

# Interim Results

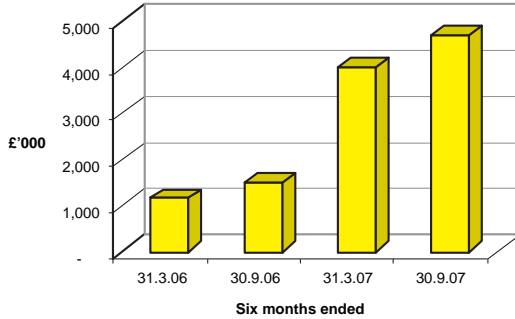
Six months ended 30th September 2007



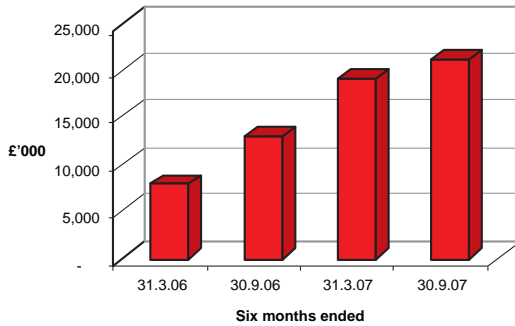
## Company information

<b>Company registration number</b>	4966347	
<b>Registered office</b>	800 Field End Road South Ruislip Middlesex HA4 0QH	
<b>Directors</b>	Tim Wightman (Chairman) John Shannon Frank Flynn Adrian Bradshaw David Chisnall OBE	
<b>Secretary</b>	Michael Lavender	
<b>Bankers</b>	Bank of Scotland (Ireland) Donegall Square North Belfast BT1 5GB	HBoS Plc The Mound Edinburgh EH1 1YZ
<b>Solicitors</b>	Nabarro Lacon House 84 Theobald's Road London WC1X 8RW	
<b>Auditors</b>	Grant Thornton UK LLP Churchill House Chalvey Road East Slough Berkshire SL1 2LS	
<b>Nominated advisor, financial adviser and corporate broker</b>	Hoare Govett Limited 250 Bishopsgate London EC2N 4AA	
<b>Registrar</b>	Computershare Investor Services Plc PO Box 1075 The Pavillion Bridgewater Road Bristol BS99 3FA	
<b>Website</b>	<a href="http://www.assetco.com">www.assetco.com</a>	

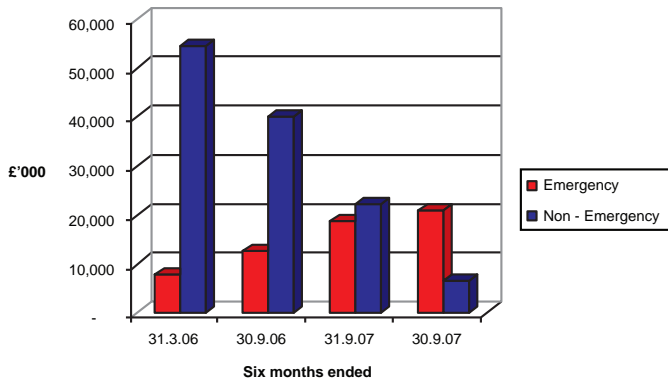
Profit before taxation





Turnover – Emergency



Turnover – Emergency and Non-Emergency



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### Introduction

Our strong trading performance for the half year to 30 September 2007 reflects:

- i) The significant growth of our core 20-year Fire and Rescue Service ("FRS") contracts, driven by the expansion in our service capabilities; and
- ii) The early benefits from our establishment of an integrated supply chain offering to the FRS market.

In line with our strategy as outlined in our Annual Report we continue to:

- Position the business as a long-term support services partner for the emergency services;
- Wind down non-emergency business activities; and
- Streamline our internal operations for performance and cost efficiency.

### International Financial Reporting Standards

This is the first set of financial statements that we are required to prepare in accordance with International Financial Reporting Standards ("IFRS"). In preparing these financial statements we have started from an opening balance sheet at 1 April 2006, our transition date to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for first time adoption of IFRS. Under IFRS the business combination of AssetCo and Asfare, which took place in March 2007, is required to be treated as a reverse acquisition. The transition to IFRS is explained more fully in Note 8 to these interim financial statements

### Financial results for the six months ended 30 September 2007

We are pleased to report a strong performance for the six months ended 30 September 2007 with profit before tax increasing by 213% to £4.7 million (Six months ended 30 September 2006: £1.5 million) on turnover of £27.6 million (Six months ended 30 September 2006: £52.9 million).

Our strategy to progressively move out of non-emergency business activities is reflected in the reduction in turnover. Revenue from non-emergency fleet management contracts reduced from £36.2 million in the six months ended 30 September 2006 to £6.4 million in the period under review. Non-emergency revenues will continue to decline as contracts reduce.

EBITDA (before share based payments) for the six months ended 30 September 2007 rose to £11.6 million (Six months ended 30 September 2006: £8.1 million) as the table below shows.

	Six months ended	
	<b>30.907</b>	30.906
	<b>£'000</b>	£'000
Operating profit	<b>7,101</b>	3,559
Depreciation (Note 4)	<b>4,199</b>	4,588
Share-based payments	<b>281</b>	-
EBITDA	<b>11,581</b>	8,147

Fully diluted earnings per share rose by 70% to 5.6 pence (Six months ended 30 September 2006: 3.3 pence).

Net assets at 30 September 2007 were £32.7 million (30 September 2006: £6.5 million).

### Strategy

The emergency services, and particularly the FRS market in the UK, has been moving progressively towards the procurement of fully outsourced support services. Our strategy is to organise and equip the business with sufficient scale, skills, and capabilities to best position us to compete successfully in this sector where we can leverage off significant existing client relationships.

