# Annual Report & Accounts 2009

AssetCo
Integrated Services

AssetCo has pioneered the development of integrated support services for emergency response and homeland security organisations in the UK and Internationally.


"The integrated working relationship we have established with AssetCo, and the valuable services they provide on a day-to-day basis as part of our PFI contract, allows us to focus resources on our core business of providing an excellent fire and rescue service to London."

Ron Dobson – Commissioner, London Fire and Emergency Planning Authority

# HIGHLIGHTS

↑ 25%
**Profit before tax:**
£11.3m

↑ 33%
**Earnings per share:**
14.0p

**Swift Water and Flood Rescue Training contract won for the South East region**

£500,000

Providing the training at our dedicated Swift Water and Flood Rescue Centre in Nene. The contract is for three years with opportunity to extend.

**Foreign Commonwealth Office 3 year contract won**

£2,800,000

Providing mailroom and conveyor scanners, installation and user training to British Embassies and Consulates in 144 countries around the world. The contract is for three years. AssetCo will also provide extended maintenance for the scanners over a period of eight years as part of an additional contract.

**London Ambulance 2 year contract won**

£7,000,000

To provide 'frontline ambulances' to the London Ambulance Service NHS Trust worth circa £7 million in the first year.

**Malaysian Fire and Rescue contract won**

£460,000

The contract to supply over 250 units, including ladders and gantries and illustrates the strength of our reputation internationally.


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# operations & infractructure support

AssetCo has an established track record in providing integrated operational support services, including those provided direct by the AssetCo team and management of those provided by other third party support service organisations.

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## WHO WE ARE

**AssetCo has pioneered the development of one of the most extensive ranges of integrated support services available to the emergency response and homeland security organisations in the UK and Internationally.**


Our services are structured around our client needs, with the experience of an AssetCo team that has led the market in providing a unique menu of products, training and integrated support services.

We have a reputation built on innovation, partnering and best value solutions, with an understanding of the ever-changing challenges that our clients face.

Our approach involves matching specific clients needs, people, processes and systems with our support service options, and then integrating these to deliver value for money solutions.

Our services are structured around 3 main areas of business operation:

- **Integrated Support Services**
- **Specialist Equipment**
- **Vehicle Assembly**

## 20 years
Private Finance Initiative contract

AssetCo has a 20-year PFI contract with London Fire and Emergency Planning Authority (LFEPA) to provide London Fire Brigade (LFB) with a full suite of Integrated Support Services.

## 20 years
Public Private Partnership contract

AssetCo has a 20-year Public Private Partnership contract to provide a full suite of Integrated Support Services to Lincolnshire Fire and Rescue Service.

## £500,000
Training contract

In 2008, AssetCo secured contracts from LFB for Swift Water and Flood Rescue Training. This contract, worth up to £500,000, will cover the largest corporate swift water training programme in the UK.

## Market leader

AssetCo is the UK market leader in build management and vehicle assembly for Ambulance and Emergency vehicles to the UK Ambulance Service.

## Only UK supplier

AssetCo is the only UK supplier to be awarded Government Framework Agreements for appliances, platforms and emergency response equipment.

## 144 countries

AssetCo is the leading supplier of detection and security equipment support services into the UK, and to British Embassies and Consulates in 144 countries around the world.

# WHAT WE DO

## Integrated Support Services

Our Integrated Support Services business has been established to bring our clients maximum value from the integration of private and public resources. Our consultative approach is designed to understand our clients existing skills, knowledge and resources, and then combine this with innovative solutions that includes the provision of people, training, technology and support services.

## Specialist Equipment

Based at our facility in Cambridge, our Specialist Equipment business supplies both the UK and international markets with leading branded products such as AS Ladders and Gantries, Collins Youldon Hose Reels, Holmatro Hydraulic Rescue Equipment and Todd Research Security and Detection Equipment.

### Operations & Infrastructure Support

AssetCo has an established track record in providing integrated operational support services, including those provided direct by the AssetCo team and management of those provided by other third party support service organisations. Our support has extended to areas such as call centre management, vehicle and equipment fleet and asset management, specialist procurement, equipment audit and compliance, facilities and premises management.

### Technical Rescue Training

AssetCo has an established reputation as one of the leading international suppliers of integrated technical rescue training, specialist emergency support crews and recruitment management. We train staff from both the emergency services and private industry sectors in the UK, the Middle East and Asia.

Our professional development philosophy is based on the delivery of challenging, realistic and progressive training solutions. AssetCo is also a leading supplier of specialist rescue equipment to both private and public sector rescue teams.

### Resourcing & Emergency Crews

Working with the emergency services and private sectors, in the UK and Internationally, AssetCo has an established reputation as one of the leading international suppliers of specialist rescue and emergency crews, and resource management advisors. Our resourcing management solution includes integrated risk management planning, resource planning and crew pre-selection, and if required recruitment and crew management.

## Vehicle Assembly

Our Vehicle Assembly business, based in Leeds, is the UK market leader in build management and vehicle assembly for Ambulance and Emergency vehicles to the UK Ambulance Service.

### Technology & Communications

AssetCo designs, installs and maintains integrated communication and operational systems across each of the emergency services and is the design authority for electrical communication systems for a specific range of the UK's civil resilience fleet. Included in our options of operational management systems is M~Flow. M~Flow brings improved efficiencies and assists our clients in reducing their operational impact on the environment through a reduction in fuel usage and carbon emissions. M~Flow is now installed in many emergency services agencies around the UK.

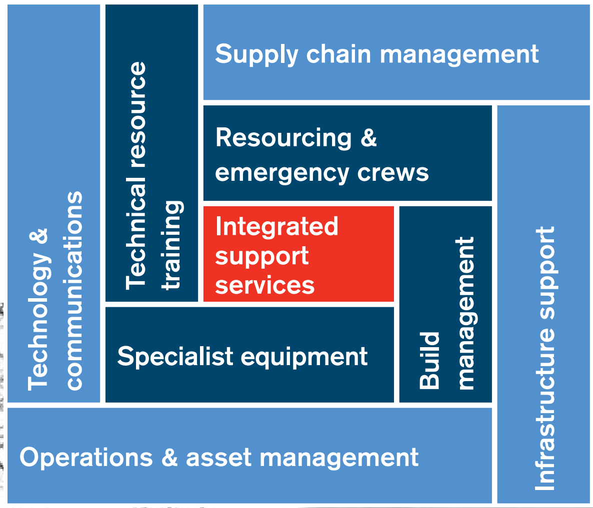
### Build Management

AssetCo is a leading supplier of specialist vehicles and platforms to the emergency and other mission critical services. With a heritage built on over 60 years of vehicle build management, AssetCo uses the latest design technology and manufacturer information to deliver vehicles and platforms to meet the specific needs of our clients. Our skills and experience in procurement and supply chain management have been fully integrated to ensure our clients obtain the best value from their investment.

### Specialist Equipment

AssetCo is a UK leading supplier of specialist equipment to the emergency and mission-critical services. With the investments we have made in some of the latest integrated design and manufacturing technologies at our dedicated facilities in Cambridge, AssetCo's specialist equipment business is able to offer one of the most efficient and comprehensive ranges of equipment from a single supplier.

# HOW WE DO IT




"Our experience in working with AssetCo under our 20-year PPP contract, is that they continually innovate their support services. This assists us in meeting the changing demands placed upon us fulfilling our integrated risk management plan (IRMP) and those placed upon us by central government. The benefits of this integrated relationship are that whilst we maximises the value of the current integrated support services, we are jointly developing new initiatives that can bring additional resilience and robustness to Lincolnshire Fire and Rescue Service."

Mike Thomas MBE – Chief Fire Officer, Lincolnshire Fire and Rescue Service

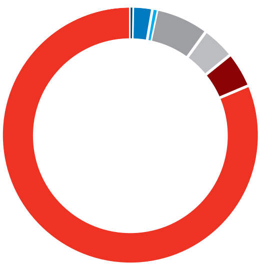
# We plan to grow by building on our existing integrated support service relationships, and by expanding and extending the reach of services into new client areas.

We have restructured our offering into a unique services menu that provides our clients with improved flexibility when selecting the type of product or level of support they need. This approach enables our clients to buy in discreet bundles, and allows them to avoid potentially long, complex and expensive procurement processes.

## Rising to the Challenge

- Fire services have a target to save £110 million by 2011. This is equivalent to 5 per cent of their 2007/08 expenditure.
- But they could save up to £200 million a year if all fire services adopted good practice from pioneering fire services.
- Most of the above average savings have come from making changes to crewing and shift arrangement.
- They could save more by sharing good practice and collaborating on training, procurement and other back office services.
- They should adopt good ideas for improving efficiency from other fire services, or adapt them to their own circumstances.

## UK Fire & Rescue Authorities – Total Expenditure



- Employees and training £2.2bn
- Premise related £120.1m
- Transport £109.1m
- Supply and services £185.1m
- Third party payments £12.7m
- Support Services £67m
- Other £13m

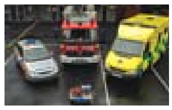
Total = £2,707bn

## Outlook

- The continuing difficult economic outlook creates the ideal opportunity to demonstrate the economic and operational benefits of our integrated support services capabilities.
- We are better placed than ever to support our clients face the challenges brought about by new statutory duties placed upon them and the increasing financial pressures applied through cuts in public spending.
- Our continuing integrated relationship with both London and Lincoln has led to mutually beneficial support in terms of broadening our capabilities, developing new support services and increasing AssetCo's share of their spend.
- Our support services are extending into new areas, including employee costs which currently represent around 82% of all FRA spend, and identified by the Government as where the real opportunity for savings reside.
- We continue to support our business development activity in the Middle East, having secured investment to facilitate this.
- Our long-term contracts continue to deliver robust, stable profits and remains resilient to the current economic climate.

# HOW WE GOT HERE

## The AssetCo road map



**October 2003**
AssetCo buys Papworth Specialist Vehicles

**October 2003**
John Shannon sells his fleet management business (FMI) to AssetCo

**February 2001**
TLG plc wins £400m 20 year PFI contract with the London Fire Brigade

**October 2002**
TLG acquired by what is now known as Brook Henderson and the group is renamed AssetCo

**2001** 2002 2003 2004 2005

**July 2003**
Asfare Group admitted on to the AIM market

**September 2003**
AssetCo buys SVO (conversion of police cars)

**October 2005**
John Shannon leads BIMBO of AssetCo's emergency and fleet business

**April 2006**
AssetCo wins £60m 20 year PPP with Lincolnshire Fire Service

**December 2006**
AssetCo buys FSE (distributor of hydraulic equipment)

**March 2007**
Asfare buys AssetCo, takes name and reverses into AIM listing

**March 2007**
The enlarged AssetCo issues shares to raise £20m

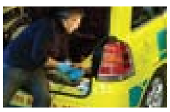
**April 2007**
Acquisition of Simentra (emergency services planning)

**November 2007**
Acquired 25% of Miquest (equipment database management solutions)

**November 2007**
Acquisition of AES & M~flow (emergency related technology systems)

**December 2007**
Acquires TVAC (fire appliance assembly)

**December 2007**
Acquisition of UV Modular (ambulance assembly)

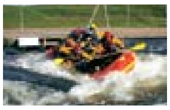


**February 2008**
£6.3m share issue

**March 2008**
Acquisition of RIG (specialist rescue training)

**May 2008**
Disposal of Legacy fleet management business

**November 2008**
1.26m shares issued for the acquisition of AES



**November 2008**
Acquired operating licence for Nene (fast water centre)

**December 2008**
TVAC placed into administration

**January 2009**
AssetCo win £4m North West Ambulance contract

**January 2009**
AssetCo wins £500,000 swift water and flood rescue contract

**January 2009**
Issues £15m convertibles to support business development in Abu Dhabi

**Feburary 2009**
AssetCo wins £7m London ambulance contract

**Feburary 2009**
AssetCo wins Northumbrian Police contract

**March 2009**
AssetCo wins Malaysian Fire and Rescue ladder contract

**2010**

# technical rescue training

AssetCo has an established reputation as one of the leading international suppliers of integrated technical rescue training, specialist emergency support crews and recruitment management. We train staff from both the emergency services and private industry sectors in the UK, the Middle East and Asia.

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# CHAIRMAN'S STATEMENT

"It has been a year of progress for the Group on many fronts during which we have seen an increase in profit before tax of 25%".

