

ASSETCO PLC

Preliminary results for the 18 month period to 30 September 2011

10 April 2012

AssetCo Plc

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Issued on behalf of Assetco Plc

Date: [Tuesday 10 April 2012]

Immediate Release

AssetCo Plc
("Assetco" or the "Company")

Results for the 18-month period ended 30 September 2011

Statement by the Chairman, Tudor Davies

Introduction

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

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

Background

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

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

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

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

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

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

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

Change of Year End/ Audited Financial Statements

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

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

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

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

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

The extent of these errors is significant: reported revenues for the year ended 31 March 2010 reduced by £18.6 million from £45.2 million to £26.2 million and Operating profits of £17.4 million reduced by £28.8 million to become operating losses of £11.4 million.

The Consolidated Income Statement for the 18-month period ended 30 September 2011, shows Revenue of £49.0 million (2010: Restated £26.2 million); Operating loss before Exceptional items of £2.5 million (2010: Restated Operating loss before exceptional items of £2.0 million); Exceptional items of £9.6 million (2010: Restated Exceptional item of £9.3 million); Loss for the period of £22.2 million (2010: Restated loss of £23.3 million).

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

The prior-year adjustments relating to the Balance sheet were £149.7 million in 2010 and £120.2 million in 2009, with the principal adjustments being: Property, plant and equipment 2010: £46.6 million (2009: £48.0 million); Goodwill 2010: £56.7 million (2009: £55.0 million); Trade and other Receivables 2010: £22.2 million (2009: £6.6 million) and Onerous leases 2010: £11.9 million (2009: £7.2 million).

Business Review

UAE

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

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

The underlying trading performance in UAE is best explained by reference to the Segmental Reporting for the Parent Company AssetCo Plc; in the 18-month period ended 30 September 2011 the UAE business which commenced trading in April 2010 had Revenues of £12.8 million and operating profit of £1.1 million.

UK

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

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

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

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

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

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

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

Outlook

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

**Company Profit and Loss Account for the
18 month period ended 30 September 2011**

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

All activities relate to continuing operations.

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

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

Company Balance Sheet
As at 30 September 2011

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

**Company Cashflow Statement for the
18 month period ended 30 September 2011**

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

Reconciliation of net cash / (debt)	18 months to 30 Sep 2011 £'000	12 months to 31 Mar 2010 £'000 Restated
Net (debt) / cash at beginning of period	(775)	7,500
Increase / (decrease) in net cash	1,267	(8,275)
Overdrafts eliminated through Creditor Scheme of Arrangement	1,196	-
	1,688	(775)

1 Legal status and activities

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

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

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

2. Basis of preparation

The preliminary results for the period ended 30 September 2011, which are an abridged statement of the full Annual Report, have been prepared in accordance with UK Generally Accepted Accounting Principles, and the Companies Act 2006.

The preliminary results have been prepared on a going concern basis. The directors have considered the going concern assumption for the Parent company, Assetco Plc, and the Group by assessing the operational and funding requirements of the Parent company and for each of the main trading entities.

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

The preliminary results do not constitute the statutory accounts of the Company within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the period ended 31 March 2010 have been filed with the Registrar of Companies. The auditors have reported on those accounts and on the statutory accounts for the period ended 30 September 2011, which will be filed with the Registrar of Companies following the Annual General Meeting. The report in those accounts is qualified.

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

The principal accounting policies are included in the Company financial statements and have been applied consistently in both periods presented.

3. Restatement note

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

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

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

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

Provision against Investments in subsidiaries

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

Disposal of subsidiary

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

Restatement of Amounts Due from subsidiaries

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

Provision against Amounts Due From subsidiaries

Value in use calculations have been concluded for all subsidiaries and when relevant debt is taken into consideration there is no basis for the recoverability of the amounts due from subsidiaries, accordingly a provision of £135,417,000 was processed in 2010. This amount varies to the £131,075,000 reported in Note 6 as £4,342,000 of the restatement has been accounted for in pre-exceptional operating profit.