Overseas opportunities have allowed us to consider how to respond to demand from new markets for the application of our knowledge, expertise and operational support services.

### Organisation

Our core business is based on improving our clients' business support functions and processes to deliver operational and financial performance benefits. During the period under review we have begun to benefit from the application of this expertise following our establishment of a "near-shore" integrated back office function which is already delivering clear synergies in traditionally dispersed administrative functions.

In recognition of how our clients organise their operations to best meet their needs, we formed two distinct and dedicated business units focusing on support for Emergency Services and Emergency Equipment respectively.

## Report of the chief executive officer

Demand for outsourcing operational support is increasingly driven by Government response to changing environmental and terrorist threats. As a recognised and leading partner to the Fire and Rescue and other emergency sectors, we consider the business to be well positioned to provide operational excellence, long-term capability and sustainable managed service solutions. The business is now even more effectively organised and positioned for scale and growth.

The accelerated pace of investment in new technology and essential equipment to support the changing demands of the emergency services now requires a new breed of supplier with the capability to instigate and sustain a level of innovation, product development and secure supply chain never before seen in this industry. By reorganising our business to set up a unit dedicated to the development, design, build and sourcing of such specialist equipment we now provide the market with a fully integrated supply chain providing access to the best of breed products and technology internationally available.

The emergency services are highly dependent upon appropriately skilled, competent, and compliant resources. Recent trends in environmental and climatic conditions and exposure to greater terrorist threat has accentuated that dependency. With recruitment, training and staffing, the Fire and Rescue Service alone invests more than £2.1 billion (82% of the total annual budget) on resource-related deployment. Recognising the challenges this brings for the sector, we have recently formed an Emergency Resources function which will offer a specialist human resources solutions to the emergency services sector. Jeff Ord CBE, who is currently HM Inspector of Fire for Scotland, will join the Group on 1 December 2007 to head up this new operation to support both UK based and overseas opportunities.

The management of the business is set up in such a way as to ensure the expertise and synergies of each unit are appropriately exploited to be of benefit to all clients and to complement our commercial goals.

### Acquisition and investment

We continue to identify and integrate businesses which provide specialist skills and services which will enhance our overall offering to the emergency services and we are pleased to have recently completed the following synergistic acquisition and strategic investment.

#### AES Group

AES designs, builds and installs integrated electrical and communication systems for specialist emergency services vehicles and national communications projects such as FireLink. It is a current provider to the Fire and Rescue Services' New Dimensions project, contracted and operated by Communities and Local Government, and brings a complementary set of technology and communication skills to enhance the design, engineering

and build capability offered by the Group's Papworth Specialist Vehicles subsidiary.

The company has also developed and recently launched a telemetry product, M-Flow, specifically for the emergency services market which enables the capture of real time data from vehicles and the transmission of that information via GPRS or Wi-Fi to fleet managers. Already adopted by a number of police forces in the UK, including for use in helicopters, and as part of the New Dimensions project, the technology will greatly enhance the nature and efficiency of support and maintenance operations for all types of emergency services fleets and make significant breakthroughs in their ability to reduce carbon emissions and achieve searching environmental targets set by Government. We believe there are exciting growth opportunities for this product with both existing and new clients.

AES, with revenues of £4 million per annum, was acquired on 23 November 2007 for £2.2 million, comprising £1.25 million of cash and £0.95 million satisfied by the issue of new shares, on a multiple of four times earnings. In addition, deferred consideration of up to £1.8 million may be payable.

#### Miqest Limited

Miqest provides integrated software solutions to the emergency services for the management of assets. Using barcode and RFID technologies, the company's services and solutions address the needs of basic asset location tracking, tracking asset maintenance regimes, including mobile assets such as fleet, protective clothing and equipment, the management of facilities, information and technology and the tracking of personnel.

The product is well established in the FRS market and is currently adopted by both our existing client, London Fire and Emergency Planning Authority ("LFEPA"), and the New Dimensions project.

On 26 November 2007 we acquired a 25% strategic position in Miqest for £380k. Following two years of software development, Miqest reported profit before tax of £50k on turnover of £300k in the year to 31 March 2007. The business has secured orders of £700k for 2008.

The integration of M-Flow and Miqest product offerings will provide the business with the ability to deliver an integrated asset management solution.

Further niche acquisitions have been identified and are currently under negotiation.

#### Disposal

As part of our ongoing wind down of non-emergency business activities, we have entered into an unconditional agreement to dispose of a small niche part of our Northern Ireland business for £1.5 million (net assets of £0.5 million). This transaction is scheduled to complete on or before 31 December 2007.

### Current trading

Trading in quarter three has been ahead of the Board's expectations and trading conditions around the Group remain favourable with opportunities increasing in all key areas of business activity.

We are continuing our active pre-contract work in connection with the national New Dimensions and Fireguard contracts which are expected to be awarded by the summer of 2008. The New Dimensions contract, estimated at £130 million over a 16-year period, is to provide a total managed service solution for specialist vehicles and equipment deployed following 9/11.

The Fireguard Business Continuity contract is to provide an outsourced business continuity solution for emergency fire crew capability to support the FRS's statutory obligations under the Civil Contingency Act.

New business development opportunities continue to increase. Several Fire and Rescue Authorities ("FRAs") are informally grouping together to consider the purchase of outsourced services and we have been actively supporting this move. This collaboration, in process terms, extends the conversion timing but provides larger combined opportunities with more scope and benefit for our products and services. There are now 12 FRAs who are at a variety of stages of maturity and from which the first contract is anticipated to come to market in quarter four of the current financial year.