Profit before tax

↑25%

**£11.3m** (2008: £9.4m)

Dividend increase

↑25%

**1.25p** (2008: 1.0p)

EPS from continuing operations

↑33%

**14.0p** (2008: 11.8p)

EBITDA before exceptionals and discontinued

↑14%

**£25.5m** (2008: £23.1m)

Fall in net debt

↓9.4%

**£76.0m** (2008: £83.9m)

Fall in net recourse debt

↓52%

**£12.5m**

It has been a year of progress for the Group on many fronts, during which we have seen an increase in profit before tax of 25 per cent to £11.3million and EPS of 33 per cent to 14.0 pence. In what has been a very challenging economic environment, we have continued to grow our long-term PFI contracts with the London and Lincolnshire Fire and Rescue Authorities by further increasing the scope of our offering. We have developed a more integrated approach which draws on the wider skills and experience now available within the Group. Whilst some fire authorities want all their support needs catered for them on a large scale, others wish to avail themselves of support services and products in more discrete bundles, and, accordingly, we have increased our flexibility to offer a menu of options to meet different customers' needs in this regard.

Another major focus for the year has been the re-organisation and rationalisation of our manufacturing operations. Six subsidiaries have been brought together to create an integrated equipment centre in Cambridge which now designs and supplies a range of fire-fighting equipment, including ladders and gantries, hose-reels, rescue and lighting equipment and, if our client requires it, the assembly of fire vehicles. The design and supply of ambulances is now solely carried out in Leeds. The management challenges involved in this re-organisation were significant and it undoubtedly disrupted parts of the Group for significant periods during the year. Our original objective was two-fold; to strengthen and secure the supply chain for vehicles and equipment on behalf of our integrated support services customers in the fire service, in what was a fragmented and uncompetitive market-place; and to improve internal operational efficiencies. Although there are still improvements that we intend to make, we are pleased that we have achieved our original objective.

We have also continued to pursue the opportunities we believe exist for our integrated support services in Abu Dhabi. We have always been conscious that these opportunities would develop over a medium rather than short-term time-frame. We have an established presence on the ground there and have gained valuable experience and contacts. We have every reason to believe that our initial assessments will be borne out.

On the financial management front we have been concentrating on improving working capital and cash management and rationalising our debt structure and this focus will continue in the current financial year.

### Results

Profit before tax and restructuring costs has increased by 22 per cent in 2009 to £12.8 million (2008: £10.5 million) with earnings per share improving by 33 per cent to 14.0 pence (2008: 10.5 pence). EBITDA before restructuring has increased by £3.5 million to £25.5 million. Operating cash conversion (as defined in the report of the Chief Financial Officer) prior to restructuring payments from continuing operations during the period was 100 per cent (2008: 84 percent). Net debt at the year end stood at £76 million (2008: £83.9 million) a reduction of 9.5 per cent. Of this amount, £62.8 million (83 per cent) was non-recourse asset backed debt that relates to our long-term emergency services contracts.

### Dividend

The directors are recommending an increased dividend of 1.25 pence a share (2008: 1.0 pence). This increase reflects the higher earnings for 2009 and the board's confidence in the Group's prospects.

### Board

I would like to take this opportunity to formally welcome Peter Manning, who joined the board as a Non-executive Director on 2 September 2008. Peter has extensive international experience in senior operating and customer focused roles in business process outsourcing and in service and technology industries. He is a Fellow of the Institute of Electrical Engineers, a Fellow of the Institute of Directors and a Liveryman of the City of London.

### Staff

We now have 540 people working for AssetCo and they are motivated to do their very best to deliver high quality integrated support services and products to our existing and future clients. This is central to our success and without the diligence and spirit shown by our staff, working as a team, we would not have been able to deliver this year's performance. On behalf of the board, I would like to thank them all sincerely for their hard work.

### Current trading

Trading in the first two months of the new financial year is in line with the Board's expectations. We currently have 75% of the current year's forecast revenues secured. Our vehicle assembly business in Leeds is at full capacity for the next two years and our Abu Dhabi office is fully embedded and staffed. Looking forward, we will look to improve working capital management and also increase cash generation and retention.

### Outlook

We have restructured and reorganised our businesses significantly in 2008/2009 and despite this have shown a significant increase in profitability. We see the continuing difficult economic outlook as an ideal opportunity to demonstrate the economic and operational benefits of our integrated support services capabilities.

We are better placed than ever to support our clients in facing the challenges presented by new statutory duties placed upon them and increasing financial pressures through cuts in public spending.

Our markets continue to generate opportunities and our sales prospects nationally and internationally are exciting. AssetCo is well positioned to benefit from a changing market, offering good opportunities for delivering exceptional long-term value to shareholders. The Board, therefore, looks forward to the current year with confidence.

**Tim Wightman**
Chairman

15 June 2009

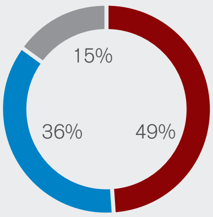
**"AssetCo is well positioned to benefit from a changing market, offering good opportunities for delivering exceptional long-term value to shareholders."**

# CHIEF EXECUTIVE OFFICER'S REPORT

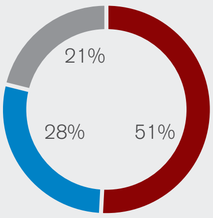
**"Our integrated support services business, which has been shaped and nurtured as our engine for growth, delivered an increase in profit of 68% on 2008."**

## Segmental Analysis

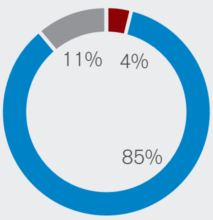
**Revenue 2009**



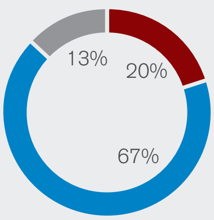

**Revenue 2008**




**Profit before tax 2009**




**Profit before tax 2008**




- Vehicle Assembly
- Integrated Support Services
- Specialist Equipment

As we enter a period of unprecedented UK Public Sector fiscal pressure, the expansion and extension of our integrated support services offering continues to position the business for long-term sustainable growth. During the past year we have focused our efforts in broadening our capabilities and support services to meet the medium and long-term requirements of our two key clients, London Fire Brigade (London) and Lincolnshire Fire and Rescue Service (Lincoln). Our Integrated Support Services business performance reflects the range of services now offered to those clients. This business, which has been shaped and nurtured as our engine for growth, delivered an increase in profit of 68% on 2008.

My congratulations go to the Commissioner, Ron Dobson, and his Team at London Fire Brigade, who earlier this year, were given the top "excellent" rating by the Audit Commission and to Chief Fire Officer, Mike Thomas and his Team at Lincolnshire Fire and Rescue Service, who made a virtually unprecedented move of three categories up the ratings ladder. As budgetary pressures increase, and with service performance being closely scrutinised, other senior colleagues will be looking at how well these support service models are performing and I believe this has enormous potential for AssetCo.

As well as a value proposition built around long-term contracts and the provision of a comprehensive suite of integrated support services, we are now also able to offer our support services in a menu of discrete bundles. This menu has been structured around our client needs with the experience of an AssetCo team that has pioneered the approach of matching people, processes and systems with an extensive and brand independent range of products and support services to deliver innovative integrated solutions.

With a reputation built on partnering and bringing best value, and with an unrivalled understanding of the challenges that our clients face, we have developed our services so they can be tailored to meet the specific needs of individual Fire and Rescue Services. Our menu approach also reduces the requirement for our clients to enter long, complex and expensive tendering processes.

During 2007, we decided that to ensure the provision of reliable support services for our clients we had to expand and strengthen our equipment supply chain; not to do so could have made us vulnerable to missed performance targets.

## "Our strategy is to prioritise our efforts on those essential support services accountable for high proportions of our clients' cost base."

During the year, we have re-organised and rationalised the manufacturing operations we acquired in December 2007 and the manufacturing businesses that were already in the Group. We have created a specialist integrated equipment centre in Cambridge which designs and supplies a range of fire-fighting equipment including ladders and gantries, hose-reels, and rescue equipment and, if our clients require it, the fitting-out of fire vehicles and specialist platforms. The design and supply of ambulances is now solely carried out at our vehicle assembly facility in Leeds.

The impact of the disruption caused during the year has been painful for the personnel affected by re-location and redundancy and also financially for the Group. This involved the closure of TVAC, a business acquired in December 2007. Although there are still improvements to make, we have achieved what we set out to do, namely to strengthen and secure the supply chain for vehicles and equipment on behalf of our integrated support services clients in the fire service, in what was a fragmented market-place and to improve internal operational efficiencies.

### Strategy

The combination of the 2009 April Budget Report and the recommendations of the 2007/8 Comprehensive Spending Review increases the requirement on UK Fire and Rescue Authorities to deliver efficiency savings from continuing modernisation at a greater pace than initially planned.

Our strategy is to prioritise our efforts on those essential support services accountable for high proportions of our clients' cost base. Our approach is to offer integrated solutions that assist our clients in delivering these savings, either directly through economies of scale or efficiency savings, or indirectly through shared services or long-term gain-share arrangements.

By leveraging off our established track record in being a key operational support partner to our two long-term clients and the wider UK Fire and Rescue Service, it is our intention to develop solutions that enable our clients to have access to alternative delivery models for operational training and front-line operational services.

Overseas, we will continue to develop relationships with Fire Authorities who look to UK Fire and Rescue and London Fire Brigade in particular as operating templates to deliver change and improvement.

We have initiated a strategic review of both our Specialist Equipment and Vehicle Assembly businesses, to ensure each is correctly positioned, structured and supported to deliver the long-term growth from their current positions as market leaders in their respective sectors.

### Operating performance

As the business has evolved to meet the current and future needs of our client base, we have established three distinct operating units – Integrated Support Services, Specialist Equipment and Vehicle Assembly.

**Integrated Support Services**

Our Integrated Support Services business contains our long-term contract, specialist training and technology activities. We continue to deliver strong growth through this business, with the benefits of our early investment in improved systems and people now coming through. The scope of our activities with both London and Lincoln continues to broaden.

**Specialist Equipment**

The performance of our Specialist Equipment business reflects the re-organisation and integration programme initiated and completed during FY09. We relocated all our equipment businesses to one single site in Cambridge with a corresponding disruption in revenue for the businesses but improved margin as the benefit of integration began to come through. We are now positioned as one integrated business offering a range of market leading products to our Clients, which clearly differentiates us both in scale and product development.

| | Integrated Support Services | | Specialist Equipment | | Vehicle Assembly | |
|---|---|---|---|---|---|---|
| | 2009 £m | % change on 2008 | 2009 £m | % change on 2008 | 2009 £m | % change on 2008 |
| **Revenue** | 32.2 | +29% | 13.2 | -28% | 43 | -4% |
| **Operating Profit** | 14.4 | +48% | 1.4 | +15% | 1.5 | -30% |
| **Profit before tax** | 9.6 | +68% | 1.3 | +15% | 0.7 | -61% |

# CHIEF EXECUTIVE OFFICER'S REPORT continued

"Our long-term contracts deliver robust, stable profits and remain resilient to the current economic climate."

**Vehicle Assembly**

The performance of our Vehicle Assembly business reflects the exceptional level of build activity in FY08, and the lack of order book in place at our facility in Leeds when we acquired the business in December 2008. Significant success has been made in not only correcting the cost base in this business but critically in winning new business. This facility is now running a record order book with revenue visibility through to 2012.

## Current trading

Trading in the first two months of the new financial year is in line with the Board's expectations.

The key focus across the business for 2010 is cash generation and retention, with significant efforts being made to improve working capital management. Each operating entity is now managed as an autonomous business and is self sufficient for funding.

We continue to actively support our business development activity in the Middle East, having secured investment to facilitate this.

## Outlook

We are well placed to benefit from the macro-economic pressures facing our core home market, and consider our Integrated Support Services business to be a compelling proposition for both existing and potential long-term clients both at home and overseas.

Our long-term contract activity delivers robust, stable profits and remains resilient to the current economic climate.

**John Shannon**
Chief Executive Office

15 June 2009

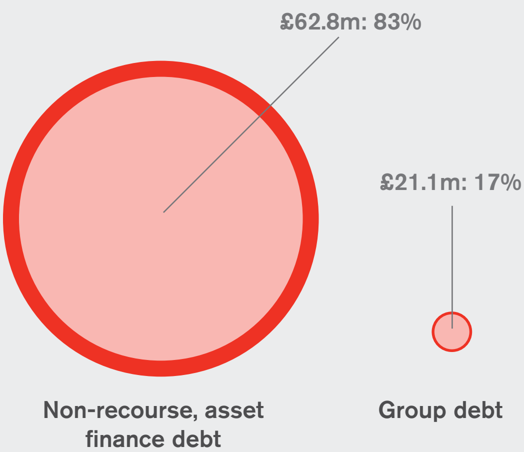
# CHIEF FINANCIAL OFFICER'S REPORT

"The debt has fallen from £89.9m in FY08 to £76m in FY09."