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

Taxation

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

Assetco Company Restatement of Prior Years

Company Balance Sheet

	As reported	Provision in respect of Investments	
	31/03/09		31/03/09
	£'000	£'000	£'000
Fixed assets			
Investments in subsidiaries	98,720	(98,720)	-
Current assets			
Debtors	8,920	-	8,920
Cash	7,500	-	7,500
	<u>16,420</u>	<u>-</u>	<u>16,420</u>
Creditors: amounts falling due within one year	<u>(1,478)</u>	<u>-</u>	<u>(1,478)</u>
Net current assets	<u>14,942</u>	<u>-</u>	<u>14,942</u>
Net Assets	<u>113,662</u>	<u>(98,720)</u>	<u>14,942</u>
Capital and reserves			
Called-up share capital	18,345	-	18,345
Share premium account	26,115	-	26,115
Merger reserve	68,293	-	68,293
Share -based payment reserve	580	-	580
Profit and loss account	329	(98,720)	(98,391)
Shareholders' funds	<u>113,662</u>	<u>(98,720)</u>	<u>14,942</u>

Assetco Company
Restatement of Prior Years

Company Balance Sheet

	As reported	Provision in respect of Investments	Restatement of Amounts due from Subsidiaries	Provision in respect of Amounts due from Subsidiaries	Taxation	Restated
	31/03/10 £'000	£'000	£'000	£'000	£'000	31/03/10 £'000
Fixed assets						
Investments in subsidiaries	98,720	(98,720)	-	-		-
Current assets						
Debtors	27,795	-	107,622	(135,417)		-
Cash	21	-	-	-		21
	<u>27,816</u>	<u>-</u>	<u>107,622</u>	<u>(135,417)</u>	<u>-</u>	<u>21</u>
Creditors: amounts falling due within one year	<u>(2,494)</u>	<u>-</u>	<u>(107,622)</u>		<u>(1,089)</u>	<u>(111,205)</u>
Net current assets	<u>25,322</u>	<u>-</u>	<u>-</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(111,184)</u>
Net Assets	<u>124,042</u>	<u>(98,720)</u>	<u>-</u>	<u>(135,417)</u>	<u>(1,089)</u>	<u>(111,184)</u>
Capital and reserves						
Called-up share capital	22,678	-	-	-		22,678
Share premium account	29,288	-	-	-		29,288
Merger reserve	68,293	-	-	-		68,293
Share -based payment reserve	680	-	-	-		680
Profit and loss account	3,103	(98,720)	-	(135,417)	(1,089)	(232,123)
Shareholders' funds	124,042	(98,720)	-	(135,417)	(1,089)	(111,184)

4. Segmental reporting

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

Analysis of turnover and results by geographical settlement

Eighteen months to 30 September 2011

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

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

Analysis of turnover and results by geographical settlement

Twelve months to 31 Mar 2010

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

5. Operating loss

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

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

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

6. Exceptional items

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

Exceptional items - administrative expenses	18 months to 30 Sept 2011	12 months to 31 Mar 2010
	£'000	£'000
Provision for impairment of subsidiaries	7,500	-
Provision against amounts owed by subsidiaries	12,499	-
Gain from Share Options	(680)	-
Fair Value of liabilities associated with guarantees	4,353	-
Provision against amounts due from subsidiaries		131,075
	23,672	131,075

Exceptional items	18 months to 30 Sept 2011	12 months to 31 Mar 2010
	£'000	£'000
Costs associated with the restructuring of the Assetco Group	1,706	-
(Profit) / loss from disposal of subsidiaries	(6,414)	130
Gain from the write-off of liabilities subject to the Scheme	(1,922)	
Gain from the write-off of liabilities due to subsidiaries subject to the Scheme	(99,998)	
Gain in respect of Creditor Scheme of Arrangement	(101,920)	-
	(106,628)	130

Gain from share options

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

Provisions against amounts due from subsidiaries

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

Gain in Respect of Creditor Scheme of Arrangement

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

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

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

Additional Liabilities - Creditor Scheme of Arrangement

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

7. Debtors

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

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

8. Creditors – Amounts falling due within one year

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

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

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

	Notes	18 months to 30 September 2011 £'000	12 months to 31 March 2010 £'000 Restated (note 3)
Revenue	4	49,005	26,216
Cost of sales		(26,853)	(18,451)
Gross profit		22,152	7,765
Administrative expenses		(34,203)	(19,139)
Operating loss	5	(12,051)	(11,374)
Analysed as:			
Operating loss before exceptional items		(2,490)	(2,050)
Exceptional items		(9,561)	(9,324)
Finance income		159	400
Finance costs		(8,306)	(7,213)
(Loss) / gain on fair value of financial instruments		(1,390)	1,304
Loss before tax		(21,588)	(16,883)
Income tax expense		-	(1,089)
Loss for the period from continuing operations		(21,588)	(17,972)
Discontinued operations			
Loss for the period from discontinued operations		(610)	(5,296)
Loss for the period		(22,198)	(23,268)
Earnings per share (EPS)			
Basic and diluted - pence			
Continuing operations		(14.71)	(21.15)
Discontinued operations		(0.42)	(6.23)

Consolidated Statement of Comprehensive Income

for the 18 month period ended 30 September 2011

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

All comprehensive income relates to continuing operations.

