

Interim result for the six months ended 30 September 2009

Further strengthening of the integrated support services offering

KEY POINTS

Financial

- Profit before tax from continuing operations £5.4m (2008: £6.6m)
- Profits from our core Integrated Support Services up 25% to £3.9m (2008: £3.1m)

- Fully diluted EPS from continuing operations 5.9p (2008: 7.4p)
- Recourse debt reduced by 23% to £27.8m (2008: £34.3m)
- 70% of total debt relates to non-recourse asset finance on our long-term contracts (2008: 64%)

Operational

- Award of 7 year contract with London Fire and Emergency Planning Authority for the provision of an Emergency Fire Crew Capability Service to the London Fire Brigade
- 10 year Joint venture formed with Abu Dhabi Government for construction and operation of Rabdan Academy Disaster City
- Exit from low margin Vehicle Assembly business

John Shannon, Chief Executive Officer, commented:

“We continue to develop AssetCo into a fully integrated support services company, as demonstrated by the award of the London contingency solution and Rabdan Academy Disaster City contracts. We are well placed to build on our position further and look forward to future developments with confidence.”

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Report of the Chief Executive Officer

Introduction

During this period we have made significant progress in the development of our Integrated Support Services offering, particularly in our strategy to prioritise our efforts on those services which are accountable for the highest proportions of our clients' cost base. This has included the development of solutions that give our clients access to alternative delivery models for operational training and front-line operational services.

In July, the London Fire and Emergency Planning Authority (LFEPA), after a competitive tender process, awarded us the UK's first Reserve Fire Crew contract to provide an Emergency Fire Crew Capability Service to the London Fire Brigade of up to 700 staff, trained to provide a contingency fire fighting service. The award of this seven year contract will assist LFEPA in meeting its statutory duty to provide crew resilience if existing services require support in extreme situations such as pandemic illness or flooding.

In November, we formed a 10-year joint venture agreement with the Abu Dhabi Government's Critical National Infrastructure Authority (CNIA) to develop and manage a 100-acre multi-agency emergency services training centre, Rabdan Disaster City. Rabdan Disaster City will be an integral part, and is the first project, of the "Rabdan Academy", a programme to establish accredited education and training qualifications to personnel from multi-agency services in the Emirates, the Gulf Co-operation Council and Internationally.

As a result of the changing focus of our business in the UK and overseas, we continue to review and challenge the shape of the current business and are taking active steps to adapt it in order to focus on the changing needs of our clients. As part of this and following completion of a strategic review earlier in the year we have embarked upon an exit from our Vehicle Assembly business, and expect this to be completed by Spring 2010.

Financial Results for the six months ended 30 September 2009

The performance for the six months ended 30 September 2009 has resulted in a profit before taxation of £5.4m (six months ended 30 September 2008 £6.5m).

The financial results for the comparable period include approximately £1.8m of 'one off' project activity which has not been repeated, hence our underlying half year performance is significantly ahead of the comparable period.

Our performance reflects our strategy to focus on better quality sustainable revenue and to reduce our activity in high volume/low margin operations, where trading conditions are more difficult as a result of the current economic situation, and to be less reliant on "one-off" project activity.

Our core Integrated Support Services business delivered a 25% increase in profit to £3.9m (six months ended 30 September 2008 £3.1m). This improvement is as a result of both an expansion of our services and increased operating efficiency.

We have continued to reduce our recourse debt exposure to de-risk the business to current financial sector liquidity constraints. Recourse debt has reduced by 23% to £27.8m (£34.3m as at 30 September 2008).

Non recourse debt (long term contract asset finance) has increased by 5% to £63.6m (six months ended 30 September 2008 £60.9m) which reflects our continued investment in assets designed to deliver a best in class service to our partners.

70% of our total debt as at 30 September 2009 related to non-recourse debt compared to 64% as at 30 September 2008.

Net operating cash flow was £11.4m (six months ended 30 September 2008: £12.4m).

Despite the adverse stock market conditions, our defined benefit pension scheme continues to operate a healthy surplus.

Strategy

We continue to adapt our business proposition to deliver measurable and significant long-term sustainable benefit to our clients and prospective clients

Integrated Support Services

UK

The 2009 Government Budget Report highlighted the fact that the UK is entering a period of unprecedented Public Sector fiscal pressure. The requirement for all UK Fire and Rescue Authorities to deliver efficiency savings from continued modernisation will now be much greater and more pressing than initially anticipated. Our experience and track record and the increased breadth of our integrated support services offering mean that we are well positioned to deliver sustainable long-term growth in this environment.

Internationally

London Fire Brigade is recognised internationally as the world's leading fire and rescue service and our partnership model provides an operating template against which we can measure other services and deliver change and improvement. The establishment of our joint venture with the Abu Dhabi Government, positions us well to work with the various agencies that deliver a fire and rescue service to the UAE, to allow them to consider alternative delivery models for all their operational service requirements.