## Key Performance Indicators

| | 2009 | 2008 | Variance | Variance % |
|---|---|---|---|---|
| Profit before tax from continuing operations | 11.3m | 9.0m | 2.3m | 26% |
| EBITDA | 25.5m | 23.1m | 2.4m | 10% |
| Basic earnings per share from continuing operations | 14.0p | 10.5p | 3.5p | 33% |
| Net debt | 76m | 83.9m | (7.9)m | 9.5% |
| Cash conversion | 100% | 84% | 16% | 19% |
| Staff turnover | 5.1% | 9.1% | (4) | 44% |

## Breakdown of net debt




### Business review
I am pleased to report an excellent set of results for the year ended 31 March 2009 (FY09) which has been a year of consolidation following the acquisitions made in FY08. The backdrop to FY09 was the turmoil in the financial markets, which has seen the fundamentals of the banking structure in the UK changed radically and creates challenges for all businesses in the UK.

### Key Performance Indicators
The Board monitors the Group's Key Performance Indicators which are summarized to the left for FY08 and FY09.

### Profit before tax from continuing operations
Profit before tax from continuing operations of £11.3m has increased by 26% from £9m. The increase in profit is due to the continued growth of our long-term contracts. FY08 numbers have also been adjusted for TVAC, which is now included in discontinued operations.

### EBITDA
Earnings before interest, tax, depreciation and amortisation have increased by 10% to £25.5m.

### Basic EPS
Basic earnings per share from continuing operations have increased by 33% to 14.0p.

### Net debt
The debt has fallen from £83.9m in FY08 to £76m in FY09 and this is analysed in the table below:

| | 2009 | 2008 |
|---|---|---|
| Asset finance – emergency | 61.6m | 55.3m |
| Asset finance – non emergency | 1.2m | 2.8m |
| Acquisition and other medium term loans | 32.0m | 25.6m |
| Short term loans and overdrafts | 3.7m | 13.1m |
| Less cash | (22.5)m | (12.9)m |
| Net debt | 76m | 83.9m |

£62.8m (83%) of our net debt is non-recourse asset backed debt which relates to our long term integrated support services contracts. As is mentioned in the Chairman's and CEO's reports these contracts continue to grow and accordingly the levels of asset finance required reflect this.

# CHIEF FINANCIAL OFFICER'S REPORT continued

"Cash conversion, the ratio of cash generated from operating activities to operating profit before exceptional items and discontinued operations, has increased significantly from 84% in FY08 to 100% in FY09."

## Historical performance

| | 2009 £m | 2008 £m | 2007 £m |
|---|---|---|---|
| **Revenue** | **79,659** | 64,546 | 90,628 |
| **Gross profit** | **36,154** | 32,925 | 22,190 |
| **Gross profit %** | **45** | 51 | 24 |
| **Admin expenses** | **(17,208)** | (17,450) | (16,136) |
| **Restructuring costs** | **(1,516)** | (1,549) | – |
| **Operating profit** | **17,430** | 13,926 | 6,056 |
| **Operating profit %** | **22%** | 22% | 7% |
| **Finance costs** | **(6,152)** | (4,944) | (2,780) |
| **Profit before tax** | **11,278** | 8,982 | 4,336 |
| **Taxation** | **(1,135)** | (1,860) | (2,211) |
| **Profit** | **4,954** | 8,037 | 2,125 |

## AssetCo site locations

| 2008 | 2009 |
|---|---|
| ▪ AssetCo HQ – London | ▪ AssetCo HQ Ruislip |
| ▪ Marine Maintenance – London | ▪ Marine Maintenance – London |
| ▪ Barking Maintenance Facility | |
| ▪ AssetCo Lincolnshire | ▪ AssetCo Lincolnshire |
| ▪ Papworth Specialist Vehicles – Cambridge | ▪ Equipment centre – Cambridge |
| ▪ FSE – Nottingham | |
| ▪ Collins Youldon – Harlow | |
| ▪ AS Fire – Southampton | |
| ▪ Todd Research – Chelmsford | |
| ▪ AssetCo Vehicle Assembly – Leeds | ▪ AssetCo Vehicle Assembly – Leeds |
| ▪ AssetCo Managed Services – ROI | ▪ AssetCo Managed Services – ROI |
| ▪ Mallusk | ▪ Mallusk |
| ▪ Craigavon | |
| ▪ Omagh | |
| ▪ Derry | |
| ▪ Cornwall | ▪ Cornwall |
| ▪ Manchester | ▪ Manchester |
| ▪ TVAC – Leyland | ▪ Leyland |
| ▪ TVAC – Leyland* | |
| **19** | **11** |

*Second site

We are continually reviewing our debt structures to enable the business to meet the debt requirements of our core long term contracts – London Fire and Lincoln Fire.

During the last 12 months, as we have proactively worked on our "cash optimisation plans", a number of new debt structures were put in place which resulted in an increase in our medium term debt from £25.6m to £32m and we also were able to reduce our dependence on short term debt from £13.1m to £3.7m.

### Cash conversion

Cash conversion, the ratio of cash generated from operating activities to operating profit before exceptional items and discontinued operations, has increased significantly from 84% in FY08 to 100% in FY09. In absolute terms this equates to cash generated from operating activities of £23.3m in FY09 (before restructuring payments of £3.1m and earn out payments of £1.8m) compared to £1.6m in FY08. This growth is reflective of the increased working capital focus of the Group and also the streamlining of cash generation processes across the acquired subsidiary businesses.

### Staff turnover

This is calculated excluding redundancy programmes and at 5% is 45% lower than the FY08 figure of 9.1%.

### Historical performance

See table to the left.

Revenues decreased from FY07 to FY08 as we exited from non-emergency activity which has continued in FY09. FY09 revenues increased as we had the benefit of a full year's activity from our acquisitions in FY08.

Gross profit decreased slightly as the full year revenues from the acquired businesses was related largely to lower margin vehicle assembly.

Admin expenses, though relatively unchanged in FY09 compared to FY08, benefited from our continuous improvement projects and the synergies from our site rationalisation programme. We expect them to reduce further.

As part of our acquisition strategy in FY08 we acquired a number of businesses and we planned to deliver synergies from these acquisitions by reducing head count and site locations. In January 2008 we were employing directly and indirectly (temporary workers) 1,100 people and the plan was to reduce this number to 700. This has been achieved and with the closure of TVAC – In Administration head count was reduced further to 600. On an ongoing basis we are aligning our head count and cost base with the prevailing order books of our respective businesses and the plan is to reduce the head count to 500 by the end of September 2009. Our staff costs are our largest cost and we continually review these to ensure they are flexed in line with our revenues.

The substantial reduction in staff number and locations has resulted in a further one off restructuring charge in FY09 of £1.5m.

## Acquisition update

The material acquisitions made in FY08 were TVAC, UVM and AES.

### TVAC

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.

### UVM

On a more positive note, UVM, the ambulance assembly business has been returned to profitability and has a record order book including the previously announced orders from the Scottish and North West Ambulance Trusts. It also required substantial Group support.

### AES

AES was acquired because of the potential of its "M~Flow" telemetry product which has been enthusiastically received by the Police and Fire authorities and is currently being rolled out across London and Lincoln Fire's fleet. There are great opportunities for this technology.

## North Atlantic Value LLP (NAV) investment

As part of our ongoing investment in Abu Dhabi, we were delighted to be able to raise £15m in January 2009 at a 20% premium to the prevailing share price. The funding was to assist us with our contract negotiations in Abu Dhabi and with our ongoing development of business relationships in this territory and is a strong endorsement of our business model in the region.

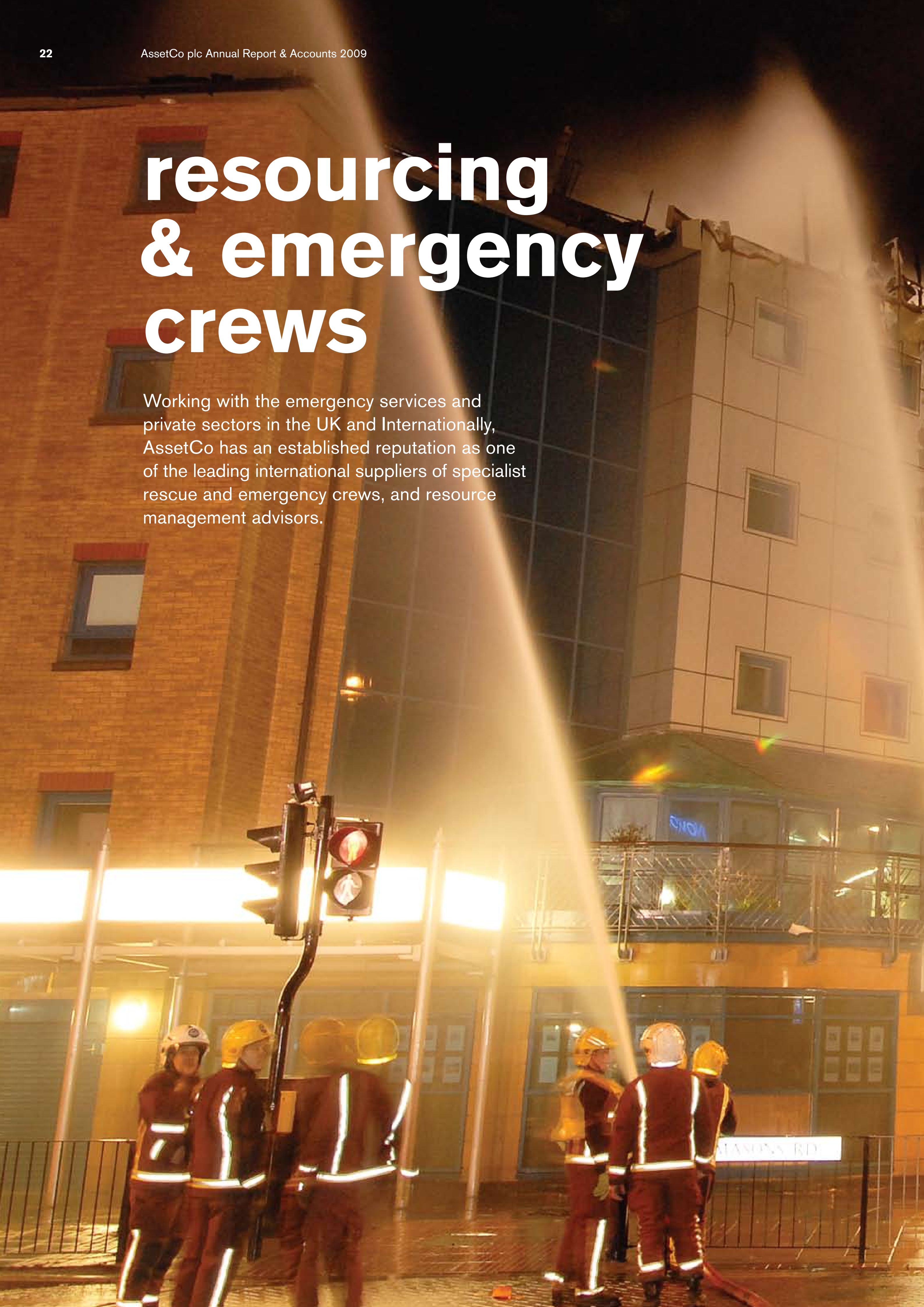
The investment was in zero coupon preference shares which are repayable in 5 years time although there are warrants associated with the shares which can be converted into AssetCo plc shares at 61.2p. AssetCo can repay the preference shares, under certain conditions on the first and second anniversary and one third and two thirds of the warrants vest on these dates. After this date,100% of the warrants are available to JO Hambro.

**Frank Flynn**
Chief Financial Officer

15 June 2009

# resourcing & emergency crews

Working with the emergency services and private sectors in the UK and Internationally, AssetCo has an established reputation as one of the leading international suppliers of specialist rescue and emergency crews, and resource management advisors.

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## We are better placed then ever to support our clients in facing the challenge of increasing financial pressure applied through through cuts in public spending.