While this business development activity has continued, our account management and service delivery teams have continued to grow our existing business organically capitalising on the requirement for more wide ranging and sophisticated support services as demands on the Fire and Rescue Services increase nationally. We have seen strong organic growth in the contracts with our existing clients.

### LFEPA

Significant contract revenue gains have been achieved in the period under review. The total value of the contract with LFEPA which had a value of £292 million at inception and £400 million at 31 March 2007, had increased to £489 million at 30 September 2007, to be realised over the twenty year term of the contract.

We have successfully managed the largest build programme ever undertaken in the UK Fire industry with the supply of 102 new fire appliances and over 40 other specialist vehicles and numerous pieces of sophisticated technical operational equipment. This equipment represents an investment of £28 million.

### LFR

The contract with Lincolnshire Fire and Rescue Service ("LFR"), which is still in its implementation phase, has grown in value from £59 million to £65 million in the six months to 30 September 2007.

We are currently working with LFR to introduce 23 refurbished (ex London) and 33 new fire appliances. The value of this programme is approximately £8 million and is due to be completed by 31 March 2008.

These support service contracts will provide LFEPA and LFR with the most modern equipment available to meet the operational challenges being faced by the UK FRS.

### Dividend

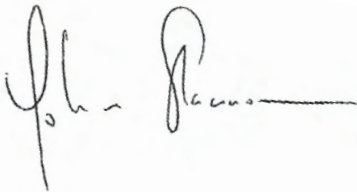
It is the Board's current intention to declare a dividend based on the results for the year ending 31 March 2008

### Outlook

We have had a successful six months in terms of meeting our financial and operational targets. We are confident that this progress can be maintained and that the increase in capabilities from our recent acquisition and investment, and the launch of the new Emergency Resource function, will ensure that we are ideally placed to leverage off the knowledge and expertise gained in our unique business partnership model with LFEPA and LFR to the benefit of emerging national and international demand.

Our ongoing business development efforts in the UK and now overseas continue to exploit our first mover advantage, positioning us well for major long term contracts, and we look forward to further positive outcomes during 2008.

Our drive to support collaboration in our existing FRA pipeline will not impact on our ability to deliver our forecast growth in 2008/9 as we continue to unlock efficiencies across the business and expand our service penetration with existing clients.



**John Shannon**  
Chief Executive Officer

27 November 2007

# Report on review of interim financial information

## Introduction

We have been engaged by the company to review the financial information in the interim report for the six months ended 30 September 2007 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim statement of changes in equity and the consolidated interim cash flow statement and the related notes 1 to 8. We have read the other information contained in the interim report which comprises the report of the Chief Executive Officer and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusion we have formed.

## Directors' responsibilities

The interim report is the responsibility of, and has been approved by the directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the interim report based on our review.

## Scope of review

We conducted our review in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards of Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that any material modification should be made to the financial information in the interim report for the six months ended 30 September 2007.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH

27 November 2007

## Consolidated interim income statement (unaudited)

	Six months ended	
	30.9.07	30.9.06
	£'000	£'000
Revenue	27,634	52,941
Cost of sales	<u>(13,380)</u>	<u>(46,582)</u>
Gross profit	<u>14,254</u>	<u>6,359</u>
Administrative expenses	(6,872)	(2,938)
Administrative expenses – share-based payments	<u>(281)</u>	<u>-</u>
	(7,153)	(2,938)
Other gains/losses - net	<u>-</u>	<u>138</u>
Operating profit	<u>7,101</u>	<u>3,559</u>
Finance income	96	80
Finance costs	<u>(2,529)</u>	<u>(2,168)</u>
Profit before taxation	<u>4,668</u>	<u>1,471</u>
Taxation	(883)	113
Profit for the period	<u>3,785</u>	<u>1,584</u>
<b>Earnings per share</b>		
Basic	<u>5.6p</u>	<u>3.3p</u>
Diluted	<u>5.5p</u>	<u>3.3p</u>

## Consolidated interim balance sheet (unaudited)

		30.9.07	30.9.06
	Note	£'000	£'000

### Assets

<b>Non-current assets</b>			
Property, plant and equipment	4	74,497	45,503
Goodwill		38,738	34,327
Other intangible assets		144	6
Retirement benefit surplus		329	329
		<u>113,708</u>	<u>80,165</u>
<b>Current assets</b>			
Inventories		3,043	3,010
Trade and other receivables		12,232	30,350
Cash and cash equivalents		11,854	875
		<u>27,129</u>	<u>34,235</u>
<b>Total assets</b>		<u>140,837</u>	<u>114,400</u>

### Equity

<b>Attributable to equity holders of the Company</b>			
Issued share capital		16,800	100
Share premium account		17,890	2,971
Reverse acquisition reserve		(11,701)	-
Other reserve		281	-
Retained earnings		9,411	3,438
<b>Total equity</b>		<u>32,681</u>	<u>6,509</u>

### Liabilities

<b>Non-current liabilities</b>			
Borrowings		75,012	49,193
Deferred income tax liabilities		3,958	1,814
Retirement benefit obligations		42	-
		<u>79,012</u>	<u>51,007</u>
<b>Current liabilities</b>			
Trade and other payables		16,416	43,287
Current income tax liabilities		285	-
Financial liabilities		-	9,129
Borrowings		12,443	4,468
		<u>29,144</u>	<u>56,884</u>
<b>Total liabilities</b>		<u>108,156</u>	<u>107,891</u>
<b>Total equity and liabilities</b>		<u>140,837</u>	<u>114,400</u>