Specialist Equipment

Following our strategic review of our Specialist Equipment business, we have re-branded all the previously independent operations, (AS Fire and Rescue, Fire Safety Equipment, Collins Youldon, Blue Amber Red and Todd Research) as Supply999.

Supply999 now offers an integrated equipment solution to UK Fire and Rescue. It holds the UK Government Procurement Framework agreements for our complete equipment portfolio, and has successfully begun to open up new international markets, both with and independent of the AssetCo Integrated Services business. We continue to review each of the product lines within the portfolio to ensure we have "best in class" assets and the requisite OEM support.

Current Trading

The group has continued to trade in line with the board's expectations in the six weeks since the half year end.

Outlook

As our understanding of the long-term requirements of our clients and prospective clients has developed, we have evolved our business model and increased the intellectual and operational capabilities of the group. That we are recognised as the partner of choice for “pathfinder” contracts in the UK and Government joint ventures in the UAE, demonstrates the progress made in establishing our Integrated Support Services business as a compelling proposition both at home and overseas and leaves us well positioned for the future.

John Shannon
Chief Executive Officer

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Six months ended	
	30.9.09	30.9.08
	£'000	£'000
Revenue	27,862	28,904
Cost of sales	<u>(11,291)</u>	<u>(11,959)</u>
Gross profit	<u>16,571</u>	<u>16,945</u>
Administrative expenses	<u>(8,684)</u>	<u>(6,890)</u>
	(8,684)	(6,890)
Other gains	-	200
Restructuring costs	<u>(132)</u>	<u>(554)</u>
Operating profit	<u>7,755</u>	<u>9,701</u>
Finance income	431	440
Finance costs	<u>(2,752)</u>	<u>(3,534)</u>
Profit before taxation	<u>5,434</u>	<u>6,607</u>
Taxation	<u>(730)</u>	<u>(1,142)</u>
Profit for the period from continuing operations	<u>4,704</u>	<u>5,465</u>
Discontinued operations		
Loss for the period from discontinued operations	<u>(1,588)</u>	<u>(594)</u>
Profit for the period	<u><u>3,116</u></u>	<u><u>4,871</u></u>
Earnings per share (pence)		
From continuing operations		
Basic	<u>5.9p</u>	<u>7.4p</u>
Diluted	<u>5.9p</u>	<u>7.4p</u>
From continuing and discontinued operations		
Basic	<u>3.9p</u>	<u>6.5p</u>
Diluted	<u>3.9p</u>	<u>6.5p</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Profit for the period	3,116	4,871
Gains/(losses) in relation to interest rate hedging	150	(200)
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	<u>3,266</u>	<u>4,671</u>

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	30.9.09 £'000	31.03.09 £'000	30.9.08 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		78,211	76,877	80,204
Goodwill		57,081	57,081	54,060
Other intangible assets		6,288	5,666	1,610
Investment in associates		414	414	414
Deferred tax asset		3,770	4,572	1,817
Retirement benefit surplus		429	429	429
		<u>146,193</u>	<u>145,039</u>	<u>138,534</u>
Current assets				
Inventories		7,285	6,607	8,160
Trade and other receivables		17,118	23,997	15,678
Cash and cash equivalents		17,136	22,498	10,880
Derivative financial instruments		-	-	2,190
		<u>41,539</u>	<u>53,102</u>	<u>36,908</u>
Total assets		<u>187,732</u>	<u>198,141</u>	<u>175,442</u>
EQUITY				
Attributable to equity holders of the Company				
Issued share capital		22,678	18,345	18,104
Equity component of compound financial instruments		7,917	7,917	-
Share premium account		29,288	26,115	25,584
Reverse acquisition reserve		(11,701)	(11,701)	(11,701)
Hedge reserve		(4,980)	(5,130)	1,577
Translation reserve		(304)	(304)	356
Other reserve		580	580	184
Retained earnings		17,715	15,739	15,659
Total equity		<u>61,193</u>	<u>51,561</u>	<u>49,763</u>
LIABILITIES				
Non-current liabilities				
Borrowings		76,381	81,676	81,714
Liability component of compound financial instruments		7,045	7,045	-
Deferred income tax liabilities		6,684	6,756	7,082
		<u>90,110</u>	<u>95,477</u>	<u>88,796</u>
Current liabilities				
Trade and other payables		14,478	27,135	23,428
Borrowings		14,976	16,843	13,455
Derivative financial instruments		6,975	7,125	-
		<u>36,429</u>	<u>51,103</u>	<u>36,883</u>
Total liabilities		<u>126,539</u>	<u>146,580</u>	<u>125,679</u>
Total equity and liabilities		<u>187,732</u>	<u>198,141</u>	<u>175,442</u>

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS(UNAUDITED)