**Timothy Redmayne Wightman**
**Chairman**
Tim Wightman (aged 61) is currently Non-executive Chairman of Petards Group plc, an AIM quoted company and was Non-executive Chairman of Digica Group Holdings Limited, an IT outsourcing company backed by Bridgepoint Capital, until its sale to Computacentre plc in January 2007. In 2000, as Chief Executive Officer, he led a management buy-in of Knurr A.G., a German manufacturing business listed on the Munich Stock Exchange. Prior to that, he was Chief Executive of Rubicon Group plc, a company listed on the London Stock Exchange, from 1992 until its sale to Applied Power Inc. in 1998 when he became Senior Vice President of Applied Power Inc. and President of APW Enclosure Systems Division. From 1988, he was Chief Executive of CAS Group plc, a 3i backed business, until its sale to Intrum Justitia BV in 1992. Prior to that he worked at Yule Catto & Co. Ltd, Chloride Group plc and Lloyds Bowmaker plc, where he became Managing Director of the Personal Lending Division. He holds an engineering degree and an MBA.

**John Shannon**
**Chief Executive Officer**
John Shannon (aged 43) led the reverse takeover of AssetCo Group Limited of Asfare Group plc (now AssetCo plc) in March 2007. Prior to this, he led the BIMBO of AssetCo Group Limited in October 2005. He acquired Star Rentals Limited in 1997 and by January 2000, following the acquisition of the Lex Transfleet subsidiary in Northern Ireland, Chart Hire Services Limited, had formed Northern Ireland's largest independent commercial vehicle hire company, FMI. Upon selling FMI to AssetCo he became a board member of AssetCo and managing director of AssetCo (Ireland) Limited, AssetCo Emergency Limited and AssetCo Vehicles Limited. Until 1996, he worked in Bank of Ireland's Corporate and International Banking division, prior to which he worked at KPMG. He holds a BSc (Hons) in Marine Biology, is a fellow of the Institute of Chartered Accountants in Ireland, a fellow of the Institute of Logistics and Transport, a member of the Institute of Bankers and holds an MBA.

**Frank Flynn**
**Chief Financial Officer**
Frank Flynn (aged 45) was part of the team that acquired the AssetCo Group Limited (now AssetCo plc) in October 2005. In the four years leading up to the BIMBO, he was an associate partner at PricewaterhouseCoopers ("PwC") with specific focus on realising shareholder value. He was responsible for activities in PwC's Omagh and Derry offices and managed human resources for Northern Ireland Assurance, a division of PwC employing over 300 people. He also managed a portfolio of audit clients. Prior to this, he worked for three years within the corporate finance division of the Industrial Development Board for Northern Ireland. He also spent six years with Crescent Capital/Hambro Northern Ireland Venture Capital Fund as an investment manager and was a non-executive director of UP Holdings Limited and Toughglass Limited. He holds a BSc (Hons) in Business and Accountancy; is a fellow of the Institute of Chartered Accountants in Ireland and was a licensed Insolvency Practitioner.

**Adrian Effland Bradshaw**
**Non-executive Director**

Adrian Bradshaw (aged 50) is currently and has been a Director of a number of public and private companies. He previously worked for Citicorp Scrimgeour Vickers, NatWest Markets and Guidehouse Limited and in 1989 he was appointed Head of Corporate Finance at Arbuthnot Latham Bank. In 1991, he became Chief Executive of Incepta Group plc before establishing Bradmount Investments Limited in 1993 as a private investment company where he has been involved in a number of flotations, notably GW Pharmaceuticals plc, RWS Group plc, Medical Solutions plc and Atlantic Global plc. He holds a BA (Hons) in law.

**5. Peter David Manning**
**Non-executive Director**

Peter David Manning (age 53), has extensive international experience in senior operating and customer focused roles in business process outsourcing and in service and technology industries.

Between 2004 -2007, he was Chief Executive of HBS Ltd, a business owned by Terra Firma Capital Partners providing business process outsourcing to the Local Government sector in the UK, which was subsequently sold to Mouchel Group plc. Before joining HBS Ltd, from 1999-2003, Peter was President and Chief Executive Officer of COLT Telecom PLC, the Pan-European telecom operator and from 1996-1999, President and Chief Executive Officer of the US-based telecoms group Concert Communication Inc. based in Virginia, USA. His early career was at British Telecom where, between 1994 1996, he was Chief Operating Officer of BT Europe.

Peter has a BSC (Hons) Computer Science, is a Fellow of the Institute of Electrical Engineers, a Fellow of the Institute of Directors and a liveryman of the City of London.

# REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company, and its subsidiary undertakings included in the consolidation (together "the Group"), for the year ended 31 March 2009.

## Principal activities

The principal activity of the Group is 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 and other services to the emergency services market.

There have been no significant changes to the principal activities of the Group companies during the year.

The subsidiaries, associated undertakings and joint ventures affecting the profits or net assets of the Group during the year are listed in Notes 30 and 31 to the financial statements.

## Review of business and future developments

Further information relating to the performance of the business, and an indication of likely future developments, is given in the Chairman's Statement and the reports of the Chief Executive Officer and Chief Financial Officer.

The directors use various Key Performance Indicators ("KPIs") to measure the performance of the business. The principal financial and non-financial indicators include EBITDA, earnings per share, net debt, conversion of profit before tax to cash and staff turnover. As outlined in the Report of the Chief Financial Officer, the directors are pleased with the Group's performance against both the financial and non-financial KPIs.

## Results and dividend

The results for the year are set out in the consolidated income statement. This shows a Group profit after taxation of £4.954 million (2008: £8.037 million).

The directors recommend a final dividend of 1.25 pence per share which, if approved, will be paid on 25 September 2009 to eligible shareholders on the register at 28 August 2009.

## Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 24.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of holding nor the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in Note 24.

The directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Under its Articles of Association, the Company has the authority to issue 95,000,000 ordinary shares.

## Directors

The directors who held office during the year were as follows:

| | |
|---|---|
| **Tim Wightman** | (non-executive Chairman) |
| **Adrian Bradshaw** | (non-executive) |
| **Peter Manning** | (non-executive – appointed 2 September 2008) |
| **John Shannon** | (Chief Executive Officer) |
| **Frank Flynn** | (Chief Financial Officer) |

Tim Wightman, Adrian Bradshaw and Peter Manning each serve on the Audit Committee, Remuneration Committee and Nominations Committee. The responsibilities of these committees are outlined in the "Corporate Governance" section of the Annual Report.

In accordance with the Articles of Association, Peter Manning was appointed a director during the year by the Board, will retire and, being eligible, seek election by shareholders.

Tim Wightman and Frank Flynn retire by rotation and each will being eligible, offer himself for re-election at the Annual General Meeting in accordance with the Articles of Association.

## Directors' shareholdings

The interests of the directors in the shares of the Company were as follows:

| | At 31 March 2009 | At 1 April 2008 |
|---|---|---|
| **Executive directors** | | |
| John Shannon (1) | **26,963,327** | 26,963,327 |
| Frank Flynn | **7,175,000** | 7,175,000 |
| **Non-executive directors** | | |
| Tim Wightman (2) | **532,083** | 532,083 |
| Adrian Bradshaw (3) | **267,917** | 267,917 |
| Peter Manning | **28,846** | – |

(1) John Shannon is interested in 26,963,327 of the ordinary shares set out against his name by reason of his interest in the Shannon Trust and Shannon Heritage Trust.

(2) Tim Wightman is interested in 158,333 of the ordinary shares set out against his name by reason of his wife's beneficial ownership of those shares.

(3) Adrian Bradshaw is interested in 16,667 ordinary shares set out against his name, held in the Bradmount SSAS pension scheme.

On 2 September 2008 Peter Manning purchased 28,846 ordinary shares.

Otherwise no changes took place in the interests of directors between 31 March 2008 and the date of approval of these financial statements.

The market price of the ordinary shares at 31 March 2009 was 28.5 pence (2008: 176 pence) and the range during the year was 27.75 pence to 197.5 pence.

No director has or had a material interest in any contract or arrangement to which the Company, or any subsidiary, is or was a party.

## Changes to Concert Party

Immediately following the re-admission of the Company's Ordinary Shares to trading on AIM in March 2007, a concert party led by John Shannon and Frank Flynn (the "Original Concert Party") owned 42,427,589 Ordinary Shares in AssetCo, which at that time carried 63.2 per cent of the Company's voting rights. Full details of the six members of the Original Concert Party and their respective shareholdings and percentage interests were set out in the Company's Admission Document dated 6 March 2007.

Since then certain members have left the Original Concert Party and its membership is now considered to comprise only John Shannon and Frank Flynn (the "Revised Concert Party"). The Revised Concert Party currently holds 34,188,327 Ordinary Shares in AssetCo, which carry 46.6 per cent of the Company's voting rights. The current respective shareholdings and percentage interests of John Shannon and Frank Flynn are set out in the Directors' Report on page 27.

As a result of the fall in the Revised Concert Party's shareholding to below 50% of voting rights in the Company, the Revised Concert Party is no longer generally able to increase its aggregate interests in AssetCo ordinary shares, nor may the remaining members increase their individual interests, without the Revised Concert Party incurring an obligation under Rule 9 of the Takeover Code to make a general offer for the Company.

## Directors' indemnities

There are no third party indemnity provisions for directors in place during the year or at the date this report is approved.

## Service contracts

The executive directors, John Shannon and Frank Flynn, were awarded service contracts on 5 March 2007 of unlimited duration which are terminable, at any time by either party, by giving written notice of six months.

Two of the non-executive directors, Tim Wightman and Adrian Bradshaw, were awarded service contracts on 5 March 2007 for two years and thereafter terminable on written notice of three months by either party. Peter Manning joined the Group as a non executive director on 2 September 2008 and as with Tim and Adrian has a service contract terminable by three months notice by either party.

The terms and conditions of appointment of the non-executive directors are available from the Company Secretary.

# REPORT OF THE DIRECTORS continued

## Share options

The Group currently has share options for the Company's shares which were granted to directors and other senior employees. The number of share options currently in existence is 1,352,603 as detailed in the table below.

| Name | Parties | Exercise price | No. of shares | Exercise period |
|---|---|---|---|---|
| Tim Wightman | Director | 100p | 105,000 | 5 December 2003 to 4 December 2013 |
| Adrian Bradshaw (1) | Director | 100p | 105,000 | 5 December 2003 to 4 December 2013 |
| Other employees | Other | 145p | 698,103 | 30 March 2010 to 29 March 2017 |
| Other employees | Other | 230p | 120,000 | 31 July 2010 to 30 July 2017 |
| Other employees | Other | 300p | 160,000 | 31 July 2010 to 30 July 2017 |
| Other employees | Other | 230p | 100,000 | 23 November 2010 to 22 November 2017 |
| Other employees | Other | 300p | 40,000 | 23 November 2010 to 22 November 2017 |
| Other employees | Other | 204p | 24500 | 29 November 2010 to 28 November 2017 |
| | | | **1,352,603** | |

(1) The options set out against the name of Adrian Bradshaw were granted to Bradmount Investments Limited acting as nominee for Adrian Bradshaw and Peter Mountford in equal shares. Both Adrian Bradshaw and Peter Mountford are directors and shareholders of Bradmount Investments Limited.

During the year, no share options were issued.

No share options were exercised during the year.

A total of 466,724 share options were forfeited during the year.

## Substantial shareholdings

At 15 June 2009 the Company Secretary has been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules ("DTR") as issued by the Financial Services Authority, of the following interests of 3% or more in the issued ordinary share capital of the Company:

| Shareholder | No. of shares | % of issued share capital |
|---|---|---|
| Shannon Trust | 16,177,996 | 22.5% |
| Shannon Heritage Trust | 10,785,331 | 15.0% |
| Frank Flynn | 7,175,000 | 9.85% |
| Schroder Investment Management Limited | 4,350,000 | 5.93% |
| David Smith | 2,775,637 | 3.2% |
| Oryx International Growth Fund Limited | 2,250,000 | 3.07% |

## Charitable donations

During the year, the Group made donations of £nil (2008: £17,892) to local charities serving the communities in which the Group operates.

## Political donations

No political donations (2008: £nil) were made during the year.

## Principal risks and uncertainties

The directors continuously monitor the business and markets within which the Group operates in order to deal with any significant risks or uncertainties as they arise.

Although it is not possible to mitigate all risks, all reasonable steps are taken to ensure that any adverse consequences associated with these risks are minimised.

The Board has developed internal processes for identifying, evaluating and managing significant risks faced by the Group. The Board continues to develop a detailed risk register which identifies key strategic, financial and operating risks affecting, or potentially affecting, the Group. Each risk is assigned to a member of the Board who is responsible for monitoring that risk.

The performance of all newly acquired businesses continues to be monitored closely as senior management implement continuous improvement programmes and embark on a series of reorganisations. The Group is in discussions with lenders about re-financing its Vehicles division as it seeks to move away from short-term asset-based facilities towards a more medium-term financing solution. Should the Group be unsuccessful in these negotiations, the Group has adequate cash resources to support the businesses until its profit improvement programmes take effect.

The Group has recently won some significant overseas orders and the Board is confident that further contracts will follow, particularly in Europe and the Middle East. The Group is actively considering ways in which its anticipated increased exposure to exchange rate fluctuations can be managed.

In a similar vein, the Group has recently concluded negotiations with its providers of finance which now means that approximately 80% of its borrowings carry interest at a fixed rate.

The Group's exposure to credit risk is insignificant due to the nature of its two core Private Finance Initiative and Public Private Partnership contracts. Both contracts are government-backed and so the risk of default by customers is considered to be remote.

Revenue from these contracts is secured through long-term arrangements. Cash flows in relation to these contracts can be forecast with a high degree of certainty. These contracts and other areas of the business continue to grow improving the cash flows of the Group and enhancing profitability. Expenditure in the emergency services market is expected to continue to grow and, following the successful completion of a number of acquisitions during the year, we are well placed to capture revenues in all sectors of the market. The establishment of an Emergency Resource team, tasked with exploring opportunities in an area where over 80% of the annual budget of a typical Fire and Rescue Authority is spent, demonstrates the Group's commitment to the market.

Management monitors rolling forecasts of the Group's liquidity reserves and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at a local level in the operating companies of the Group.

## Financial instruments
Information about the use of financial instruments by the Group is given in Note 23 to the financial statements.

## Financial risk
The Group's approach to financial risk management and the financial risks it faces are summarised in Note 2.10 to the financial statements.

## Going concern
Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plans with the directors and have collectively formed a judgement that the Group has adequate resources to continue as a going concern for at least 12 months from the date of signing of the financial statements. In arriving at this judgement the directors have reviewed the cash flow projections of the Group for the foreseeable future in light of the trading and financing uncertainties in the current economic climate and have considered existing commitments together with the financial resources available to the Group. The Group also benefits from the surety of two major long term contracts which guarantee revenue streams for the next 14 years. This, aligned with a significant public sector client base gives comfort over future income streams and thus the going concern status of the Group. The directors have also considered the current global economic downturn together with the unprecedented markets for debt and equity financing at this time. The directors have considered all significant trading exposures and do not consider the Group to be significantly exposed to its trading partners, either clients or suppliers at this time.

The detailed profit and loss and cash flow budgets prepared by management for the period up to 30 June 2010 have been subjected to various sensitivity analyses and show that the Group is forecast to have more than sufficient headroom in that period.

## Events after the balance sheet date
Details of significant events since the balance sheet date can be found in Note 34 to the financial statements.

## Acquisitions and disposals
Details of the Group's acquisitions and disposals can be found in Note 33 to these financial statements.

## Property, plant and equipment
There is no material difference between the book value and the current open market value of the Group's interests in land and buildings.

## Insurance cover
The Group maintains appropriate insurance cover in respect of legal actions against the directors as well as against material loss or claims against the Group. The adequacy of cover is reviewed on a regular basis.

## Employment of disabled persons
It is the policy of the Group to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Where possible, arrangements are made for the continuing employment of employees who have become disabled whilst in the Group's employment.

## Employee involvement
Employees are kept informed of the performance and objectives of the Group through personal briefings, regular meetings and e-mail.

# REPORT OF THE DIRECTORS continued

The financial and economic factors affecting the Group's performance are also communicated by senior management through informal team briefings.

Directors and senior management regularly discuss with employees, matters of current interest and concern to the business.

The Group has implemented two Save as You Earn ("SAYE") schemes for its employees in an effort to further encourage share ownership and employee participation as widely as possible across the Group.

## Equal opportunities

The Group is committed to equal opportunities from recruitment and selection through to training, development, performance monitoring and retirement.

It is the policy of the Group to promote an environment free from discrimination, harassment and victimisation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

## Creditor payment policy

The Group's policy is to agree the terms of payments with its suppliers as and when a trading relationship is established. The Group ensures that the terms of payment are clear and its policy is to abide by the agreed terms, provided the supplier meets its obligations. At 31 March 2009, the Group had an average of 49 days (2008: 44 days) purchases outstanding in trade payables, based on the average daily amount invoiced by suppliers during the year.

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the parent company financial statements in accordance with United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice").

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Acts 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- There is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

## Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487 (2) of the Companies Act 2006 unless the company receives notice under Section 488 (1) of the Companies Act 2006.

By order of the Board

**Michael Lavender**
Company Secretary

15 June 2009

# CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance and the Board is aware that it is accountable to the Company's shareholders on such matters.

As an AIM listed company, AssetCo plc is not required to comply with all of the Listing Rules of the Financial Services Authority. However, the Company has chosen to disclose the following information on corporate governance.

## The Board

The Board consists of two executive and three non-executive directors. The executive directors provide a direct line of control between the Company and its operating businesses. The non-executive directors provide a balance to the Board and bring a wide breadth of experience.

The Board meets on a monthly basis and has a formal schedule of matters reserved for its consideration. These matters include the approval of the financial and commercial strategy, dividend policy, annual and interim results, review of major investments, internal controls and performance as well as reporting to shareholders. The schedule is reviewed on an annual basis.

Operational decisions are delegated to members of the Group's Operating Board and senior management team.

All directors have access to the advice and services of the Company Secretary and may also seek independent professional advice and training, at the expense of the Company, if required to carry out their duties.

The Board carries out rigorous reviews of its own performance and that of its committees. Formal individual performance reviews are also conducted. In addition, the close-working nature of the Board is such that an under-performance would be immediately apparent. The Chairman explicitly encourages any Board member with concerns over the performance of an individual director to identify those to himself at any time.

## Committees

The Board has established an audit committee (Adrian Bradshaw, Chairman), remuneration committee (Peter Manning, Chairman) and nominations committee (Tim Wightman, Chairman).

The terms of reference of each of the committees are available from the Company Secretary.

## Audit committee

The audit committee, which convenes every six months, has primary responsibility for monitoring the quality of internal controls and for ensuring that the financial performance of the Group is properly measured and reported on, as well as reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to protecting the interests of the shareholders.

The committee also reviews the independence and objectivity of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money taking into account relevant ethical guidance.

## Remuneration committee

The remuneration committee will determine the terms and conditions of service of the executive directors, including their remuneration and grant of options.

The policy of the committee is to implement packages that are closely aligned to market standards and best practice.

Should an executive director wish to take up an external appointment, approval must be sought from the Chairman and Chief Executive Officer of the Group.

The non-executive directors are paid a fee for their services and do not qualify for performance bonuses.

# CORPORATE GOVERNANCE REPORT continued

## Remuneration of the Directors

The remuneration of the executive directors and fees paid to the non-executive directors during 2009 and 2008 are as follows:

| | Salary 2009 £'000 | Benefits in kind 2009 £'000 | Total emoluments 2009 £'000 | Salary 2008 £'000 | Benefits in kind 2008 £'000 | Total emoluments 2008 £'000 |
|---|---|---|---|---|---|---|
| John Shannon | **250** | **–** | **250** | 250 | 38 | 288 |
| Frank Flynn | **125** | **–** | **125** | 250 | 38 | 288 |
| **Total** | **375** | **–** | **375** | 500 | 76 | 576 |

## Non-executive directors' remuneration

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Tim Wightman | **55** | 55 |
| Adrian Bradshaw | **35** | 35 |
| Peter Manning | **18** | - |
| **Total** | **108** | 90 |

## Nominations committee

The nominations committee makes recommendations to the Board for the appointment or replacement of directors. It is also responsible for succession planning within the Group. The functions of the nomination committee were discharged by the main Board throughout the year and it did not meet separately.

The committee used an external search consultancy in order to seek to appoint a new non-executive director. The Group is pleased to welcome Peter Manning to the Board of directors during the year.

## Internal control

The Board is responsible for maintaining a sound system of internal controls to safeguard the investment of shareholders and the assets of the Group.

The directors monitor the operation of the internal controls. The objective of the system is to safeguard the assets of the Group, to ensure proper accounting records are maintained and to ensure that the financial information used within the business, and for publication, is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance, against material misstatement or loss.

Internal control procedures implemented by the Board include:

- A clearly defined organisation structure with formal lines of authority, accountability and responsibility;
- Review of monthly financial reports and monitoring of performance;
- Prior approval of all significant expenditure including all major investment decisions; and
- Regular assessment of major business, investment and financing risks.

The Board has reviewed the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of the financial statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

### Internal audit function

The audit committee remains of the view that given the size and nature of the operations of the Group that the establishment of an internal audit function is not warranted. The audit committee continues to review this decision.

### Attendance at meetings

The number of Board and Committee meetings attended by each of the directors during the year was as follows:

| Name | Main Board Meetings | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|
| **Executive directors** | | | | |
| John Shannon | 18 (19) | – | – | – |
| Frank Flynn | 19 (19) | 3 (3) | 2 (2) | – |
| **Non-executive directors** | | | | |
| Tim Wightman | 19 (19) | 3 (3) | – | – |
| Adrian Bradshaw | 19 (19) | 3 (3) | – | – |
| Peter Manning | 12 (12) | – | 2 (2) | – |

The figures in parentheses indicate the number of meetings that each director was eligible to attend during the year.

### Relations with shareholders

The Board has always sought to maintain good relations with the Company's shareholders and believe that shareholders should receive timely information on the performance of the Group.

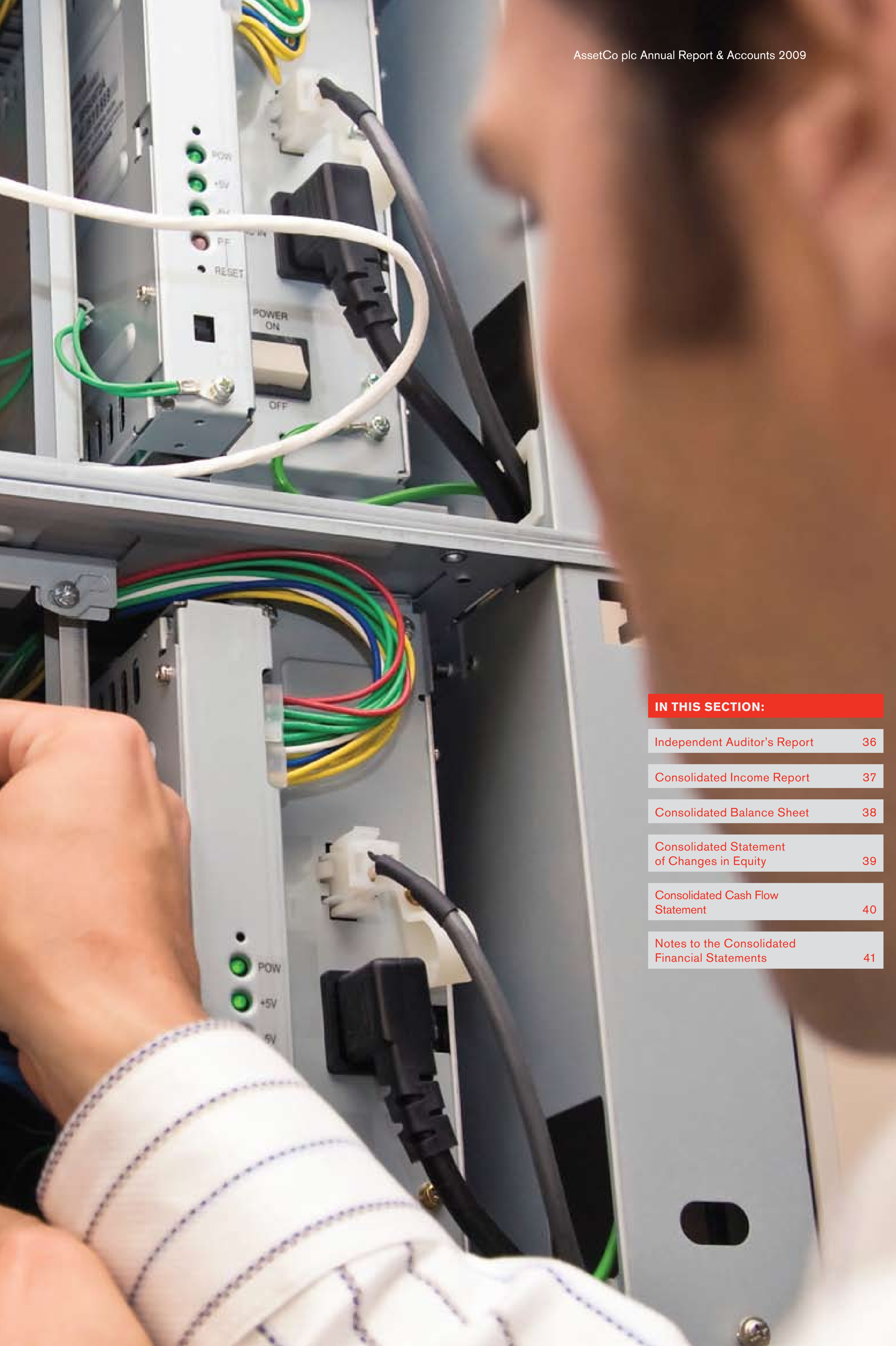
The directors acknowledge that it is important for both private and institutional shareholders to have the opportunity to raise concerns or discuss matters. All of the directors attend the Company's Annual General Meeting and are available to answer questions at the meeting or privately. The directors are in regular contact with institutional shareholders and feedback is also received from the Company's brokers and nominated advisor.

**Michael Lavender**
Company Secretary

15 June 2009

# technology & communications

AssetCo designs, installs and maintains integrated communication and operational systems across each of the emergency services and is the design authority for electrical communication systems for a specific range of the UK's civil resilience fleet.

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# REPORT TO THE INDEPENDENT AUDITOR (consolidated financial statements)

We have audited the consolidated financial statements of AssetCo plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 39 of the financial statements. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of AssetCo plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and independent auditor

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Reports of the Chief Executive Officer and Chief Financial Officer that is cross referenced from the "Review of business and future developments" section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Chairman's Statement, the Reports of the Chief Executive Officer and Chief Financial Officer, the Report of the Directors and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting polices are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

## Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

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

15 June 2009

# CONSOLIDATED INCOME STATEMENT

| | Notes | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | **79,659** | 64,546 |
| Cost of sales | 13 | **(43,505)** | (31,621) |
| Gross profit | | **36,154** | 32,925 |
| Administrative expenses | 13 | **(17,500)** | (18,466) |
| Other gains | 9 | **292** | 1,016 |
| Restructuring costs | 29 | **(1,516)** | (1,549) |
| Operating profit | 7 | **17,430** | 13,926 |
| Finance income | 10 | **717** | 429 |
| Finance costs | 10 | **(6,869)** | (5,373) |
| Profit before taxation | | **11,278** | 8,982 |
| Taxation | 11 | **(1,135)** | (1,860) |
| Profit for the year from continuing operations | | **10,143** | 7,122 |
| **Discontinued operations** | | | |
| (Loss)/Profit for the year from discontinued operations | 30 | **(5,189)** | 915 |
| Profit for the year | | **4,954** | 8,037 |
| **Earnings per share (pence)** | | | |
| **From continuing operations** | | | |
| Basic | 12 | **14.0p** | 10.5p |
| Diluted | 12 | **13.7p** | 10.1p |
| **From continuing and discontinued operations** | | | |
| Basic | 12 | **6.8p** | 11.8p |
| Diluted | 12 | **6.7p** | 11.5p |

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

# CONSOLIDATED BALANCE SHEET

| | Notes | 31 March 2009 £'000 | 31 March 2008 Restated £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **76,877** | 76,727 |
| Goodwill | 17 | **57,081** | 54,060 |
| Other intangible assets | 17 | **5,666** | 1,576 |
| Investment in associates | 30 | **414** | 414 |
| Deferred tax asset | 27 | **4,572** | 1,817 |
| Retirement benefit surplus | 18 | **429** | 429 |
| | | **145,039** | 135,023 |
| **Current assets** | | | |
| Inventories | 19 | **6,607** | 5,910 |
| Trade and other receivables | 20 | **23,997** | 21,513 |
| Cash and cash equivalents | 21 | **22,498** | 12,896 |
| Non-current assets held for sale | 22 | **–** | 3,370 |
| Derivative financial instruments | 23 | **–** | 2,190 |
| | | **53,102** | 45,879 |
| **Total assets** | | **198,141** | 180,902 |
| **EQUITY** | | | |
| Issued share capital | 24 | **18,345** | 17,958 |
| Equity component of compound financial instruments | 24 | **7,917** | – |
| Share premium account | 24 | **26,115** | 25,197 |
| Reverse acquisition reserve | | **(11,701)** | (11,701) |
| Hedging reserve | 23 | **(5,130)** | 1,577 |
| Translation reserve | | **(304)** | 356 |
| Other reserve | 24 | **580** | 384 |
| Retained earnings | | **15,739** | 11,506 |
| **Total Equity** | | **51,561** | 45,277 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **81,676** | 69,970 |
| Liability component of compound financial instruments | 24 | **7,045** | – |
| Deferred tax liabilities | 27 | **6,756** | 5,961 |
| | | **95,477** | 75,931 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **26,880** | 27,871 |
| Current income tax liabilities | | **255** | 330 |
| Borrowings | 25 | **16,843** | 26,825 |
| Provisions | 29 | **–** | 1,549 |
| Liabilities associated with assets classified as held for sale | 22 | **–** | 3,119 |
| Derivative financial instruments | 24 | **7,125** | – |
| | | **51,103** | 59,694 |
| **Total liabilities** | | **146,580** | 135,625 |
| **Total equity and liabilities** | | **198,141** | 180,902 |

These financial statements were approved by the Board of directors and authorised for issue on 15 June 2009. They were signed on its behalf by:

**R.F.Flynn**
Director

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share premium account £'000 | Reverse acquisition reserve £'000 | Hedging reserve £'000 | Translation reserve £'000 | Other reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 April 2007** | 16,800 | 17,890 | (11,701) | – | – | – | 3,413 | 26,402 |
| Gain recognised on cash flow hedge – interest rate swap | – | – | – | 2,190 | – | – | – | 2,190 |
| Tax on items taken directly to equity | – | – | – | (613) | – | – | – | (613) |
| Exchange differences on translation of overseas operations | – | – | – | – | 356 | – | – | 356 |
| Profit for the year | – | – | – | – | – | – | 8,093 | 8,093 |
| Total recognised income and expense for the period | – | – | – | 1,577 | 356 | – | 8,093 | 10,026 |
| Movement relating to share-based payments | – | – | – | – | – | 384 | – | 384 |
| Net proceeds from issue of shares | 1,158 | 7,307 | – | – | – | – | – | 8,465 |
| **At 31 March 2008** | 17,958 | 25,197 | (11,701) | 1,577 | 356 | 384 | 11,506 | 45,277 |
| Loss recognised on cash flow hedge – interest rate swap (Note 23) | – | – | – | (9,315) | – | – | – | (9,315) |
| Tax on items taken directly to equity | – | – | – | 2,608 | – | – | – | 2,608 |
| Exchange differences on translation of overseas operations | – | – | – | – | (660) | – | – | (660) |
| Profit for the year | – | – | – | – | – | – | 4,954 | 4,954 |
| Total recognised income and expense for the period | – | – | – | (6,707) | (660) | – | 4,954 | (2,413) |
| Dividends paid in the year | – | – | – | – | – | – | (721) | (721) |
| Movement relating to share-based payments (Note 24) | – | – | – | – | – | 196 | – | 196 |
| Net proceeds from issue of shares (Note 24) | 8,304 | 918 | – | – | – | – | – | 9,222 |
| **At 31 March 2009** | 26,262 | 26,115 | (11,701) | (5,130) | (304) | 580 | 15,739 | 51,561 |

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

# CONSOLIDATED CASH FLOW STATEMENT

| | Notes | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 32 | **13,015** | 14,123 |
| Finance costs | 10 | **(6,687)** | (5,373) |
| Corporation tax paid | | **(44)** | (177) |
| **Net cash generated from operating activities** | | **6,284** | 8,573 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | 33 | **(60)** | (4,910) |
| Investment in associated undertaking | 30 | **–** | (414) |
| Purchase of intangible assets | 17 | **(3,563)** | (1,089) |
| Cash element of deferred consideration settlement | | **(1,800)** | – |
| Purchases of property, plant and equipment | 16 | **(10,906)** | (38,550) |
| Proceeds from sale of property, plant and equipment | | **6,229** | 3,518 |
| Proceeds from sale of subsidiary undertakings | | **–** | 900 |
| **Net cash used in investing activities** | | **(10,100)** | (40,545) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **–** | 6,378 |
| Proceeds from issue of preference shares | | **14,780** | – |
| Dividends paid | | **(721)** | – |
| Net increase in/(repayments of) borrowings | | **5,842** | (4,552) |
| Net increase in finance leases | | **1,609** | 27,493 |
| Finance income | 10 | **717** | 429 |
| **Net cash used in financing activities** | | **22,227** | 29,748 |
| **Net increase/(decrease) in cash, cash equivalents and bank overdrafts** | | **18,411** | (2,224) |
| Cash, cash equivalents and bank overdrafts at beginning of period | | **394** | 2,618 |
| **Cash, cash equivalents and bank overdrafts at end of period** | 21 | **18,805** | 394 |

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

# NOTES TO THE CONSOLIDATED STATEMENTS

## 1. Legal status and activities

AssetCo plc 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 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 eight sites throughout the United Kingdom and one in the Republic of Ireland.

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 2008 were authorized for issue by the then Board of Directors on 27 May 2008 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 1985.

Due to the adoption of reverse acquisition accounting, references to "the Company" in the consolidated financial statements are to AssetCo Group Limited. Further information on reverse acquisition accounting is given in Note 2.2.

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

These group consolidated financial statements were authorised for issue by the Board of Directors on 15 June 2009.

## 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 group's financial statements comply with the AIM Rules and have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2009 and applied in accordance with the Companies Act 1985. The financial statements are prepared using the historical cost convention as modified for the revaluation of certain assets. The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 31 March 2009.

#### Going concern

Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plans with the directors and have collectively formed a judgement that the Group has adequate resources to continue as a going concern for at least 12 months from the date of signing of the financial statements. In arriving at this judgement the directors have reviewed the cash flow projections of the Group for the foreseeable future in light of the trading and financing uncertainties in the current economic climate and have considered existing commitments together with the financial resources available to the Group. The Group also benefits from the surety of two major long term contracts which guarantee revenue streams for the next 14 years. This, aligned with a significant public sector client base gives comfort over future income streams and thus the going concern status of the Group. The directors have also considered the current global economic downturn together with the unprecedented markets for debt and equity financing at this time. The directors have considered all significant trading exposures and do not consider the group to be significantly exposed to its trading partners, either clients or suppliers at this time.

The detailed profit and loss and cash flow budgets prepared by management for the period up to 30 June 2010 have been subjected to various sensitivity analyses and show that the Group is forecast to have more than sufficient headroom in that period.

#### Exemptions

IFRS 3, "Business Combinations", has not been applied to acquisitions of subsidiaries or interests in joint ventures that occurred before 1 April 2006 as these were business combinations effected before the date of transition to IFRSs.

The Group has elected to recognise all cumulative actuarial gains and losses in relation to employee benefit schemes at the date of transition which fall outside of the 10% corridor approach.

#### Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The nature of estimation means the actual outcomes may differ from the estimates. Further details on the critical accounting estimates used and judgements made in preparing these financial statements can be found in Note 4.

#### Accounting standards and interpretations

a) Interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are not mandatory for the Group's accounting periods beginning on or after 31 March 2008 or later periods but which the Group has not early adopted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation continued

#### 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.

IFRS 3 (revised), "Business Combinations"; IAS 27 (amended), "Consolidated and Separate Financial Statements"; IAS 28 (amended), "Investments in Associates"; and IAS 31 (amended), "Interests in Joint Ventures" (all effective for annual periods beginning on or after 1 July 2009). The changes made to these accounting standards are designed to ensure uniformity in the accounting treatment for business combinations under both United States Generally Accepted Accounting Principles and IFRSs. Management is currently assessing the impact of these revisions and amendments on the Group's operations.

IAS 32 (amended), "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 January 2009). IAS 32 (amended) includes changes to the presentation of puttable instruments and obligations arising on a liquidation. Management is currently assessing the impact of IAS 32 (amended) on the financial statements of the Group.

IFRS 2 (amended), "Share-based Payment" (effective for annual periods beginning on or after 1 January 2009). IFRS 2 (amended) provides clarification surrounding vesting conditions and the cancellation of options. Management is currently assessing the impact of IFRS 2 (amended) on the financial statements of the Group.

#### Interpretations

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.

#### b) Revisions to existing standards that have been early adopted

IAS 23 (revised), "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009). IAS 23 (revised) requires borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale to be capitalised. The Group has chosen to early adopt this revised standard. The impact of early adoption of IAS 23 (revised) was to increase the carrying cost of property, plant and equipment by £282,000 in 2008 with a corresponding reduction in borrowing costs in the consolidated income statement.

### 2.2 Consolidation

The Group financial statements consolidate the financial statements of AssetCo Plc and the entities it controls (its subsidiaries) drawn up to 31 March each year.

#### a) Reverse acquisition accounting

Under IFRS 3 "Business Combinations", the acquisition of AssetCo Group Limited (the "legal subsidiary") by the Company (the "legal parent") 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.

Under reverse acquisition accounting, the cost of a business combination is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent.

The assets and liabilities of the legal subsidiary (the "acquirer") are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts. The assets and liabilities of the legal parent (the "acquiree") are fair valued at the acquisition date.

The retained earnings and other reserves recognised in the consolidated financial statements should be those of the legal subsidiary immediately before the business combination. The equity structure shown in the consolidated financial statements should reflect the legal parent's equity structure, including the equity instruments issued by the legal parent to effect the combination.

#### b) Subsidiaries

Subsidiaries are all 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 and continue to be consolidated until the date that control ceases. Control comprises the power to govern the financial and operating policies of the investment so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately from parent shareholders equity within equity in the consolidated balance sheet.

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.

When settlement of all or any part of the cost of a business combination is deferred, the fair value of that deferred component shall be determined by discounting the amounts payable to their present value at the date of exchange, taking into account any premium or discount likely to be incurred in settlement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless there is evidence of impairment of the asset, 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) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of the post-acquisition profit or loss of its associates is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### d) Joint ventures

The Group's interests in joint ventures, which are 50% jointly controlled with another entity, are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### e) 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.

### f) Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for its recognition as a completed sale within one year from the date of classification.

## 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 2. Summary of significant accounting policies

### 2.3 Revenue recognition continued

#### a) Rendering of services

Revenue is only recognised in respect of service contracts when the stage of completion can be measured reliably, both costs incurred and cost to complete can be measured reliably and it is probable that economic benefits will flow to the Group.

#### b) Sale of goods

Revenue from the sale of goods to the emergency services market is recognised when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the goods have been successfully delivered to the customer and accepted;
- the Group retains neither continuous managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally when the goods have been despatched;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

#### c) Leasing and short-term hire

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

#### d) Interest income

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### 2.4 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 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.

There has been no change in the Company's functional or presentation currency during the year under review.

#### 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.

#### c) Foreign operations translation

The Group consolidation is prepared in sterling. Income statements of foreign operations are translated into sterling at the weighted average exchange rates for the period and balance sheets are translated into sterling at the exchange rate ruling on the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

### 2.5 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.

### 2.6 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 difference 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 difference from those of segments operating in other economic environments.

### 2.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 over the period of completion of the relevant asset.

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:

| | |
|---|---|
| Leasehold buildings | Over the term of the lease |
| Leasehold improvements | Over the term of the lease |
| Fixtures and fittings | 3 – 5 years |
| Equipment, plant and machinery | 2 – 5 years |
| Operational equipment and motor vehicles | 2 – 25 years |

Land is not depreciated.

Operational equipment and motor vehicles that have been provided to customers under long-term contracts are grouped as "assets under long-term arrangements" in Note 16 to the financial statements.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. Details of revisions in the year and their related effect, are set out in note 16.

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 gains" or "other losses" 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. 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.

The comparative information for the year ended 31 March 2009 has been restated for acquisition accounting adjustments that have been finalised in relation to the acquisition of TVAC made in 2008. The comparative information has been restated in accordance with IFRS3 Business Combinations. The impact of the restatement is to increase goodwill, by £2.1m, and reduce inventories by the same amount.

#### 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.

#### 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. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 2. Summary of significant accounting policies continued

### 2.10 Financial instruments and hedge accounting

**a) Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents".

Trade receivables

Trade receivables are recognised initially at fair value plus directly attributable transaction costs 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**b) Financial liabilities and equity instruments**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

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.

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 twelve months after the balance sheet date.

Any gains or losses arising from changes in the fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Trade payables

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

### 2.11 Equity

**Issued share capital**

Ordinary shares are classified as equity.

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

### Share premium

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

### Reverse acquisition reserve

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

### Hedging reserve

Under cash flow hedge accounting, movements on the effective portion of the hedge are recognised through the hedging reserve, while any ineffectiveness is taken to the income statement.

### Translation reserve

The translation reserve represents the movement on the translation of the net investment in foreign operations recorded in foreign currencies at the balance sheet date. Exchange differences arising in the ordinary course of trading are included in the income statement.

### Other reserve

The other reserve represents equity-settled share-based employee remuneration until such share options are exercised, forfeited, lapse or expire.

## 2.12 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, that there is an intention and ability to complete the asset and use it or sell it, that future economic benefits will be generated, that there is adequate technical and financial support available to complete the asset and expenditure can be measured reliably, any further expenditure incurred on the project is capitalised if the expenditure is expected to be material.

## 2.13 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.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

## 2.14 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 goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 2. Summary of significant accounting policies continued

### 2.15 Employee benefits

#### Pension obligations – defined benefit schemes

Group companies operate two defined benefit pension schemes.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognised actuarial gains or losses and past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

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 with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

#### Pension contributions – defined contribution scheme

For defined contribution schemes, 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.

#### Equity settled share-based payment

All share-based payment arrangements are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

#### 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 acceptance of an offer of voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

### 2.16 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.

### 2.17 Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the Income Statement. If the cash flow hedge is a firm commitment or the forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

## 3. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of directors. The Board provides written principles for overall risk management.

### 3.1 Financial risk factors

**a) Credit risk**

The Group's exposure to credit risk is detailed in Notes 20 and 21.

The Group has a policy for dealing with customers only with an appropriate credit history.

The Group has policies that limit the amount of credit exposure to any financial institution. The credit risk on liquid funds is limited because the counterparties are financial institutions with strong credit ratings assigned by international credit-rating agencies. The possibility of material loss is therefore considered to be unlikely.

**b) Market risk**

Currency risk

The Group does not have any significant foreign currency exposure, as the majority of revenue, purchases and capital expenditure are denominated in sterling.

Cash flow interest-rate risk

The Group's policy on managing interest rate risk is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group seeks to limit its exposure to fluctuating interest rates by keeping a significant proportion of the Group's borrowings at fixed interest rates.

Financial assets

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

Financial liabilities

As described above, after entering into a two-year cash flow interest rate swap arrangement in April 2008, interest-rate risk no longer arises on the Group's acquisition debt.

The Group's cash flow interest rate risk arises from long-term borrowings issued at variable rates to finance its Private Finance Initiative and Public Private Partnership contracts. In order to reduce funding risk and maintain interest cover, the Group manages the risk by using floating-to-fixed interest rate swaps. Under the swaps, the Group agrees to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts, calculated by reference to the agreed notional principal amount. These interest rate swaps have the effect of converting borrowings from floating rates to fixed rates for a specified period of time.

The Group's obligations under finance leases carry interest at a fixed rate.

Other price risk

Other price risk, such as changes in the fair value of financial instruments being caused by movements in commodity or equity prices, is not applicable to the Group's operations. The Group does not hold any investments in companies listed on recognised Stock Exchanges and the Group's operations are not directly affected by changes in commodity prices.

**c) Liquidity risk**

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

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in Note 37 to the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### a) Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

Value in use is determined through the analysis of discounted cash flow forecasts based on financial forecasts approved by management which takes account of both past performance and expected future market developments. Management has used a pre-tax discount rate of 6.75%, equivalent to the weighted average cost of capital of the Group. This has been determined as reflecting current market assessments of the time value of money and risks specific to the industry and Group. At the balance sheet date, the carrying value of goodwill was £57.1 million.

#### Property, plant and equipment

Useful economic lives of property, plant and equipment have been established based on historical experience and an assessment of the nature of the assets involved. At the balance sheet date, the carrying value of property, plant and equipment was £76.9 million.

#### Pensions

The directors have employed the services of an actuary in assessing pension liabilities. However, the directors recognise that final liabilities and asset returns may differ from actuarial estimates. At the balance sheet date, the carrying value of the retirement benefit surplus was £429,000.

### b) Judgements

The following critical judgements have been made in preparing the financial statements which have a significant risk of causing a material adjustment to be made to the carrying amounts of assets and liabilities within the next financial year.

#### Recognition of a sale under lease arrangements

Where management consider, in substance, the sale of assets has taken place under a leasing arrangement the application requires management to determine whether it is the lessor or the lessee who substantially enjoys the risks and rewards of ownership under the lease arrangement. In cases where management conclude that the risks and rewards of ownership have been substantially transferred to the lessor the asset is treated as if it were a finance lease. Where management conclude that the Group have substantially retained the risks and rewards of ownership the sale is treated as if it were an operating lease.

#### Residual values

Given the nature of the Group's business, the main asset in the balance sheet is the vehicle fleet. The value at the end of the rental life will depend on the market for those vehicles at the time of disposal. Judgement is therefore required in the estimation of disposal value of certain fleet vehicles in the balance sheet.

#### Trade and other receivables

The Group regularly assesses the recoverability of its trade and other receivable balances. Where there is definitive evidence that the Group will not be able to collect all amounts outstanding, a provision for impairment is recognised. The Group utilises previous customer history, debtor ageing profiles and other relevant information in assessing the level of provision required.

#### Post-employment benefits

Application of IAS 19: "Employee Benefits", requires the exercise of judgement in relation to setting the assumptions used by the actuaries in assessing the financial position of each scheme. The Group determines the assumptions to be adopted in discussion with its actuaries, and believes these assumptions to be in line with UK generally accepted practice, but the application of different assumptions could have a significant effect on the amounts reflected in the Income Statement and Balance Sheet in respect of post-employment benefits. The sensitivity of principal scheme liabilities to changes in the assumptions used by actuaries is set out in Note 18.

#### Taxation

Significant judgment is required in determining the Group's provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. As a result, the exercising of judgment is required in order to assess the exposures in these areas and set the appropriate level of provision.

#### Capitalised bid costs

Directly attributable bid costs in relation to separately identifiable revenue generating projects are capitalised to the extent they can be reliably measured. The nature of the business' long term contracts dictates one off revenue generating projects come to fruition on an annual basis which creates the opportunity for such costs to be capitalised.

## 5. Primary segment information

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

**Integrated Support Services** – provision of management services to the emergency services market
**Specialist Equipment** – sale and supply of specialist equipment to emergency services and the homeland security market
**Vehicle Assembly** – automotive engineering to the emergency services market
**Non Emergency** – provision of asset management services

**Year ended 31 March 2009**

| | Integrated support services £'000 | Specialist equipment £'000 | Vehicle assembly £'000 | Non emergency £'000 | Discontinued operations £'000 | Consolidation adjustments £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue | 32,221 | 13,181 | 43,040 | 3,952 | 4,114 | (12,735) | 83,773 |
| Segment operating profit/(loss) | 14,408 | 1,453 | 1,458 | 232 | (5,170) | (140) | 12,241 |
| Net segment finance costs | (4,854) | (142) | (791) | (154) | (19) | (192) | (6,152) |
| Segment profit/(loss) before tax | 9,554 | 1,311 | 667 | 78 | (5,189) | (332) | 6,089 |
| Depreciation and amortisation | 4,305 | 163 | 296 | 1,674 | 108 | – | 6,546 |
| Segment assets | 308,122 | 11,752 | 23,664 | 18,503 | – | (163,800) | 198,241 |
| Cost of acquired property, plant and equipment | 10,603 | 163 | 140 | – | – | – | 10,906 |
| Segment liabilities | 179,263 | 2,984 | 26,844 | 14,270 | – | (76,781) | 146,580 |

All internal sales are generated within the vehicle assembly division.

The consolidation adjustments affecting the segment profit before tax relate to the elimination of inter-segment sales from the Vehicle Assembly Division to the Integrated Services Division (£12.735 million) and a charge for share-based payments (£140,000). Inter-segment sales are at cost.

The disclosures above in respect of discontinued operations all relate to the TVAC entity now in administration (see Note 30).

