuring that auditor independence and objectivity is maintained.

Nominations committee

The nominations committee makes recommendations to the board on the composition of the board generally and on the balance between executive and non-executive directors. It also makes recommendations on the appointment of new directors and subsequent re-appointments on retirement by rotation.

Re-election of directors

The articles of association provide that newly appointed directors are required to submit themselves for election by shareholders at the general meeting following their appointment and for all directors to be re-elected at least once every three years.

Promoting ethical corporate values and behaviours

The board, through the chairman, seeks to maintain high ethical standards within its UAE operation as well as in the UK, including in its dealings with customers and suppliers.

Directors' Report (continued)

Maintaining governance structures and processes to support decision-making

The board is responsible for the company's system of internal control and reviewing its effectiveness. The procedures for planning and monitoring the operational and financial performance of the company, as well as its compliance with applicable laws and regulations, are set out below.

Communicating corporate governance

The principal method of communicating the company's corporate governance process and principles is the Annual Report, which is sent directly to all shareholders (unless they have specifically requested only electronic communication) and is available to other stakeholders and the general public on the company's website. The annual general meeting also provides an opportunity for shareholders to address corporate governance matters.

The notice of the annual general meeting will be sent out in due course.

Internal control

The board is responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors review the effectiveness of the company's system of internal controls. This includes internal financial controls and controls over financial, operational, compliance and risk management.

The company has established procedures for planning and monitoring the operational and financial performance of all businesses in the company, as well as their compliance with applicable laws and regulations. These procedures include:

- clear responsibilities for good financial controls and the production of timely financial management information;
- the control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties;
- the review of trading results, balance sheets and cash flows by management and the board;
- reporting on compliance with internal financial controls and procedures by each individual business unit under the supervision of the chairman.

Going concern

The directors have considered the going concern assumption for the company, AssetCo plc, by assessing the operational and funding requirements of the company as a whole.

The directors have taken into account the termination of the company's contract in the UAE, which was announced on 16 October 2018 and effective on 17 December 2018, and considered the company's cash position both now and expected in the future. The company continues to employ key fire service personnel and administrative staff and is continuing to seek and tender for future contracts. The directors have made no plans or decisions to change the company's activities.

On this basis, the directors have concluded that there are no material uncertainties that they have identified relating to events or conditions that may cast significant doubt about the ability of AssetCo plc to continue as a going concern.

Directors' Report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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



26 February 2020

Company Registration Number: 04966347

Report of the independent auditors to the members of AssetCo plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, AssetCo plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2019; the income statement for the year ended 30 September 2019, the statement of comprehensive income for the year ended 30 September 2019, the statement of cash flows for the year ended 30 September 2019, the statement of changes in equity for the year ended 30 September 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: £38,150 (2018: £137,000), based on 5% of loss before tax (2018: 5% of average profit before tax for the last 3 years).
- We conducted an audit of the complete financial information of the two separate components located in the UK and UAE covering all material financial statement line items.
- Revenue recognition and recoverability of debtor balances.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Report of the independent auditors to the members of AssetCo plc

(continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Revenue recognition and recoverability of debtor balances</i> Contracts with the company's customers are often agreed retrospectively, after delivery of services. When we planned our audit, the company was in the process of finalising the contract with the PGC in respect of services provided for the 5 month period to 17 December 2018, and no cash had been received in respect of this contract. As such the revenue recognition and the subsequent recoverability of those debtors balances was considered to be a key audit matter.	The contract for services provided up to 17 December 2018 has now been signed. We have obtained and reviewed the contract and agreed that there is a single performance obligation as defined by IFRS 15, being provision of fire service personnel to the customer. We have evidenced that the performance obligation has been satisfied through the customer's approval of the invoices relating to service delivery, as well as evidencing the full settlement of amounts due to the company's bank statement after the year-end. We found the recognition of revenue for the period and the assessment of recoverability of debtor balances at the year-end date to be consistent with the evidence obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Report of the independent auditors to the members of AssetCo plc

(continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£38,150 (2018: £137,000).
How we determined it	5% of loss before tax (2018: 5% of average profit before tax for the last 3 years).
Rationale for benchmark applied	We believe that profit/loss before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. Following the cessation of the contract with the Abu Dhabi government on 17 December 2018, the level of activity within the business has reduced significantly and so profits are substantially lower than in previous years. We therefore deem it appropriate to move away from materiality based on average profit before tax, used in the prior year, and instead determine materiality based on loss before tax for the current year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,900 (2018: £6,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Report of the independent auditors to the members of AssetCo plc

(continued)

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Report of the independent auditors to the members of AssetCo plc

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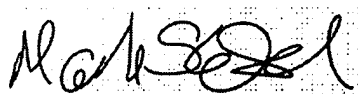
OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



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

26 February 2020

Income Statement

for the year ended 30 September 2019

		Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
	Notes		
Continuing operations			
Revenue	5	5,345	22,888
Cost of sales		(4,237)	(16,645)
Gross profit		1,108	6,243
Administrative expenses		(1,810)	(4,746)
Operating (loss)/profit	6	(702)	1,497
Finance income	8	9	5
Finance costs	8	(70)	(83)
(Loss)/Profit before tax		(763)	1,419
Income tax expense	10	—	—
(Loss)/Profit for the year		(763)	1,419
(Loss)/Earnings per share			
Basic – pence	11	(6.25)	11.62
Diluted – pence	11	(6.25)	11.62

Statement of Comprehensive Income

for the year ended 30 September 2019

		Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
	Notes		
(Loss)/Profit for the year	5	(763)	1,419
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		648	760
Other comprehensive income, net of tax		648	760
Total comprehensive (loss)/income for the year		(115)	2,179

Statement of Financial Position

as at 30 September 2019

	Notes	At 30 September 2019 £'000	At 30 September 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	—	26
Cash held in respect of bonds		—	1,199
Total non-current assets		<u>—</u>	<u>1,225</u>
Current assets			
Trade and other receivables	13	11,222	15,997
Cash and cash equivalents	14	17,101	16,800
Cash held in respect of bonds		3,487	941
Total current assets		<u>31,810</u>	<u>33,738</u>
Total assets		<u><u>31,810</u></u>	<u><u>34,963</u></u>
Liabilities			
Current liabilities			
Trade and other payables	15	1,955	4,993
Total current liabilities		<u>1,955</u>	<u>4,993</u>
Total liabilities		<u>1,955</u>	<u>4,993</u>
Shareholders' equity			
Share capital	17	25,474	25,474
Share premium		64,941	64,941
Profit and loss account		(60,560)	(60,445)
Total equity		<u>29,855</u>	<u>29,970</u>
Total equity and liabilities		<u><u>31,810</u></u>	<u><u>34,963</u></u>

The notes on pages 20 to 38 are an integral part of these financial statements. The financial statements were authorised for issue by the board of directors on 26 February 2020 and were signed on its behalf by Tudor Davies.



Registered number: 04966347

Statement of Changes in Equity

for the year ended 30 September 2019

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 October 2017	25,474	64,941	(62,624)	27,791
Profit for the year	—	—	1,419	1,419
Other comprehensive income:				
Exchange differences on translation	—	—	760	760
Total comprehensive income for the year	—	—	2,179	2,179
Balance at 30 September 2018	25,474	64,941	(60,445)	29,970
Loss for the year	—	—	(763)	(763)
Other comprehensive income:				
Exchange differences on translation	—	—	648	648
Total comprehensive loss for the year	—	—	(115)	(115)
Balance at 30 September 2019	<u>25,474</u>	<u>64,941</u>	<u>(60,560)</u>	<u>29,855</u>

Statement of Cash Flows

for the year ended 30 September 2019

		Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
	Notes		
Cash flows from operating activities			
Cash inflow/(outflow) from operations	20	1,709	(3,453)
Cash deposited in respect of bonds		(2,470)	(3,631)
Cash released in respect of bonds		1,123	2,028
Finance costs		(70)	(83)
Net cash inflow/(outflow) from operating activities		292	(5,139)
Cash flows from investing activities			
Finance income		9	5
Purchases of property, plant and equipment		—	(26)
Net cash inflow/(outflow) from investing activities		9	(21)
Net change in cash and cash equivalents		301	(5,160)
Cash and cash equivalents at beginning of year		16,800	21,530
Exchange differences on translation		—	430
Cash and cash equivalents at end of year	14	17,101	16,800

Notes to the Financial Statements

for the year ended 30 September 2019

1. LEGAL STATUS AND ACTIVITIES

AssetCo plc (“AssetCo” or 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. As announced on 16 October 2018, the company received, on 15 October 2018, notice of termination of its contract in the UAE. The contract terminated on 17 December 2018.