Consolidated Statement of Financial Position

As at 30 September 2011

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

Consolidated Statement of Changes in Equity

for the 18 month period ended 30 September 2011

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

Consolidated Statement of Cash Flows

for the 18 month period ended 30 September 2011

		18 months to 30 September 2011	12 months to 31 March 2010
	Note	£'000	£'000
			Restated
Cash flows from operating activities			
Cash generated from operations	6	4,554	4,173
Interest paid		(7,038)	(5,888)
Income taxes paid		(1,096)	-
Contributions to defined benefit pension schemes		-	(272)
Net cash flows from operating activities		<u>(3,580)</u>	<u>(1,987)</u>
Cash flows from investing activities			
Finance income		57	416
Disposal of businesses		2,515	-
Purchase of intangible assets		-	(126)
Purchase of property, plant, and equipment		(2,589)	(2,896)
Sale of property, plant, and equipment		566	37
Cash deposited in respect of scheme of arrangement and a bond		(9,226)	-
Net cash generated (used) in investing activities		<u>(8,677)</u>	<u>(2,569)</u>
Cash flows from financing activities			
Issue of shares (net of costs)		20,491	7,506
Dividends paid		(847)	(1,140)
Dividends management charges		(450)	-
Repayments of amounts borrowed		(3,001)	(11,063)
Increase in borrowings		1,296	-
Finance lease additions		10,523	11,807
Finance lease repayments		(12,765)	(11,371)
Net cash generated /(used) in financing activities		<u>15,247</u>	<u>(4,261)</u>
Net cash and cash equivalents		2,990	(8,817)
Cashflow from discontinued operations		-	(8,601)
Net change in cash and cash equivalents		<u>2,990</u>	<u>(17,418)</u>
Cash, cash equivalents and bank overdrafts at beginning of period		<u>1,387</u>	<u>18,805</u>
Cash, cash equivalents and bank overdrafts at end of period		<u>4,377</u>	<u>1,387</u>

1 Legal status and activities

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

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

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

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

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

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

2. Basis of preparation

The preliminary results for the period ended 30 September 2011, which are an abridged statement of the full Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The following accounting standards, amendments and interpretations issued by IASB and IFRIC are effective for the Group’s accounting period beginning on or after 1 April 2010 but had no material effect on the results or financial position of the Group disclosed in these financial statements:

Amendment to IFRS 1 - 'First time adoption on financial instrument disclosures'
Amendments to IFRS 1 for additional exemptions
Amendment to IFRS 2 - 'Share based payments - Group cash-settled share-based payment transactions'
Improvements to IFRSs (2009)
Amendments IAS 32 - 'Presentation on classification of rights issues'
IFRIC 19 - 'Extinguishing financial liabilities with equity instruments'

The preliminary results have been prepared on a going concern basis. The directors have considered the going concern assumption for the Parent company, Assetco Plc, and the Group by assessing the operational and funding requirements of the Parent company and for each of the main trading entities.

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

The directors have therefore concluded that there are material uncertainties relating to events and conditions that cast significant doubt about the ability of these companies to continue as a going concern. The material uncertainties include the need for the continuing support from the banks and customers where contractual negotiations are ongoing; the achievability of future cashflow forecasts; the resolution of a disputed issue on a UK contract where there is a claim of irredeemable default, and formalising the necessary consents from the same parties to the transfer of these subsidiaries to a new holding company as part of a restructuring and separation of

these companies from other Group companies that are now in liquidation. In the view of the directors, whilst these matters represent material uncertainties they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The situation with regards to the non trading subsidiaries is less clear with a number either being struck-off, subject to application / proposal for striking off, subject to court orders to be wound-up, or have been placed in liquidation.

The preliminary results do not constitute the statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the period ended 31 March 2010 have been filed with the Registrar of Companies. The auditors have reported on those accounts and on the statutory accounts for the period ended 30 September 2011, which will be filed with the Registrar of Companies following the Annual General Meeting. The report in those accounts is qualified.

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

The principal accounting policies are included in the Group financial statements and have been applied consistently in both periods presented.