The depreciation and amortisation charges for each segment have been reported within the segment profit before tax.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 5. Primary segment information continued

**Year ended 31 March 2008**

| | Integrated support services £'000 | Specialist equipment £'000 | Vehicle assembly £'000 | Non emergency £'000 | Discontinued operations £'000 | Consolidation adjustments £'000 | Group £'000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Segment revenue | 25,005 | 18,192 | 43,719 | 6,129 | 4,302 | (25,286) | 72,061 |
| Segment operating profit/(loss) | 9,730 | 1,262 | 2,086 | 1,560 | 643 | (440) | 14,841 |
| Net segment finance costs | (4,027) | (125) | (377) | (228) | (187) | – | (4,944) |
| Segment profit/(loss) before tax | 5,703 | 1,137 | 1,709 | 1,332 | 456 | (440) | 9,897 |
| Depreciation and amortisation | 4,615 | 174 | 236 | 2,217 | 220 | – | 7,462 |
| Segment assets | 195,093 | 23,267 | 24,854 | 22,686 | 3,370 | (88,368) | 180,902 |
| Cost of acquired property, plant and equipment | 36,920 | – | 1,300 | 277 | 53 | – | 38,550 |
| Segment liabilities | 159,465 | 4,397 | 23,764 | 12,941 | 3,119 | (68,061) | 135,625 |

The consolidation adjustments affecting the segment profit before tax relate to the elimination of inter-segment sales from the Vehicle Assembly Division to the Integrated Services Division (£25.286 million) and a charge for share-based payments (£440,000). Inter-segment sales are at cost.

The depreciation and amortisation charges for each segment have been reported within the segment profit before tax.

**Secondary reporting format – geographical segments**
The Group manages its business segments in the UK, which is the home country of the parent Company. In addition, the Group provides business support services from its base in the Republic of Ireland which is disclosed under "Europe" below.

The revenue analysis below is based on the location of the service provided or sale made.

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Revenue – continuing operations** | | |
| UK | **79,029** | 66,028 |
| Europe | **630** | 2,820 |
| | **79,659** | 68,848 |

The majority of current assets are located in the UK where most of the capital expenditure is also incurred.

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Current assets** | | |
| UK | **52,935** | 45,699 |
| Europe | **167** | 180 |
| | **53,102** | 45,879 |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Capital expenditure** | | |
| UK | **10,902** | 38,512 |
| Europe | **4** | 38 |
| | **10,906** | 38,550 |

## 6. Revenue
An analysis of the Group's revenue is as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Continuing operations** | | |
| Sale of goods | **39,368** | 26,472 |
| Emergency-related managed services | **31,414** | 25,005 |
| Leasing and contract hire | **3,952** | 8,249 |
| Support services | **4,925** | 4,820 |
| **Revenue** | **79,659** | 64,546 |
| **Discontinued operations** | | |
| Leasing and contract hire | **–** | 3,221 |
| Sale of goods | **4,114** | 4,302 |
| | **83,773** | 72,069 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 7. Profit for the year

The profit for the year has been arrived at after charging/(crediting):

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Net foreign exchange gains | **(1)** | (8) |
| Research and developments costs | **1** | 15 |
| Government grants towards employment costs | **(205)** | (301) |
| Depreciation of property, plant and equipment | **6,546** | 7,462 |
| Staff costs (Note 14) | **21,955** | 19,915 |
| Impairment loss recognised on trade receivables | **11** | 51 |

## 8. Auditor's remuneration

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | **73** | 70 |
| Fees payable to the Company's auditor for the audit of the Group's financial statements | **147** | 210 |
| | **220** | 280 |

Fees payable to the Company's auditor and their associates for other services to the Group:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Tax services | – | 29 |
| Corporate finance services | 80 | 460 |
| Other services | – | 80 |
| | 80 | 569 |

## 9. Other gains

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit on disposal of property, plant and equipment | 292 | 16 |
| Profit on disposal of subsidiary undertakings | – | 1,000 |
| | 292 | 1,016 |

## 10. Finance income and finance costs

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Finance income** | | |
| Interest income on short-term bank deposits | 717 | 429 |
| **Finance costs** | | |
| Interest on bank borrowings and finance leases | 6,677 | 5,373 |
| Increase in valuation of shares classified as financial liabilities | 192 | – |
| | 6,869 | 5,373 |

Included within administrative expenses is a loss of £11,000 (2008: £51,000) in respect of the impairment of trade receivables.

## 11. Taxation

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Current tax** | | |
| **Domestic tax** | | |
| Current tax on income for the period | **–** | 172 |
| Adjustment in respect of prior years | **–** | (58) |
| **Foreign tax** | | |
| Current tax on income for the period | **(65)** | 217 |
| **Current tax charge/(credit)** | **(65)** | 331 |
| **Deferred tax** | | |
| Deferred tax expense relating to the origination and reversal of temporary differences | **1,200** | 1,734 |
| Deferred tax income resulting from reduction in tax rate | **–** | (205) |
| **Deferred tax charge** | **1,200** | 1,529 |
| **Taxation** | **1,135** | 1,860 |

Corporation tax is calculated at 28% (2008: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

At 31 March 2009, net trading losses of approximately £9.241 million are available to be carried forward.

**Tax reconciliation**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit before tax (continuing operations) | **11,278** | 8,982 |
| (Loss)/Profit for the year from discontinued operations | **(5,189)** | 915 |
| Profit for the year | **6,089** | 9,897 |
| Tax calculated at domestic tax rates applicable to profits | **1,705** | 2,969 |
| Effect of: | | |
| Income not subject to tax | **(16)** | (37) |
| Expenses not deductible for tax purposes | **748** | 426 |
| Utilisation of previously unrecognised tax losses | **83** | 373 |
| Amortisation of intangible assets | **(51)** | (53) |
| Rate difference on tax charge | **69** | (324) |
| Rate difference on deferred tax charge | **-** | (205) |
| Adjustment in respect of prior periods – current tax | **-** | (58) |
| Adjustment in respect of prior periods – deferred tax | **(1,403)** | (1,231) |
| Total tax charge for the period | **1,135** | 1,860 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 12. Earnings per share

### a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| From continuing operations | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | 4,954 | 8,037 |
| Loss/(Profit) from discontinued operations | 5,189 | (915) |
| Profit from continuing operations used to determine basic earnings per share | 10,143 | 7,122 |
| Weighted average number of ordinary shares in issue | 72,528,482 | 68,100,097 |
| Basic earnings per share (pence per share) | 14.0 | 10.5 |

| From continuing and discontinued operations | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | **4,954** | 8,037 |
| Weighted average number of ordinary shares in issue | **72,528,482** | 68,100,097 |
| Basic earnings per share (pence per share) | **6.8** | 11.8 |

### b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and warrants. A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

| From continuing operations | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | **4,954** | 8,037 |
| Loss/(Profit) from discontinued operations | **5,189** | (915) |
| Profit from continuing operations used to determine diluted earnings per share | **10,143** | 7,122 |
| Weighted average number of ordinary shares in issue | **72,528,482** | 68,100,097 |
| Adjustments for:<br>– share options and warrants | **1,585,965** | 1,829,827 |
| Weighted average number of ordinary shares used for diluted earnings per share | **74,114,447** | 69,929,924 |
| Diluted earnings per share (pence per share) | **13.7** | 10.1 |

| From continuing and discontinued operations | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | **4,954** | 8,037 |
| Weighted average number of ordinary shares in issue | **72,528,482** | 68,100,097 |
| Adjustments for:<br>– share options and warrants | **1,585,965** | 1,829,827 |
| Weighted average number of ordinary shares used for diluted earnings per share | **74,114,447** | 69,929,924 |
| Diluted earnings per share (pence per share) | **6.7** | 11.5 |

## 13. Expenses by nature

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Other direct costs | **24,352** | 20,474 |
| Employee benefit expense (Note 14) | **21,955** | 19,915 |
| Depreciation (Note 16) | **6,546** | 7,462 |
| Other indirect costs | **7,935** | 4,041 |
| Changes in inventories of finished goods and work in progress | **1,441** | 1,493 |
| Total cost of sales and administrative expenses | **62,229** | 53,385 |

## 14. Employee benefit expense

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Wages and salaries | **19,276** | 17,424 |
| Social security costs | **1,947** | 1,597 |
| Pension costs – defined benefit plans (Note 18) | **292** | 454 |
| Other pension contributions | **300** | – |
| Share-based payments (Note 24) | **140** | 440 |
| | **21,955** | 19,915 |

The average monthly number of employees (excluding non-executive directors) was:

| | 2009 Number | 2008 Number |
|---|---|---|
| Directors | **4** | 2 |
| Production and operations | **485** | 419 |
| Sales, marketing and distribution | **32** | 15 |
| Administration | **164** | 134 |
| | **685** | 570 |

The increase in the average monthly number of employees during the year ended 31 March 2009 is due to the full year effect of employing staff previously connected with prior year acquisitions.

## 15. Dividends

A final dividend of 1.25p (2008: 1p per share) has been recommended.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 16. Property, plant and equipment

| Group | Leasehold land and buildings £'000 | Leasehold improvements £'000 | Fixtures and fittings £'000 | Equipment, plant and machinery £'000 | Assets under long-term arrangements £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2007 | – | 2,421 | 771 | 46,565 | 47,606 | 97,363 |
| Additions | – | 49 | 10 | 1,952 | 36,539 | 38,550 |
| Disposals | – | – | – | (6,392) | (164) | (6,556) |
| On acquisition | 1,200 | 150 | 617 | 887 | – | 2,854 |
| Assets held for sale | – | – | – | (7,975) | – | (7,975) |
| Exchange differences | – | 61 | 34 | 34 | – | 129 |
| At 31 March 2008 | 1,200 | 2,681 | 1,432 | 35,071 | 83,981 | 124,365 |
| Additions | – | 18 | 140 | 286 | 10,462 | 10,906 |
| Disposals | – | (23) | (28) | (11,655) | (1,259) | (12,965) |
| On acquisition | – | – | – | 18 | – | 18 |
| Transfers out | – | – | – | – | (1,810) | (1,810) |
| Exchange differences | – | 99 | 81 | 44 | – | 224 |
| **At 31 March 2009** | **1,200** | **2,775** | **1,625** | **23,764** | **91,374** | **120,738** |
| **Depreciation** | | | | | | |
| At 1 April 2007 | – | 310 | 469 | 29,628 | 16,121 | 46,528 |
| Disposals | – | – | – | (2,955) | (99) | (3,054) |
| Charge for the year | 4 | 169 | 103 | 3,386 | 3,800 | 7,462 |
| On acquisition | 27 | 109 | 512 | 636 | – | 1,284 |
| Assets held for sale | – | – | – | (4,605) | – | (4,605) |
| Exchange differences | – | 7 | 12 | 4 | – | 23 |
| At 31 March 2008 | 31 | 595 | 1,096 | 26,094 | 19,822 | 47,638 |
| Disposals | – | (14) | (25) | (7,712) | (2,647) | (10,398) |
| Charge for the year | 8 | 192 | 132 | 2,430 | 3,784 | 6,546 |
| On acquisition | – | – | – | – | – | – |
| Exchange differences | – | 13 | 45 | 17 | – | 75 |
| **At 31 March 2009** | **39** | **786** | **1,248** | **20,829** | **20,959** | **43,861** |
| **Net book amount** | | | | | | |
| **At 31 March 2009** | **1,161** | **1,989** | **377** | **2,935** | **70,415** | **76,877** |
| At 31 March 2008 | 1,169 | 2,086 | 336 | 8,977 | 64,159 | 76,727 |

The net book value of assets held under finance leases amounts to £72.9m (2008: £64.2m).

**Assets held under long-term arrangements**

Assets held under long-term arrangements comprise principally of items of operational equipment and motor vehicles that have been provided to customers under the Group's Private Finance Initiative and Public Private Partnership long-term contracts.

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. It is anticipated the impact on future profitability will be similar over the course of the life of the assets.

**Depreciation**

Depreciation expense of £5.4 million (2008: £6.7 million) has been charged in cost of sales and £1,093,000 (2008: £722,000) in administrative expenses.

**Security**

Leasehold land and buildings with a carrying amount of £1.161 million (2008: £1.169million) have been pledged to secure borrowings of the Group (see Note 25) under a mortgage. The Group is not permitted to pledge these assets as security for other borrowings or to sell them to another entity.

In addition, the Group's obligations under finance leases (see Note 25) are secured by the lessors' title to the leased assets, which have a carrying amount of £3.881 million (2008: £6.633 million).

Assets under long-term arrangements include £72.929 million (2008: £64.159 million) in respect of assets secured by the lessor.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 17. Intangible assets

| Group | