

AssetCo plc

Interim results

Six months ended 30 September 2010



COMPANY INFORMATION

Company registration number	4966347	
Registered office	800 Field End Road South Ruislip Middlesex HA4 0QH	
Directors	Tim Wightman (Chairman) John Shannon Scott Brown Andrew Freemantle Peter Manning	
Secretary	Scott Brown	
Bankers	Bank of Scotland (Ireland) Limited Donegall Square North Belfast BT1 5GB	
Solicitors	Mills Selig 21 Arthur Street Belfast BT1 4GA	Nabarro Lacon House 84 Theobald's Road London WC1X 8RW
Auditors	Grant Thornton UK LLP Churchill House Chalvey Road East Slough Berkshire SL1 2LS	
Nominated advisor, financial adviser and corporate broker	Arden Partners 125 Old Broad Street, London EC2N 1AR	

COMPANY INFORMATION

Registrar

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REPORT OF THE CHIEF EXECUTIVE OFFICER

AssetCo plc, the International Fire and Rescue Services business reports a strong performance consolidating the business in the UK and abroad during the six months ended 30 September 2010.

Highlights

- Revenue of £17.1m (six months to Sept '09: £16.5m) representing a 4% year on year growth.
- Underlying Revenue (excluding one off events) grew 13% year on year.
- Operating Profit of £6.3m (six months to Sept '09: £5.5m) represents an improvement in margin from 33% to 37%.
- Underlying Operating Profit margin (excluding one off events) increased by 9%.
- Adjusted EPS from continuing activities remaining constant at 3.6p after adjusting for the unrealized loss of derivative instruments of £791k.
- EPS on continuing activities declined by 0.7p

Subsequent to the period end, we have made significant progress with regard to the previously announced strategy of selling non-core activities. This has resulted in closing the sale of the Treka Bus Limited business and reaching an advanced point of negotiations on the sale of the remainder of the assets. As a result a write down of £4.8m has been booked to the profit and loss for the period to reflect these negotiations.

In addition, advanced discussions with a syndicate of banks are proceeding to release additional liquidity contained within the non-recourse asset financing to enable the Group to restructure its balance sheet further.

Introduction

Our continued evolution as an International Fire and Rescue Services business passed a key milestone during the six months with the start of our initial contract with the UAE Armed Forces. This together with the significant investment we have made in our business development activities has strengthened our international Fire and Rescue team and we are now well placed to meet future opportunities.

Internally we have continued to correct the inefficiencies within our balance sheet, whilst the disposing of discontinued operations as planned. The sale of Treka Bus Limited business was completed on 29 October 2009 for net proceeds of £0.75m. The sale of the remaining assets held for sale is at an advanced stage and expected to conclude soon. By year end the Board expects all material balances to be cleared.

The Board is currently engaged in advanced discussions with a syndicate of banks to achieve a significant refinancing of the non-recourse debt the Company maintains. Once these discussions are completed we are confident that the resultant structure will release further liquidity from the balance sheet.

We were pleased to announce the appointment of Scott Brown as the new Chief Financial Officer with effect from 4 October 2010, replacing Frank Flynn. Frank was one of the original 2005 Management Buy-In/Buy-Out Team and leaves the Board as part of the business's long-term succession planning.

REPORT OF THE CHIEF EXECUTIVE OFFICER

Scott, a Chartered Accountant, was formerly Corporate Vice President of US headquartered Parexel Inc, and Chief Financial Officer of ClinPhone plc, a supplier of clinical trial services to the pharmaceutical industry, prior to its acquisition by Parexel in 2008.

The Board would like to thank Frank for his significant contribution to AssetCo Fire and Rescue since 2005, and wish him well in his future endeavours.

Strategy

International

We have made excellent progress in developing a strong reputation in the UAE as the preferred partner for fire and rescue services. We now have over 80% local Emirati employees, an international senior management team, and a "best in class" UK operating model.

Our initial contract includes the provision of a military, civil, airside and oil and gas firefighting capability which has opened up large international opportunities for us.

UK

Our efforts have focused around the development of our Emergency Fire Crew Capability, and continuing to partner London Fire and Emergency Planning Authority and Lincolnshire Fire and Rescue to identify operational efficiency savings ahead of potential budget cuts.

Outlook

We are pleased with the progress made during the first half of FY11, and having completed large scale operational changes, we are now recognised as a fully outsourced fire and rescue services provider.

Trading continues to be in line with the Board's expectations and with the UAE contract coming fully on stream in the second half, we remain confident of a good overall performance for the full year.

As we reshape our balance sheet, the Board has prudently deferred any further recommendation of dividends until after the year end results are announced.

John Shannon
Chief Executive Officer

13 December 2010

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Six months ended	
	30.9.10	30.9.09
	£'000	£'000
Revenue	17,125	16,524
Cost of sales	(5,768)	(5,238)
Gross profit	<u>11,357</u>	<u>11,286</u>
Administrative expenses	(4,984)	(5,645)
Restructuring costs	(64)	(132)
Operating profit	<u>6,309</u>	<u>5,509</u>
Finance income	-	425
Finance costs	(2,229)	(2,512)
Realised gain on fair value of financial instrument	78	150
Unrealised loss on fair value of financial instrument	(791)	-
Profit before taxation	<u>3,367</u>	<u>3,572</u>
Taxation	(754)	(730)
Profit for the period from continuing operations	<u>2,613</u>	<u>2,842</u>
Discontinued operations		
(Loss)/profit for the period from discontinued operations	(454)	424
Loss from write down of goodwill on assets held for sale	(4,848)	-
(Loss)/profit for the period	<u>(2,689)</u>	<u>3,266</u>
Earnings per share (pence)		
From continuing operations		
Basic	<u>2.9p</u>	<u>3.6p</u>
Diluted	<u>2.9p</u>	<u>3.6p</u>
From continuing and discontinued operations		
Basic	<u>(3.0)p</u>	<u>4.1p</u>
Diluted	<u>(3.0)p</u>	<u>4.1p</u>

The accompanying notes form an integral part of these consolidated interim financial statements

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended	
	30.9.10	30.9.09
	£'000	£'000
(Loss)/profit for the period	(2,689)	3,266
Other comprehensive income		
Exchange differences on translating of foreign operations	2	-
Income tax relating to components of other comprehensive income	-	-
	<u>2</u>	<u>-</u>
Total comprehensive income	<u>(2,687)</u>	<u>3,266</u>

The accompanying notes form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30.9.10 £'000	31.3.10 £'000	30.9.09 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		80,776	74,714	78,211
Goodwill		47,905	47,905	57,081
Other intangible assets		12,739	7,939	6,288
Investment in associate		414	414	414
Deferred tax asset		4,377	4,377	3,770
Retirement benefit surplus		429	429	429
		<u>146,640</u>	<u>135,778</u>	<u>146,193</u>
Current assets				
Inventories		400	201	7,285
Trade and other receivables		28,421	28,014	17,118
Cash		5,857	13,697	17,136
		<u>34,678</u>	<u>41,912</u>	<u>41,539</u>
Assets held for sale		<u>10,070</u>	<u>16,956</u>	<u>-</u>
Total assets		<u><u>191,388</u></u>	<u><u>194,646</u></u>	<u><u>187,732</u></u>
EQUITY				
Issued share capital		22,678	22,678	22,678
Equity component of compound financial instruments		7,917	7,917	7,917
Share premium account		29,288	29,288	29,288
Reverse acquisition reserve		(11,701)	(11,701)	(11,701)
Translation reserve		(56)	(58)	(304)
Other reserve		710	680	580
Retained earnings		9,325	12,014	12,734
Total equity		<u><u>58,161</u></u>	<u><u>60,818</u></u>	<u><u>61,193</u></u>

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30.9.10 £'000	31.3.10 £'000	30.9.09 £'000
LIABILITIES				
Non-current liabilities				
Borrowings		67,692	67,267	76,381
Liability component of compound financial instruments		8,650	8,200	7,045
Deferred tax liabilities		9,060	9,959	6,684
		<u>85,402</u>	<u>85,426</u>	<u>90,110</u>
Current liabilities				
Trade and other payables		18,708	20,118	14,478
Current income tax liabilities		2,511	858	-
Borrowings		15,280	14,912	14,976
Derivative financial instruments		6,534	5,821	6,975
		<u>43,033</u>	<u>41,709</u>	<u>36,429</u>
Liabilities associated with assets classified as held for sale		4,792	6,693	-
Total liabilities		<u>133,227</u>	<u>133,828</u>	<u>126,539</u>
Total equity and liabilities		<u>191,388</u>	<u>194,646</u>	<u>187,732</u>

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

		Six months ended	
	Note	30.9.10 £'000	30.9.09 £'000
Cash flows from operating activities			
Cash generated from operations	4	8,447	8,554
Contribution to defined benefit pension schemes		(117)	(115)
Net cash flow from operating activities		<u>8,330</u>	<u>8,439</u>
Cash flows from investing activities			
Finance income		-	431
Purchase of intangible assets		(4,964)	(845)
Purchases of property, plant and equipment		(9,314)	(4,807)
Cash flow from investing activities		<u>(14,278)</u>	<u>(5,221)</u>
Cash flows from financing activities			
Issue of shares (net of costs)		-	7,506
Dividends paid		-	(1,140)
Finance costs		(2,229)	(2,752)
Repayments of borrowings		(1,704)	(6,905)
Increase in borrowings		-	-
Finance lease additions		6,515	2,031
Finance lease repayments		(5,383)	(5,107)
Net cashflow from financing		<u>(2,801)</u>	<u>(6,367)</u>
Net cash and cash equivalents from continuing operations		<u>(8,749)</u>	<u>(3,149)</u>
Cashflow from discontinued operations		(454)	(347)
Net change in cash and cash equivalents		<u>(9,203)</u>	<u>(3,496)</u>
Cash, cash equivalents and bank overdrafts at beginning of period		12,487	18,805
Cash, cash equivalents and bank overdrafts at end of period		<u>3,284</u>	<u>15,309</u>

The accompanying notes form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Ordinary and preference share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Other Reserve £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2009	26,262	26,115	(11,701)	(304)	580	10,608	51,560
Profit for the period	-	-	-	-	-	3,266	3,266
Total recognised income and expense for the period	-	-	-	-	-	3,266	3,266
Dividends paid in the year	-	-	-	-	-	(1,140)	(1,140)
Net proceeds from issue of shares	4,333	3,173	-	-	-	-	7,506
At 30 September 2009	30,595	29,288	(11,701)	(304)	580	12,734	61,192
Exchange differences on translation of overseas operations	-	-	-	246	-	-	246
Profit for the year	-	-	-	-	-	(720)	(720)
Total recognised income and expense for the period	-	-	-	246	-	(720)	(474)
Movement relating to share-based payments	-	-	-	-	100	-	100
At 31 March 2010	30,595	29,288	(11,701)	(58)	680	12,014	60,818
Exchange differences on translation of overseas operations	-	-	-	2	-	-	2
Loss for the year	-	-	-	-	-	(2,689)	(2,689)
Total recognised income and expense for the period	-	-	-	2	-	(2,689)	(2,687)
Movement relating to share-based payments	-	-	-	-	30	-	30
At 30 September 2010	30,595	29,288	(11,701)	(56)	710	9,325	58,161

The accompanying notes form an integral part of these consolidated interim financial statements

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 in the provision of Fire and Rescue Services to domestic and international markets..

The Company is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is 800 Field End Road, South Ruislip, Middlesex HA4 0QH.

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

The Company’s accounts for the year ended 31 March 2010 have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under Section 237 (2) and (3) of the Companies Act 1985.

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

These Group consolidated interim financial statements were authorised for issue by the Board of Directors on 13 December 2010.

2 Basis of preparation of the interim report

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

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

The comparative profit and loss for the 6 months ended 30 September 2010 has been restated to report results consistent with the Annual Report for the year ended 31 March 2010 in two respects. Firstly, the classification and separate disclosure of businesses being held for sale. The revenue and associated costs for these businesses are contained within the discontinued operations result for the periods ending 30 September 2009 and 30 September 2010. Secondly, the profit and loss for the period ended 30 September 2009 have also been restated to account for the hedge arrangement deemed as an ineffective hedge. This resulted in gains and losses on the movement of the fair value of the financial instrument being transferred from the statement of changes in equity to the income statement. The overall impact on the consolidated income statement has been a gain of £0.15m.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Primary segment information

For management purposes, the Group is organised into one main business segment as follows:

Fire and Rescue Services – provision of management services to the fire and rescue market

Period ended 30 September 2010

	Fire and Rescue £'000	Held for sale £'000	Consolidation adjustments £'000	Total £'000
Segment revenue	17,125	5,328	-	22,453
Segment operating profit/(loss)	6,339	(189)	(30)	6,120
Net segment finance costs	(2,229)	(265)	(713)	(3,207)
Segment profit/(loss) before tax	4,110	(454)	(6,091)	(2,435)
Depreciation and amortisation	3,416	155	-	3,571

Period ended 30 September 2009

	Fire and Rescue £'000	Held for sale £'000	Discontinued operations £'000	Consolidation adjustments £'000	Total £'000
Segment revenue	16,524	5,888	5,450	-	27,862
Segment operating profit/(loss)	5,509	2,054	(1,344)	-	12,241
Net segment finance costs	(2,057)	72	(244)	150	6,152
Segment profit/(loss) before tax	3,452	1,982	(1,588)	150	3,996
Depreciation and amortisation	3,684	26	31	-	6,546

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

	Six months ended 30.9.10	Six months ended 30.9.09
	£'000	£'000
Profit for the year before taxation	3,367	3,572
Adjustments for:		
- Depreciation	3,252	3,461
- Amortisation	164	223
- Share-based payments	30	50
- Fair value gains on financial instruments recognized in profit and loss	(78)	(150)
- Unrealised loss on fair value of financial instruments recognized in profit and loss	791	-
- Finance income	-	(431)
- Finance costs	2,229	2,752
- Exchange differences	7	106
Changes in working capital (excluding the effects of acquisitions)		
- Inventories	(199)	125
- Trade and other receivables	173	(597)
- Trade and other payables	(1,289)	(567)
Cash generated from operations	8,447	8,544

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

5. Post balance sheet event

On 29 October 2010 TREKA Bus Limited was sold for net proceeds of £0.75m.

As at the date of this report, the Company is in advanced discussions with an acquirer of the remaining businesses held by the Company for sale. The net asset value of these operations has been written down to reflect these negotiations. Accordingly, a write down charge of £4.8m has been recorded for the period.

6. Dividend paid

A dividend relating to the year ended 31 March 2010 of 1.5 pence per share was paid on 5 November 2010. This amounted to £1,361,000.