3. Restatement of Prior Years

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

Consolidated Statement of Financial Position	As reported 31/03/09	Overstated Fixed Asset Values	Useful Economic Lives	Impairment	Reversal of Capitalised Items	Goodwill	Revenue Recognition	Related Party Transactions	Onerous Leases	Other	Retirement benefit	Taxation	Restated 31/03/09
Derivative financial instruments	7,125	-	-	-	-	-	-	-	570	-	-	-	7,125
Liabilities associated with assets classified as held for sale	50,849	-	-	-	-	-	-	-	-	-	-	-	51,419
Total liabilities	146,961	-	-	-	-	-	-	-	7,198	500	-	(7,391)	147,268
Total equity and liabilities	198,796	(6,622)	(3,242)	(35,448)	(7,896)	(54,975)	(6,599)	-	-	(658)	320	(5,162)	78,514

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

Consolidated Statement of Comprehensive Income	As reported 31/03/10 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/10 £'000
Profit / (loss) for the year	2,271	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	44	3,122	(23,268)
Other comprehensive income													
Exchange differences on translating foreign operations	246												246
Actuarial losses on defined benefit pensions plan											(68)		(68)
	246	-	-	-	-	-	-	-	-	-	(68)	-	178
Total comprehensive income	2,517	(3,093)	(2,050)	6,776	(3,204)	(1,729)	(16,576)	(2,456)	(4,725)	(1,648)	(24)	3,122	(23,090)

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

Consolidated Statement of Financial Position	As reported 31/03/10 £'000	Overstated Fixed Asset Values £'000	Useful Economic Lives £'000	Impairment £'000	Reversal of Capitalised Items £'000	Goodwill £'000	Revenue Recognition £'000	Related Party Transactions £'000	Onerous Leases £'000	Other £'000	Retirement benefit £'000	Taxation £'000	Restated 31/03/10 £'000
Derivative financial instruments	5,821												5,821
	41,709	-	-	-	-	-	-	-	1,024	(6,219)	-	231	36,745
Liabilities associated with assets classified as held for sale	6,693												6,693
Total liabilities	133,828	-	-	-	-	-	-	-	11,923	(5,719)	-	(9,728)	130,304
Total equity and liabilities	194,646	(9,715)	(5,292)	(28,669)	(11,100)	(56,704)	(23,175)	(2,456)	-	(8,525)	296	(4,377)	44,929

3. Restatement of Prior Years

Correction of prior year errors

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

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

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

AssetCo has therefore restated the 2009 and 2010 Balance Sheets, 2010 Income Statement and 2010 Cash Flow Statement to reflect the relevant adjustments as explained below.

Overstatement of Fixed Assets Values

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

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

Useful Economic Lives

In 2009 AssetCo reported that "during the year, as a result of management review revisions were made to the residual values and useful economic lives of certain assets. These revisions resulted in residual values ranging from £10,000 to £25,000 and corresponding lives of 24 years. This has resulted in a £1.5m reduction in the equivalent depreciation charge for the year ended 31 March 2009".

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

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

Impairment

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

Reversal of capitalised Items

A review of items capitalised has identified that AssetCo had previously reported items capitalised that do not conform with AssetCo's policy for Tangible Fixed Assets.

Examples of this include:

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

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

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

Goodwill

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

The following are examples illustrating the errors:

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

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

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

Revenue Recognition

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

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

Related Party Transactions

In 2010 AssetCo reported the following:

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

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

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

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

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

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

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

Onerous Leases

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

Other

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

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

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

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

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

Change in accounting policies

Retirements Benefits

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

4. Segmental Reporting

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

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

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

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

Analysis of revenue and results by geographical settlement Eighteen months to 30 September 2011

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

Segment result has been calculated by subtracting depreciation and amortisation from EBITDA.

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

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

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

Analysis of revenue and results by geographical settlement

Twelve months to 31 Mar 2010

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

Segment result has been calculated by subtracting depreciation and amortisation from EBITDA.

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

5. Operating loss

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

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

Exceptional items

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

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

Goodwill impairment

The 2010 expense of £1,729,000 is explained in note 3 and the £610,000 expense for 2011 is a further impairment to the carrying value of goodwill.

Related Party Transactions

This reflects the restatement as explained in note 3. It relates to the write-off of a £1,500,000 prepayment made to Jaras Property Developments Limited, a related party to John Shannon – the Group's previous CEO, in respect of six years rent due with regards to one of the Group's operating business, and also the £956,000 of Goodwill recognised in respect of the acquisition of Graphic Traffic Limited, a related party to John Shannon.

Creation of provisions

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

The expense in 2011 relates to the creation of provisions.

Loss in Respect of Creditor Scheme of Arrangement

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

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

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

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

Gain on Preference Share Exchange

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

Gain from share options

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

Correction of accounting errors

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

Restructuring expenses

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

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

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

Analysis of net debt

	2011	2010	2009
	£'000	£'000	£'000
Bank borrowings	16,116	17,719	32,012
Finance lease liabilities	62,032	63,250	62,814
Bank overdrafts	18	1,210	3,693
Cash at bank and in hand	(13,621)	(2,597)	(22,498)
	64,545	79,582	76,021
Interest rate swaps	7,211	5,821	7,125
	71,756	85,403	83,146

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