AssetCo is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire, NP25 5JA. The company operates from an administrative office in the UK as well as a site in UAE. As at period end, the company has no subsidiaries.

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

The financial statements have been presented in sterling to the nearest thousand pounds (£000) except where otherwise indicated.

These financial statements were authorised for issue by the board of directors on 26 February 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements, which have been applied consistently with those applied in the previous year, are set out below.

2.1 Basis of preparation

The financial statements comply with AIM Rules and have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union, the IFRS Interpretations Committee (“IFRS IC”) and the Companies Act 2006 applicable to companies reporting under IFRS. 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 year ended 30 September 2019.

Going concern

The directors have considered the going concern assumption for the company, AssetCo plc, by assessing the operational and funding requirements of the company as a whole.

The directors have taken into account the termination of the company’s contract in the UAE, which was announced on 16 October 2018 and effective on 17 December 2018 and considered the company’s cash position both now and expected in the future. The company continues to employ key fire service personnel and administrative staff and is continuing to seek and tender for future contracts. The directors have made no plans or decisions to change the company’s activities.

On this basis, the directors have concluded that there are no material uncertainties that they have identified relating to events or conditions that may cast significant doubt about the ability of AssetCo to continue as a going concern.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

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

The International Accounting Standards Board (IASB) and IFRS IC have issued the following new or revised standards and interpretations with an effective date for financial periods beginning on or after the dates disclosed below. These standards and interpretations have not yet been adopted by the company.

IFRS 3 Business Combinations – Amendments to clarify the definition of a business (effective 1 January 2020)

IFRS 9 Financial Instruments – Amendments regarding prepayment features with negative compensation modification of financial liabilities (effective 1 January 2019)

IFRS 10 Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (date deferred)

IFRS 16 Leases – New accounting standard (effective 1 January 2019)

IFRS 17 Insurance Contracts – New accounting standard (effective 1 January 2021)

IAS 1 Presentation of financial statements – Amendments regarding the definition of material (effective for 1 January 2020)

IAS 8 Accounting policies – Amendments regarding the definition of material (effective for 1 January 2020)

IAS 12 Income Taxes – Updates (effective 1 January 2019) IAS 19 Employee Benefits – Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019) IAS 23 Borrowing Costs – Updates (effective 1 January 2019)

IAS 28 Investments in Associates and Joint Ventures – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (date deferred) and amendments regarding long-term interests in associates and joint ventures (effective 1 January 2019)

IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

The IASB have also issued a new Conceptual Framework for Financial Reporting and a number of minor amendments to standards as part of their Annual Improvements to IFRS.

The directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods, although it is anticipated that the impact will be immaterial.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

Standards adopted in the period

IFRS 9 'Financial Instruments' (effective 1 January 2018) introduces a new model for the classification and measurement of financial assets, a new expected credit loss model for the impairment of financial assets held at amortised cost and new requirements for hedge accounting. There are also a number of new disclosure requirements. The adoption of IFRS 9 has not had a material impact on the company's results or financial position.

IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018) introduces a new five step model for the recognition of revenue, which is based on the satisfaction of performance obligations. The core principle is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of IFRS 15 has not had a material impact on the company's results or financial position.

The adoption of IFRS 16 'Leases' (effective 1 January 2019) is not expected to have a significant impact on either the company's balance sheet or income statement. For those leases where it is the lessee the company will be required to recognise assets and liabilities in the balance sheet in the majority of cases and recognise depreciation and finance costs in the income statement. The company is undertaking an assessment to determine the overall impact of the adoption of IFRS 16 on its results and financial position, which will clearly depend upon the transition options selected and the specific circumstances at the date of adoption, however the impact is not expected to be material.

No new or amended standards with any impact on the company's financial statements were adopted for the year ending 30 September 2019.

2.2 Revenue recognition

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

The company recognises revenue when specific criteria have been met for each of the company'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. The transaction price is agreed in advance as part of the negotiation of a fixed term contract; typically this will lead to a monthly allocation of the contract value covering charges for services provided in that month and goods delivered on specific dates.

The company recognises revenue in respect of the provision of services for fire and emergency services in UAE.

Rendering of services

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

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

2.3 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of each of the company's businesses are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The 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 year under review.

b) *Foreign operations translation*

The financial statements 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. Foreign exchange gains or losses resulting from such translation are recognised through equity.

c) *Other transactions and balances*

Other 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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, other than those held in foreign operations, are recognised in the income statement.

2.4 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.

2.5 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 company and the cost of the item can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repairs and maintenance are 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 write down 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 income statement.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

2.6 Financial instruments

a) Financial assets

The company classifies its financial assets as 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. Financial assets include cash and cash equivalents, and trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment streams, which are not quoted in an active market. They are recognised in current assets, except for receivables maturing more than twelve months after the reporting date, which are classified as non-current assets.

Trade receivables

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

From 1 October 2018 the company has applied the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. Under this approach a provision is made for lifetime expected credit losses for the trade receivable. For calculation of expected credit losses the trade receivables are grouped based on the number of days past due. Expected credit losses on trade receivables that are not past due are primarily based on actual credit losses from recent years.

Cash held in respect of bonds

Cash held in respect of bonds includes cash on deposit with banks held by them as collateral against performance and warranty bonds.

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 company.

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.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

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 of return on the outstanding liability.

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.

Trade payables

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

2.7 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.

2.8 Leases

All of the company's 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.

2.9 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 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.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

2.10 Employee benefits

Pension contributions – defined contribution scheme

For defined contribution schemes, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company 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.

Termination benefits

Termination benefits are payable when an employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company 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 twelve months after the balance sheet date are discounted to their present value.

2.11 Dividends

Dividends are recognised as a liability in the period in which they are authorised. An interim dividend is recognised when it is paid and a final dividend is recognised when it has been approved by shareholders at the annual general meeting.

2.12 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 virtually certain.

2.13 Deferred income

Deferred income arises when cash 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 income statement when the company has met its related obligations.

2.14 Contingent liabilities

Contingent liabilities reflect the maximum potential liability on performance and warranty bonds issued in respect of contracted performance obligations and warranties given to customers under contracts for the provision goods and services. The warranty period varies between six and thirty six months depending on the specific product or service under warranty and the maximum liability may be partially released part way through this period. The outflow of resources associated with these amounts is not considered to be probable hence such amounts are not recognised as liabilities at the balance sheet date.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

a) Credit risk

The company's exposure to credit risk is detailed in note 13.

As at 30 September 2019, the company had exposure to one customer, with the whole of revenue, trade receivables and accrued income accruing with a department of the Abu Dhabi government, who are considered to offer an extremely small credit risk. The company's definition of default is when a payment from a customer is past due and the customer has indicated in writing that it cannot or will not pay. This has never happened in our commercial relationship with the Abu Dhabi government. Amounts due from customers would only be written off when all legal avenues have been pursued and it is clear that there is no reasonable prospect of recovery.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

The company 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. Financial assets are considered to be credit-impaired if the company is unable to make free use of the asset under the terms of its agreement with the financial institution and that institution has given written notice that it is in financial difficulties. As with trade receivables amounts would only be written off when all legal avenues have been pursued and it is clear that there is no reasonable prospect of recovery.

b) Market risk

Currency risk

The company transacts principally in sterling and UAE dirhams.

The company's exposure to currency risk is detailed in note 16.

Transaction risk in the company 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 company'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 company'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 company may seek to limit its exposure to fluctuating interest rates by keeping a significant proportion of the company's cash or borrowings at fixed interest rates.

Financial assets

The company holds its surplus funds in short-term bank deposits.

Financial liabilities

The company has no material cash flow interest rate risk as it has a low level of financial liabilities that attract interest. Should this situation change then the company may manage the risk by using floating or fixed interest rate swaps.

Other price risk

Other price risks, such as changes in the fair value of financial instruments being caused by movements in commodity or equity prices, are not applicable to the company's operations. The company does not hold any investments in companies listed on recognised stock exchanges.

c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company maintains adequate bank balances to fund its operations.

Notes to the Financial Statements (continued)

for the year ended 30 September 2019

3.2 Capital risk management

The company considers its capital to comprise:

	At 30 September 2019 £'000	At 30 September 2018 £'000
Issued share capital	25,474	25,474
Share premium account	64,941	64,941
Accumulated losses	(60,560)	(60,445)
Total equity	<u>29,855</u>	<u>29,970</u>
Cash and cash equivalents	(17,101)	(16,800)
Cash held in respect of bonds	(3,487)	(2,140)
	<u>(20,588)</u>	<u>(18,940)</u>
Total capital	<u><u>9,267</u></u>	<u><u>11,030</u></u>

The company's objectives when managing capital are to safeguard the company'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 company is not subject to externally impaired capital requirements.

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

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 company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The board do not consider that there are any estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. In particular, the directors note that outstanding debts at the balance sheet date have now been settled in full.

b) Judgements

The directors note the termination of the company's only contract on 17 December 2018. However, they do not believe this impacts the going concern basis of preparation for the reasons described in note 2.

The company largely operated in the UAE where the local currency is the Dirham but in the judgement of the directors Sterling is the functional currency as well as the reporting currency of the company. The directors have reached this conclusion on the basis that the company's financing is initiated and provided by the UK company, working capital is managed from the UK and all operating income is ultimately retained in Sterling. In addition the directors note that significant costs are incurred in both Sterling and Dirham and also pricing for contracts is negotiated by the UK directors with a view to generating an appropriate Sterling profit.

The board do not consider that any other 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 Financial Statements (continued)
for the year ended 30 September 2019

5. 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. Segment information is therefore presented in respect of the company's geographical settlement. No secondary segmental information has been provided as, in the view of the directors, the company operates in only one segment, being the provision of management and resources to fire and rescue emergency services. The directors consider that the chief operating decision maker is the board.

Revenues of £5,345,000 (2018: £22,888,000) are derived from the provision of services to a single customer within the UAE segment. No revenues (2018: £nil) were generated from the sale of goods.

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

The company is domiciled in the UK and also operates out of a branch in UAE. Revenue by destination is not materially different from revenue by origin shown below.

Unallocated comprises the head office.

Analysis of revenue and results by geographic settlement
Year ended 30 September 2019

	UAE £'000	Unallocated £'000	Continuing operations £'000
Revenue			
Revenue to external customers	5,345	—	5,345
Total revenue	<u>5,345</u>	<u>—</u>	<u>5,345</u>
Segment result			
Operating profit/(loss)	296	(998)	(702)
Finance income	—	9	9
Finance costs	(70)	—	(70)
Profit/(Loss) before tax	226	(989)	(763)
Income tax	—	—	—
Profit/(Loss) for the year	<u>226</u>	<u>(989)</u>	<u>(763)</u>
Segment assets and liabilities			
Total assets	15,572	16,238	31,810
Total liabilities	(1,665)	(290)	(1,955)
Total net assets	<u>13,907</u>	<u>15,948</u>	<u>29,855</u>
Other segment information			
Total capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

Year ended 30 September 2018

	UAE £'000	Unallocated £'000	Continuing operations. £'000
Revenue			
Revenue to external customers	22,888	—	22,888
Total revenue	<u>22,888</u>	<u>—</u>	<u>22,888</u>
Segment result			
Operating profit/(loss)	5,624	(4,127)	1,497
Finance income	—	5	5
Finance costs	(83)	—	(83)
Profit/(Loss) before tax	5,541	(4,122)	1,419
Income tax	—	—	—
Profit/(Loss) for the year	<u>5,541</u>	<u>(4,122)</u>	<u>1,419</u>
Segment assets and liabilities			
Total assets	27,597	7,366	34,963
Total liabilities	(3,995)	(998)	(4,993)
Total net assets	<u>23,602</u>	<u>6,368</u>	<u>29,970</u>
Other segment information			
Total capital expenditure	<u>26</u>	<u>—</u>	<u>26</u>

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting) the following:

	2019 £000	2018 £000
Depreciation of property plant and equipment (note 12)	26	—
Profit on foreign exchange differences	(71)	(37)
Fees payable to the company's auditors:		
For the audit of the annual financial statements	75	78
For other services	—	—
	<u>75</u>	<u>78</u>
Operating lease rentals on company properties	54	80
Operating lease rentals on other assets	122	226
Employee benefit expense	4,401	15,853
Raw materials and consumables used	<u>43</u>	<u>165</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

7. EMPLOYEES AND DIRECTORS

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

	2019	2018
	No.	No.
Production	63	236
Administration	5	2
	<u>68</u>	<u>238</u>

The costs incurred in respect of these employees were:

	2019	2018
	£000	£000
Wages and salaries	4,091	14,269
Social security costs	8	8
Other pension costs	302	1,576
	<u>4,401</u>	<u>15,853</u>

Key management compensation

The directors consider the board to be the key management.

	2019	2018
	£000	£000
<i>Payments made to board directors</i>		
Aggregate fees and emoluments	<u>110</u>	<u>110</u>
<i>Including in respect of the highest paid director:</i>		
Salary and benefits	<u>70</u>	<u>70</u>

In addition, as set out in note 22, consultancy services were provided to the company during the year by Cadoc Limited, a company associated with the chairman, Tudor Davies.

There were no pension contributions made in respect of key management (2018: £nil).

Employee benefit obligations – overseas schemes

The UAE based branch of AssetCo contributes towards a statutory pension scheme to the Abu Dhabi government. The total cost in the year for this scheme was £235,000 (2018: £1,360,000).

8. FINANCE INCOME AND FINANCE COSTS

	2019	2018
	£000	£000
Finance costs on bonds and letters of credit	(70)	(83)
Finance income	9	5
	<u>(61)</u>	<u>(78)</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

9. DIVIDENDS

A final dividend for 2019 has not been recommended (2018: £nil).

10. INCOME TAX EXPENSE

	2019 £000	2018 £000
Current taxation		
UK corporation tax	—	—
Total current tax	<u>—</u>	<u>—</u>

The difference between the (loss)/profit on ordinary activities at an effective corporation tax rate of 19% (2018: 19%) ruling in the UK and the actual current tax shown above is explained below:

	2019 £000	2018 £000
(Loss)/Profit before tax	(763)	1,419
Tax at a standard rate of 19% (2018: 19%)	(145)	270
Factors affecting tax charge for the year: Income not taxable	(43)	(1,053)
Tax losses generated	188	783
	<u>—</u>	<u>—</u>

Changes to the UK corporation tax rates were substantially enacted as part of Finance Bill 2017 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 17% from 1 April 2020.

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period. There was no dilutive impact in either period therefore diluted earnings per share is equal to basic (loss)/earnings per share.

	2019 £000	2018 £000
(Loss)/Profit for the year – £000	(763)	1,419
Weighted average number of ordinary shares in issue – no.	12,211,163	12,211,163
Basic and diluted (loss)/earnings per share – pence	<u>(6.25)</u>	<u>11.62</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 October 2017	104	104
Additions in the year	26	26
Disposals	(104)	(104)
At 30 September 2018	26	26
Additions in the year	—	—
Disposals	—	—
At 30 September 2019	26	26
Accumulated depreciation		
At 1 October 2017	104	104
Disposals	(104)	(104)
Charge for the year	—	—
At 30 September 2018	—	—
Disposals	—	—
Charge for the year	26	26
At 30 September 2019	26	26
Net book value		
At 30 September 2019	—	—
At 30 September 2018	26	26

Security

As at 30 September 2019 the company provided no security in respect of property, plant and equipment (2018: £nil).

13. TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Trade receivables	11,054	—
Other receivables	83	166
Prepayments and accrued income	85	15,831
	11,222	15,997

Due to their short-term nature, the carrying value of trade and other receivables approximates to their fair value. Trade and other receivables, including accrued income, held in UAE dirhams amounted to £11,119,000 (2018: £15,726,000)

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables and accrued income. The company does not hold any collateral as security. There is a material concentration of credit risk due to the company's individual material debts being with the Abu Dhabi government. However, these are nationally backed and have an AA/Aa credit rating as well as there being a strong history of collection of trade debts due.

As of 30 September 2019, trade receivables of £nil (2018: £nil) were impaired. The amount of the provision was £nil (2018: £nil). No trade receivables were written off during the period (2018: £nil).

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

14. CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Cash at bank and in hand	17,101	16,800
Cash and cash equivalents	<u>17,101</u>	<u>16,800</u>
Cash and cash equivalents		
UK sterling	15,894	5,120
UAE dirhams	<u>1,207</u>	<u>11,680</u>
	<u>17,101</u>	<u>16,800</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. Balances are held with reputable banks with credit ratings of A and above.

In addition to the above, UAE dirhams amounting to £3,487,000 (2018: £2,140,000) were held on deposit as security in respect of outstanding performance and warranty bonds. See note 21 – Contingent Liabilities for further information.

15. TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Trade payables	166	1,003
Other payables	87	1,618
Other taxation and social security	3	3
Accruals	<u>1,699</u>	<u>2,369</u>
	<u>1,955</u>	<u>4,993</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 UAE dirhams amounted to £110,000 (2018: £1,831,000).

16. FINANCIAL ASSETS AND LIABILITIES

The following tables illustrate the categorisation and carrying value of financial assets and liabilities as at 30 September 2019:

Financial assets

	At amortised cost	
	2019 £'000	2018 £'000
Trade receivables	11,054	—
Other receivables and accrued income	83	15,801
Cash and cash equivalents	17,101	16,800
Cash held in respect of bonds	<u>3,487</u>	<u>2,140</u>
	<u>31,725</u>	<u>34,741</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

Financial liabilities

	At amortised cost	
	2019	2018
	£'000	£'000
Trade and other payables	<u>1,955</u>	<u>4,993</u>

Maturity analysis of financial liabilities

The following disclosures show the maturity profile of gross undiscounted cash flows of financial liabilities, excluding deferred income, as at 30 September 2019:

	Trade payables £000	Other payables and accruals £000	Other taxation and social security £000	Total £000
2019				
In one year or less	<u>166</u>	<u>1,786</u>	<u>3</u>	<u>1,955</u>
2018				
In one year or less	<u>1,003</u>	<u>3,987</u>	<u>3</u>	<u>4,993</u>

Currency risk

The company has used a sensitivity technique that measures the estimated change to the fair value of the company's financial instruments of a 10% strengthening in sterling against all other currencies from the closing rates as at 30 September 2019, with all other variables remaining constant. A 10% variation would have had an impact on the balance sheet of £1,286,000. Of this charge, £28,000 would be taken to the income statement.

	UK sterling £'000	UAE dirhams £'000	Total £'000	10% £'000
2019				
Financial assets	15,912	15,813	31,725	1,437
Financial liabilities	(290)	(1,665)	(1,955)	(151)
	<u>15,622</u>	<u>14,148</u>	<u>29,770</u>	<u>1,286</u>
2018				
Financial assets	5,195	29,546	34,741	2,686
Financial liabilities	(998)	(3,995)	(4,993)	(363)
	<u>4,197</u>	<u>25,551</u>	<u>29,748</u>	<u>2,323</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 materially representative of the company's exposure to currency risk during the year.

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

17. SHARE CAPITAL

	2019 £000	2018 £000
Allotted, issued and fully paid		
12,211,163 (2018: 12,211,163) ordinary shares of 10p each	1,221	1,221
90,712,740 (2018: 90,712,740) deferred shares of 24p each	21,771	21,771
501,425 (2018: 501,425) deferred shares of 495p each	2,482	2,482
	<u>25,474</u>	<u>25,474</u>

The rights attaching to the 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.

18. TAX LIABILITIES AND DEFERRED TAXATION

Deferred taxation

There was no deferred tax asset or liability recognised at 30 September 2019 (2018: £nil).

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 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 there is no basis on which to recognise deferred tax assets at 30 September 2019 or 30 September 2018. The unrecognised asset in respect of tax losses at 30 September 2019 amounts to £2,951,000 (2018: £2,946,000).

19. FUTURE CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided in these financial statements at 30 September 2019 (2018: £nil).

Operating lease commitments

The company 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:

	Property		Other assets	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	<u>14</u>	<u>38</u>	<u>—</u>	<u>4</u>

The company leases the commercial property from which it operates. The lease was 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 Financial Statements (continued)
for the year ended 30 September 2019

Adoption of IFRS 16, 'Leases'

IFRS 16 has become effective from 1 January 2019 and replaces IAS 17 'Leases' as the definitive accounting standard for the recognition, measurement and disclosure of leases. The company has adopted this standard from 1 October 2019. The standard allows a company to exempt certain leases from the accounting treatment otherwise required if the lease meets specific criteria, namely that the lease does not extend beyond 12 months in duration, that it does not contain and purchase options and that all leases of the same underlying asset receive the same treatment. The company has taken advantage of this exemption. Following this exemption being taken, there is not expected to be any significant impact of IFRS16 for the company.

20. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAX TO INFLOW/(OUTFLOW) FROM OPERATIONS NET CASH

	2019 £000	2018 £000
(Loss)/profit for the year before taxation	(763)	1,419
Depreciation and amortisation	26	—
Finance costs (note 8)	70	83
Finance income (note 8)	(9)	(5)
Decrease/(Increase) in receivables	5,670	(5,085)
(Decrease)/Increase in payables	(3,285)	135
Cash inflow/(outflow) from operations	<u>1,709</u>	<u>(3,453)</u>

21. CONTINGENT LIABILITIES

	Approximate maximum potential liability	
	2019 £'000	2018 £'000
Warranty bond related to a UAE based contract, expected to be released in full in 2020	<u>1,270</u>	<u>1,200</u>
Performance bond related to a UAE based contract, released in full in 2019	<u>—</u>	<u>1,050</u>
Performance bond related to a UAE based contract, expected to be released in full in 2020	<u>1,100</u>	<u>—</u>
Performance bond related to a UAE based contract, expected to be released in full in 2020	<u>1,100</u>	<u>—</u>

Notes to the Financial Statements (continued)
for the year ended 30 September 2019

22. RELATED PARTY TRANSACTIONS

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

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

Executive directors' remuneration

For the year ended 30 September 2019

	Salary £'000	Bonus £'000	Benefits in Kind £'000	Total emoluments £'000
Tudor Davies (see below)	<u>70</u>	<u>—</u>	<u>—</u>	<u>70</u>

For the year ended 30 September 2018

	Salary £'000	Bonus £'000	Benefits in Kind £'000	Total emoluments £'000
Tudor Davies (see below)	<u>70</u>	<u>—</u>	<u>—</u>	<u>70</u>

Tudor Davies was appointed Executive Chairman on 23 March 2011.

Consultancy services were provided by Cadoc Limited, a company associated with Tudor Davies, to AssetCo during the year at a cost of £141,000 (2018: £493,000), including at the balance sheet date an accrual of £47,000 (2018: £61,000). On conclusion of the court action against Grant Thornton, Cadoc Limited is entitled to a success fee of 15% of the funds realised from the litigation.

Non-executive directors' remuneration

	2019 £000	2018 £000
Mark Butcher	20	20
Christopher Mills	20	20
	<u>40</u>	<u>40</u>

Reimbursement of costs of £Nil (2018: £65,000) were made to the company by Harwood Capital LLP, one of the company's significant shareholders, in relation to legal action being taken by the company against the company's former auditors, including at the balance sheet date a receivable of £nil (2018: £nil).

23. POST BALANCE SHEET EVENTS

Grant Thornton's appeal against the judgement handed down against them on 31 January 2018 was heard at the Court of Appeal on 20 to 22 January 2020. The outcome of this hearing is expected before the summer of 2020. There are no other post balance sheet events.