## Consolidated interim statement of changes in equity (unaudited)

	Share capital	Share premium account	Reverse acquisition reserve	Other reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2006	100	2,971	-	-	1,854	4,925
Profit for the period	-	-	-	-	1,584	1,584
<b>At 30 September 2006</b>	<b><u>100</u></b>	<b><u>2,971</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,438</u></b>	<b><u>6,509</u></b>
Profit for the period	-	-	-	-	3,855	3,855
Accounting for the reverse acquisition (see note 8)	<u>16,700</u>	<u>14,919</u>	<u>(11,701)</u>	<u>-</u>	<u>(1,667)</u>	<u>18,251</u>
At 31 March 2007	<u>16,800</u>	<u>17,890</u>	<u>(11,701)</u>	<u>-</u>	<u>5,626</u>	<u>28,615</u>
Profit for the period	-	-	-	-	3,785	3,785
Movement relating to share-based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>281</u>	<u>-</u>	<u>281</u>
<b>At 30 September 2007</b>	<b><u>16,800</u></b>	<b><u>17,890</u></b>	<b><u>(11,701)</u></b>	<b><u>281</u></b>	<b><u>9,411</u></b>	<b><u>32,681</u></b>

## Consolidated interim cash flow statement (unaudited)

		Six months ended	
		30.9.07	30.9.06
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	5	9,969	13,790
Finance costs		(2,529)	(2,168)
<b>Net cash generated from operating activities</b>		<u>7,440</u>	<u>11,622</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(1,879)	-
(Purchase)/sale of intangible assets		(100)	2
Purchases of property, plant and equipment		(28,041)	(3,459)
Proceeds from sale of property, plant and equipment		180	6,818
<b>Net cash used in investing activities</b>		<u>(29,840)</u>	<u>3,361</u>
<b>Cash flows from financing activities</b>			
Net increase in/(repayments of) borrowings		27,335	(2,126)
Net repayments of finance leases		(3,408)	(14,285)
Finance income		96	80
<b>Net cash used in financing activities</b>		<u>24,023</u>	<u>(16,331)</u>
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>		<b>1,623</b>	<b>(1,348)</b>
Cash, cash equivalents and bank overdrafts at beginning of period		<u>10,231</u>	<u>2,223</u>
Cash, cash equivalents and bank overdrafts at end of period		<u>11,854</u>	<u>875</u>

# 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 management services to the emergency services market. Other Group companies are engaged in automotive engineering, the provision of asset management services and the supply of specialist equipment to the homeland security 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 has its primary listing on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The Company's accounts for the year ended 31 March 2007 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 financial statements have not been audited but have been the subject of a review. The scope of the review is set out on page 8.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 27 November 2007.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

The 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") that will be adopted when the Group prepares its first annual IFRS accounts at 31 March 2008. The company has chosen not to adopt IAS 34, Interim Financial Reporting.

This is the first period in which the financial statements have been prepared under IFRS. A summary of the impact of the transition from UK GAAP to IFRS can be found in Note 8.

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..

#### a) Standards, amendments and interpretations effective for the year ended 31 March 2008 but not yet relevant to the Group's operations

There are no standards, amendments or interpretations effective for the year ended 31 March 2008 that are not yet relevant to the Group's operations.

#### b) Interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but which the Group has not early adopted:

### Standards

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. Management is currently assessing the impact of IFRS 8 on the Group's operations.

IAS 1 (revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). IAS 1 (revised) sets out revisions to the presentation of financial information. Management is currently assessing the impact of IAS 1 (revised) on the financial statements of the Group.

### Interpretations

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 is not relevant to the Group's operations.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations.

IFRIC 14, IAS 9 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). Management is currently assessing the impact of IFRIC 14 on the Group's operations.

### 2.2 Consolidation

#### a) Reverse acquisition accounting

Under IFRS 3 Business Combinations, the acquisition of AssetCo Group Limited by the Company has been accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of AssetCo Group Limited.

# Notes to the interim financial statements (unaudited)

## b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

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

## c) Recognition of assets and liabilities as part of a business combination

In accordance with IFRS 3, Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separated from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair value of the complimentary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

## 2.3 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### Rendering of services

Revenue from services rendered is recognised by reference to the stage of completion of the transaction. Stage of completion is measured by reference to the number of labour hours incurred to date as a percentage of total labour hours expected to be incurred.

Revenue from services provided on a short-term or one-off basis is recognised when the service is complete.

### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured and recovery of consideration is considered probable, usually on despatch of goods.

### Leasing

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

### Maintenance contracts

Long-term maintenance contracts are reviewed on an annual basis to assess the reasonableness of their reported profitability in respect of recognised turnover and related costs. Turnover and costs on these contracts are recognised in the period services are delivered or received respectively

## 2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## 2.5 Foreign currency translation

### a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic

# Notes to the interim financial statements (unaudited)

environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling (£), which is the Company's functional and presentation currency.

## b) Transactions and balances

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

## 2.6 Government grants

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

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

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

## 2.7 Property, plant and equipment

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

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

Borrowing costs incurred specifically for the construction of an item of property, plant and equipment are capitalised.

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

Office furniture and equipment	4 – 7 years
IT equipment	2 – 3 years
Motor vehicles	3 – 4 years
Leasehold improvements	Over the term of the lease
Fixtures and fittings	3 – 5 years
Equipment, plant and machinery	2 – 12 years

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 "other (losses)/gains – net" in the income statement.

## 2.8 Intangible assets

### Goodwill

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

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

### Computer software

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

# Notes to the interim financial statements (unaudited)

Computer software development costs recognised as assets are amortised over their estimated useful lives which do not exceed three years

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

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

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

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

## 2.9 Inventories

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

## 2.10 Trade receivables

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

uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

## 2.11 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.

## 2.12 Equity

### Issued share capital

Ordinary shares are classified as equity.

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

### Share premium

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

### Reverse acquisition reserve

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

### Other reserve

The other reserve represents equity-settled share-based employee remuneration until such share options are exercised.

## 2.13 Research and development

The Group incurs expenditure on research projects and on projects to apply research findings to develop new or substantially improved products. This expenditure is recognised in the income statement as an expense as incurred.

Once detailed criteria have been met that confirm that the product is both technically and commercially feasible, any further expenditure incurred on the project is capitalised if the expenditure is expected to be material.

## 2.14 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.15 Leases

#### Group as a lessee

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

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

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

#### Group as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

### 2.16 Income taxes

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

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

Deferred income tax is provided in full, using the liability method,

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

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

### 2.17 Trade payables

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

### 2.18 Employee benefits

#### Pension obligations – defined benefit schemes

Group companies operate two defined benefit pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Typically, a defined benefit pension plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent upon one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit surplus or obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit surplus or obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

## Notes to the interim financial statements (unaudited)

The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance revenue or cost.

Past-service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses are recognised as an expense and charged or credited to the income statement over the employees' expected average remaining working lives. The resulting surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown within other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

### Pension contributions – defined contribution scheme

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

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

### Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, for example, profitability. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### Termination benefits

Termination benefits are payable when an employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed

formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

## 2.19 Financial instruments

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

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

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.

## 2.20 Provisions

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

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

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

## 2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders

## Notes to the interim financial statements (unaudited)

### 3. Primary segment information

The Group is organised into two main business segments which are the Emergency Services Division, and the Emergency Equipment Division. The legacy non-core business of fleet management is separately disclosed as Non Emergency.

All assets and liabilities of the Group are allocated to individual segments.

#### Six months ended 30 September 2007

	Emergency Services	Emergency Equipment	Non Emergency	Consolidation adjustments	Group
	£'000	£'000	£'000	£'000	£'000
<b>Continuing operations</b>					
Segment revenue	11,393	32,470	6,355	(22,584)	27,634
Segment result	2,509	2,387	53	(281)	4,668

The consolidation adjustments relate to the elimination of inter-segment sales (£22.584 million) and a charge for share-based payments (£281,000).

#### Six months ended 30 September 2006

	Emergency Services	Emergency Equipment	Non Emergency	Consolidation adjustments	Group
	£'000	£'000	£'000	£'000	£'000
<b>Continuing operations</b>					
Segment revenue	10,315	6,392	36,234	-	52,941
Segment result	1,972	27	1,457	(1,985)	1,471

The consolidation adjustments relate to the movement on the valuation of the pension scheme and an effective finance cost on the fair value of shares classified as financial liabilities.

## Notes to the interim financial statements (unaudited)

### 4. Property, plant and equipment

#### Six months ended 30 September 2006

Group	Leasehold improvements	Fixtures and fittings	Equipment, plant and machinery	Assets under long-term arrangements	Total
	£'000	£'000	£'000	£'000	£'000
Opening net book amount at 1 April 2006	1,129	1,847	13,680	36,656	53,312
Additions	588	5	1,488	1,378	3,459
Net book value of disposals	-	-	-	(6,680)	(6,680)
Depreciation	(36)	(16)	(1,900)	(2,636)	(4,588)
Closing net book amount at 30 September 2006	<u>1,681</u>	<u>1,836</u>	<u>13,268</u>	<u>28,718</u>	<u>45,503</u>

#### Six months ended 30 September 2007

	Leasehold improvements	Fixtures and fittings	Equipment, plant and machinery	Assets under long-term arrangements	Total
	£'000	£'000	£'000	£'000	£'000
Opening net book amount at 1 April 2007	1,996	1,850	10,571	36,418	50,835
Additions	15	10	2,950	25,066	28,041
Net book value of disposals	-	-	-	(180)	(180)
Depreciation	(102)	(21)	(383)	(3,693)	(4,199)
Closing net book amount at 30 September 2007	<u>1,909</u>	<u>1,839</u>	<u>13,138</u>	<u>57,611</u>	<u>74,497</u>

## Notes to the interim financial statements (unaudited)

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

		Six months ended	Six months ended
		30.9.07	30.9.06
		£'000	£'000
<b>Profit before taxation</b>		<b>4,668</b>	1,471
<b>Adjustments for:</b>	<b>Adjustments for:</b>		
- Depreciation		4,199	4,588
- Profit on disposal of property, plant and equipment		-	(138)
- Increase in share-based payments		281	-
- Decrease in retirement benefit obligations		-	(101)
- Finance income		(96)	(80)
- Finance costs		2,529	2,168
<b>Changes in working capital</b>			
- Inventories		1,192	5,619
- Trade and other receivables		1,820	17,009
- Trade and other payables		(4,624)	(16,746)
<b>Cash generated from operations</b>		<b>9,969</b>	<b>13,790</b>

### Reconciliation of net cash flow to movement in net debt

		Six months ended	Six months ended
		30.9.07	30.9.06
		£'000	£'000
Net increase/(decrease) in cash and cash equivalents		1,623	(1,348)
Net cash (inflow)/outflow from debt and lease financing		(23,927)	16,375
<b>(Increase)/decrease in net debt in the period</b>		<b>(22,304)</b>	15,027
Opening net debt		(53,297)	(76,978)
<b>Closing net debt</b>		<b>(75,601)</b>	(61,951)

## Notes to the interim financial statements (unaudited)

### 6. Business combinations

During the period, the Group completed two acquisitions.

#### Simentra Limited

On 16 April 2007, the Group acquired 100% of the issued share capital of Simentra Limited for consideration of £450,000. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Carrying amount before combination	Fair value adjustments	Fair value
	£'000	£'000	£'000
Cash and cash equivalents	10	-	10
Trade and other payables	(40)	-	(40)
Net liabilities	(30)	-	(30)
Goodwill			480
Total consideration, satisfied by cash			450

The Group invested in this business seeking to benefit from business relationships that were non-contractual at the time of acquisition.

#### Blue Amber Red Limited

On 14 June 2007, the Group acquired 100% of the issued share capital of Blue Amber Red Limited for consideration of £63,000. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Carrying amount before combination	Fair value adjustments	Fair value
	£'000	£'000	£'000
Inventories	64	-	64
Cash and cash equivalents	24	-	24
Trade and other payables	(30)	-	(30)
Net assets	58	-	58
Goodwill			5
Total consideration, satisfied by cash			63

### 7. Events after the balance sheet date

On 23 November 2007, the Group acquired all of the issued share capital of AES Group, a software company that designs, builds and installs integrated electrical and communication systems for specialist vehicles, for total consideration of £2.2 million of which £1.25 million was payable on completion.

On 26 November 2007, the Group acquired 25% of the issued share capital of Miquet Limited, a company which provides integrated solutions for asset management, for consideration of £380,000.

### 8. First time adoption of International Financial Reporting Standards

For all periods up to and including the year ended 31 March 2007, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These interim financial statements, for the six months ended 30 September 2007, are the first that the Group is required to prepare that are consistent with the revenue and recognition principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

In preparing these interim financial statements, the Group has

started from an opening balance sheet as at 1 April 2006, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS.

This note explains the principal adjustments made by the Group in re-stating its UK GAAP balance sheet as at 1 April 2006 and its previously published UK GAAP financial statements for the year ended 31 March 2007.

#### Exemptions applied

IFRS 1 provides a number of optional exemptions to the general principles of full retrospective application of IFRS. The Group has elected to take advantage of the following optional exemption.

#### Business combinations

IFRS 3 Business Combinations, has not been applied to acquisitions of subsidiaries or of interests in joint ventures that occurred before 1 April 2006.

## Notes to the interim financial statements (unaudited)

### Reconciliation of equity at 1 April 2006

			Note	
	UK GAAP	A	B	IFRS
	£'000	£'000	£'000	£'000
<b>Non-current assets</b>				
Property, plant and equipment	53,320	(8)	-	53,312
Goodwill	34,327	-	-	34,327
Other intangible assets	-	8	-	8
Retirement benefit surplus	-	228	-	228
<b>Current assets</b>				
Inventories	8,629	-	-	8,629
Trade and other receivables	47,587	(228)	-	47,359
Cash and cash equivalents	2,223	-	-	2,223
<b>Current liabilities</b>				
Trade and other payables	(60,033)	-	-	(60,033)
Current income tax liabilities	(113)	-	-	(113)
Borrowings	(6,354)	-	-	(6,354)
Shares classified as financial liabilities	(10,000)	-	1,667	(8,333)
<b>Non-current liabilities</b>				
Borrowings	(64,514)	-	-	64,514
Deferred income tax liabilities	(1,814)	-	-	1,814
<b>Net assets</b>	<b>3,258</b>	<b>-</b>	<b>1,667</b>	<b>4,925</b>
<b>Equity</b>				
Share capital	100	-	-	100
Share premium account	2,971	-	-	2,971
Profit and loss account	187	-	1,667	1,854
<b>Total equity</b>	<b>3,258</b>	<b>-</b>	<b>1,667</b>	<b>4,925</b>

### Notes

- (A) Under UK GAAP, software costs were included within tangible fixed assets. Under IAS 38, "Intangible Assets", computer software requires separate disclosure on the face of the balance sheet as an intangible asset. The effect of this balance sheet reclassification is to move software costs with a net book amount of £8,000 from property, plant and equipment to other intangible assets.
- Also under UK GAAP, surpluses and deficits in relation to pension schemes were classified within other debtors or other creditors respectively. Under IAS 19, "Employee Benefits", separate disclosure is required on the face of the balance sheet. The effect of this balance sheet reclassification is to move £228,000 from trade and other receivables and show this amount separately within non-current assets.
- (B) In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", a financial liability is required to be measured initially at fair value. At the date of transition to IFRS, the fair value of the shares classified as financial liabilities has been calculated to be £8,333 million instead of the £10 million recorded under UK GAAP. An adjustment of £1,667 million has therefore been reflected in reserves and shares classified as financial liabilities.

The amortisation of goodwill arising prior to the date of transition to IFRS has been netted with the cost of the goodwill.

## Notes to the interim financial statements (unaudited)

### Reconciliation of equity at 30 September 2006

		Note			
	UK GAAP	A	B	C	IFRS
	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	45,509	-	(6)	-	45,503
Goodwill	33,290	1,037	-	-	34,327
Other intangible assets	-	-	6	-	6
Retirement benefit surplus	-	-	329	-	329
<b>Current assets</b>					
Inventories	3,010	-	-	-	3,010
Trade and other receivables	30,679	-	(329)	-	30,350
Cash and cash equivalents	875	-	-	-	875
<b>Current liabilities</b>					
Trade and other payables	(43,287)	-	-	-	(43,287)
Borrowings	(4,468)	-	-	-	(4,468)
Shares classified as financial liabilities	(10,000)	-	-	871	(9,129)
<b>Non-current liabilities</b>					
Borrowings	(49,193)	-	-	-	(49,193)
Deferred income tax liabilities	(1,814)	-	-	-	(1,814)
<b>Net assets</b>	<b>4,601</b>	<b>1,037</b>	<b>-</b>	<b>871</b>	<b>6,509</b>
<b>Equity</b>					
Share capital	100	-	-	-	100
Share premium account	2,971	-	-	-	2,971
Profit and loss account	1,530	1,037	-	871	3,438
<b>Total equity</b>	<b>4,601</b>	<b>1,037</b>	<b>-</b>	<b>871</b>	<b>6,509</b>

## Notes to the interim financial statements (unaudited)

### Notes

- (A) Under UK GAAP, goodwill was amortised over its estimated expected useful life. Under IFRS 3 "Business Combinations", goodwill is considered to have an indefinite life and is therefore not amortised but subject to annual impairment testing. The goodwill charge made under UK GAAP has been reversed under IFRS from 1 April 2006, the IFRS transition date. The IFRS restatement results in a reduction in the amortisation charge, within administrative expenses, of £1.037 million for the six months ended 30 September 2006 and a corresponding increase in goodwill as at 30 September 2006.
- (B) Under UK GAAP, software costs were included within tangible fixed assets. Under IAS 38, "Intangible Assets", computer software requires separate disclosure on the face of the balance sheet as an intangible asset. The effect of this balance sheet reclassification is to move software costs with a net book amount of £6,000 from property, plant and equipment to other intangible assets.

Also under UK GAAP, surpluses and deficits in relation to pension schemes were classified within other debtors or other creditors respectively. Under IAS 19, "Employee Benefits", separate disclosure is required on the face of the balance sheet. The effect of this balance sheet reclassification is to move £329,000 from trade and other receivables and show this amount separately within non-current assets.

- (C) In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", a financial liability is required to be measured at fair value. At 30 September 2006, the fair value of the shares classified as financial liabilities has been calculated to be £9.129 million instead of the £10 million recorded under UK GAAP. The decrease in the fair value of this financial liability of £871,000 has been reflected in the carrying value of the shares classified as financial liabilities at 30 September 2006.

## Notes to the interim financial statements (unaudited)

### Reconciliation of equity at 31 March 2007

			Note			
	UK GAAP	A	B	C	D	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>						
Property, plant and equipment	50,879	-	-	(44)	-	50,835
Goodwill	112,123	(74,077)	2,070	-	(3,257)	36,859
Other intangible assets	-	-	-	44	-	44
Retirement benefit surplus	-	-	-	329	-	329
<b>Current assets</b>						
Inventories	4,235	-	-	-	-	4,235
Trade and other receivables	14,381	-	-	(329)	-	14,052
Cash and cash equivalents	10,231	-	-	-	-	10,231
<b>Current liabilities</b>						
Trade and other payables	(21,058)	-	-	42	-	(21,016)
Current income tax liabilities	(213)	-	-	-	-	(213)
Borrowings	(13,765)	-	-	-	-	(13,765)
<b>Non-current liabilities</b>						
Borrowings	(49,763)	-	-	-	-	(49,763)
Deferred income tax liabilities	(3,171)	-	-	-	-	(3,171)
Retirement benefit obligations	-	-	-	(42)	-	(42)
<b>Net assets</b>	<b>103,879</b>	<b>(74,077)</b>	<b>2,070</b>	<b>-</b>	<b>(3,257)</b>	<b>28,615</b>
<b>Equity</b>						
Share capital	16,800	-	-	-	-	16,800
Share premium account	17,890	-	-	-	-	17,890
Merger reserve	68,293	(68,293)	-	-	-	-
Reverse acquisition reserve	-	(8,367)	-	-	(3,334)	(11,701)
Profit and loss account	896	2,583	2,070	-	77	5,626
<b>Total equity</b>	<b>103,879</b>	<b>(74,077)</b>	<b>2,070</b>	<b>-</b>	<b>(3,257)</b>	<b>28,615</b>

## Notes to the interim financial statements (unaudited)

### Notes

- (A) On 30 March 2007, AssetCo Group Limited completed the reverse acquisition of Asfare Group Plc. On the same day, the name of Asfare Group Plc was changed to AssetCo Plc. Under UK GAAP, a “true and fair” over-ride was adopted and the transaction was accounted for using conventional acquisition accounting. Under IFRS, the business combination qualifies as a reverse acquisition and has been accounted for as such. The factors indicating that a reverse acquisition has taken place include the fact that the former directors and shareholders of AssetCo Group Limited hold 59% of the equity of the combined entity and have the power to govern the financial and operating policies of the Enlarged Group. Reverse acquisition accounting has resulted in a reverse acquisition reserve replacing the merger reserve previously reported under UK GAAP, lower goodwill and the share capital and share premium account of the company formerly known as Asfare Group Plc replacing those of AssetCo Group Limited. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Carrying amount before combination	Fair value adjustments	Fair value
	£'000	£'000	£'000
Goodwill	5,768	-	5,768
Property, plant and equipment	371	-	371
Inventories	1,363	-	1,363
Trade and other receivables	3,108	-	3,108
Cash and cash equivalents	797	-	797
Trade and other payables	(4,650)	-	(4,650)
Borrowings	(2,057)	-	(2,057)
Net assets	<u>4,700</u>	<u>-</u>	<u>4,700</u>
Goodwill			<u>3,552</u>
Deemed consideration			<u>8,252</u>

By adopting reverse acquisition accounting, the merger reserve of £68.293 million, previously reported under UK GAAP, is replaced by a reverse acquisition reserve of £8.367 million, which represents the extent of the reserves of AssetCo Group Limited which have been capitalised. The adjustment to the profit and loss account of £2.583 million reflects the fact that the retained earnings of AssetCo Group Limited at 30 March 2007 (£3.479 million) are replacing those of Asfare Group Plc, previously reported under UK GAAP. A corresponding adjustment to goodwill of £74.077 million is required.

- (B) Under UK GAAP, goodwill was amortised over its estimated expected useful life. Under IFRS 3 “Business Combinations”, goodwill is considered to have an indefinite life and is therefore not amortised but subject to annual impairment testing. The goodwill charge made under UK GAAP has been reversed under IFRS from 1 April 2006, the IFRS transition date. The IFRS restatement results in a reduction in the amortisation charge, within administrative expenses, of £1.033 million for the six months ended 31 March 2007 (£2.070 million for the year ended 31 March 2007) and a corresponding increase in goodwill as at 31 March 2007.
- (C) Under UK GAAP, software costs were included within tangible fixed assets. Under IAS 38, “Intangible Assets”, computer software requires separate disclosure on the face of the balance sheet as an intangible asset. The effect of this balance sheet reclassification is to move software costs with a net book amount of £44,000 from property, plant and machinery to other intangible assets.

Also under UK GAAP, surpluses and deficits in relation to pension schemes were classified within other debtors or other creditors respectively. Under IAS 19, “Employee Benefits”, separate disclosure is required on the face of the balance sheet. The effect of this balance

## Notes to the interim financial statements (unaudited)

sheet reclassification is to move £329,000 from trade and other receivables and £42,000 from trade and other payables and show these amounts separately within non-current assets and non-current liabilities.

- (D) Under UK GAAP costs incurred by Asfare Group Plc in connection with the business combination with AssetCo Group Limited were capitalised in goodwill. Under IFRS, the business combination is deemed to be a reverse acquisition and, in substance, AssetCo Group Limited acquired Asfare Group Plc. The costs incurred by Asfare Group Plc should therefore not be reflected in goodwill but charged to the income statement. The result is an increase in administrative expenses of £1.59 million for the year ended 31 March 2007.

Under IFRS, the carrying value of financial liabilities is required to be stated at fair value. An assessment of the fair value of shares classified as financial liabilities at 30 March 2007, the date at which the shares were re-purchased, results in a net increase in finance costs of £1.667 million for the year ended 31 March 2007. On the same date, deferred consideration of £5 million was waived by the former owners of AssetCo Group Limited which results in a finance gain of £3.334 million for the year ended 31 March 2007.

### Reconciliation of profit for the six months ended 30 September 2006

	UK GAAP	Note			IFRS
		A	B	C	
	£'000	£'000	£'000	£'000	£'000
Turnover	52,941	-	-	-	52,941
Cost of sales	(46,582)	-	-	-	(46,582)
Gross profit	6,359	-	-	-	6,359
Administrative expenses	(3,837)	1,037	(138)	-	(2,938)
Profit on disposal of fixed assets	-	-	138	-	138
Operating profit	2,522	1,037	-	-	3,559
Finance income	80	-	-	-	80
Finance costs	(1,372)	-	-	(796)	(2,168)
Profit on ordinary activities before taxation	1,230	1,037	-	(796)	1,471
Tax on profit on ordinary activities	113	-	-	-	113
Profit on ordinary activities after taxation	1,343	1,037	-	(796)	1,584

#### Notes

- (A) As noted in the reconciliation of equity at 30 September 2006, amortisation of £1.037 million reported under UK GAAP has been reversed under IFRS.
- (B) Under UK GAAP, the profit on disposal of fixed assets was reported within administrative expenses. Under IFRS, for presentational purposes only, the profit on disposal has been separately shown on the face of the income statement.
- (C) Under IFRS, the carrying value of financial liabilities is required to be stated at fair value. An assessment of the fair value of shares classified as financial liabilities at 30 September 2006 results in an increase in finance costs of £796,000 for the six months ended 30 September 2006.

## Notes to the interim financial statements (unaudited)

### Reconciliation of profit for the year ended 31 March 2007

		Note				
	UK GAAP	A	B	C	D	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	94,106	-	-	-	-	94,106
Cost of sales	(70,644)	-	-	-	-	(70,644)
Gross profit	23,462	-	-	-	-	23,462
Administrative expenses	(16,614)	2,070	(138)	-	(1,590)	(16,272)
Profit on disposal of fixed assets	-	-	138	-	-	138
Operating profit	6,848	2,070	-	-	(1,590)	7,328
Finance income	45	-	-	3,334	-	3,379
Finance costs	(3,603)	-	-	(1,667)	-	(5,270)
Profit on ordinary activities before taxation	3,290	2,070	-	1,667	(1,590)	5,437
Tax on profit on ordinary activities	2	-	-	-	-	2
Profit on ordinary activities after taxation	3,292	2,070	-	1,667	(1,590)	5,439

#### Notes

- (A) As noted in the reconciliation of equity at 31 March 2007, amortisation of £2.070 million reported under UK GAAP has been reversed under IFRS.
- (B) Under UK GAAP, the profit on disposal of fixed assets was reported within administrative expenses. Under IFRS, for presentational purposes only, the profit on disposal has been separately shown on the face of the income statement.
- (C) Under IFRS, the carrying value of financial liabilities is required to be stated at fair value. An assessment of the fair value of shares classified as financial liabilities at 30 March 2007, the date at which the shares were re-purchased, results in a net increase in finance costs of £1.667 million for the year ended 31 March 2007. On the same date, deferred consideration of £5 million was waived by the former owners of AssetCo Group Limited which results in a finance gain of £3.334 million for the year ended 31 March 2007.
- (D) Under UK GAAP costs incurred by Asfare Group Plc in connection with the business combination with AssetCo Group Limited were capitalised in goodwill. Under IFRS, the business combination is deemed to be a reverse acquisition and, in substance, AssetCo Group Limited acquired Asfare Group Plc. The costs incurred by Asfare Group Plc should therefore not be reflected in goodwill but charged to the income statement. The result is an increase in administrative expenses of £1.59 million for the year ended 31 March 2007.

#### Cash flows

There have been no material changes to the information previously published in the Group's cash flow statements during the periods under review.

<b>29 May 2008</b>	FY08 results announcement
<b>1 July 2008</b>	Annual General Meeting
<b>27 November 2008</b>	FY09 interim financial results announcement



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