		Six months ended	
	Note	30.9.09	30.9.08
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	4	5,755	5,931
Finance costs		(2,752)	(3,534)
Net cash generated from operating activities		<u>3,003</u>	<u>2,397</u>
Cash flows from investing activities			
Purchase of intangible assets		(1,305)	(34)
Purchases of property, plant and equipment		(4,807)	(7,039)
Proceeds from sale of property, plant and equipment		-	3,846
Net cash used in investing activities		<u>(6,112)</u>	<u>(3,227)</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		7,506	-
Dividends paid		(1,140)	-
Net (decrease)/increase in borrowings		(6,905)	8,084
Net (repayments of)/increase in finance leases		(279)	1,975
Finance income		431	440
Net cash gained in financing activities		<u>(387)</u>	<u>10,499</u>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts			
		<u>(3,496)</u>	9,669
Cash, cash equivalents and bank overdrafts at beginning of period		<u>18,805</u>	394
Cash, cash equivalents and bank overdrafts at end of period		<u><u>15,309</u></u>	<u><u>10,063</u></u>

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Hedging reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2008	17,958	25,197	(11,701)	1,777	356	384	11,506	45,477
Profit for the period	-	-	-	-	-	-	4,671	4,671
Shares issued in the period	146	387	-	-	-	-	-	533
Movement relating to share- based payments	-	-	-	-	-	(200)	200	-
Dividends paid	-	-	-	-	-	-	(718)	(718)
Comprehensive income movement on hedge	-	-	-	(200)	-	-	-	(200)
At 30 September 2008	18,104	25,584	(11,701)	1,577	356	184	15,659	49,763
Shares issued in the period	8,158	531	-	-	-	-	-	8,689
Comprehensive income movement on hedge	-	-	-	(6,707)	-	-	-	(6,707)
Comprehensive income movement on exchange	-	-	-	-	(660)	-	-	(660)
Movement relating to share based payments	-	-	-	-	-	396	-	396
Profit for the period	-	-	-	-	-	-	80	80
At 1 April 2009	26,262	26,115	(11,701)	(5,130)	(304)	580	15,739	51,561
Profit for the period	-	-	-	-	-	-	3,116	3,116
Shares issued in the period	4,333	3,173	-	-	-	-	-	7,506
Dividends paid	-	-	-	-	-	-	(1,140)	(1,140)
Comprehensive income movement on hedge	-	-	-	150	-	-	-	150
At 30 September 2009	30,595	29,288	(11,701)	(4,980)	(304)	580	17,715	61,193

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Legal status and activities

AssetCo plc (“the Company”) and its subsidiaries (together “the Group”) are principally involved with the provision of integrated support services to the emergency services market.

The Company 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 Company is listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange.

The Company’s accounts for the year ended 31 March 2009 have been delivered to the Registrar of Companies. Those accounts have received an unqualified audit report which did not contain statements under Section 237 (2) and (3) of the Companies Act 1985.

These financial statements are not statutory accounts within the meaning of Section 240 of the Companies Act 1985.

These Group consolidated interim financial statements were authorised for issue by the Board of Directors on 7 December 2009.

2 Basis of preparation of the interim report

The accounts comply with the AIM Rules and have been prepared on a basis consistent with the revenue and recognition principles of International Financial Reporting Standards (“IFRS”). The interim financial information has been prepared on a basis which is consistent with the accounting policies adopted by the Group for the last financial statements and should be read in conjunction with these financial statements. The Group has chosen not to adopt IAS 34, “Interim Financial Reporting”.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. Primary segment information

For management purposes, the Group is organised into three main business segments as follows:

Integrated Support Services – provision of integrated support services to the fire and rescue market

Specialist Equipment – sale and supply of specialist equipment to emergency services and the homeland security market

Non Emergency – provision of asset management and other services.

Six months ended 30 September 2009

	Integrated Support Services £'000	Specialist Equipment £'000	Non Emergency	Group £'000
Continuing operations				
Segment revenue	16,167	6,245	5,450	27,862
Segment result	3,915	1,441	78	5,434

Six months ended 30 September 2008

	Integrated Support Services £'000	Specialist Equipment £'000	Non Emergency	Group £'000
Continuing operations				
Segment revenue	16,868	7,352	4,684	28,904
Segment result	3,142	2,105	1,360	6,607

4. Reconciliation of profit before tax to net cash generated from operations

	Six months ended 30.9.09 £'000	Six months ended 30.9.08 £'000
Profit before taxation	5,434	6,607
Adjustments for:		

- Depreciation and amortization	3,684	3,286
- Profit on disposal of property, plant and equipment	-	(200)
- Increase in share-based payments	-	(200)
- Movement in provisions	-	(428)
- Cash outflow from discontinued operations	(1,588)	(594)
- Finance income	(431)	(440)
- Finance costs	2,752	3,534
Changes in working capital		
- Inventories	(678)	(5,117)
- Trade and other receivables	7,681	(3,446)
- Trade and other payables	(11,099)	2,929
	<hr/>	<hr/>
Cash generated from operations	5,755	5,931
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5. Post balance sheet event

On 6th October Auto Electrical Services (Manchester) Limited was sold on a no gain/no loss basis to SR Consulting Limited.

6. Dividend paid during the period

A dividend relating to the year ended 31 March 2009 of 1.25 pence per share was paid on 26 September 2009. This amounted to £1,140,000.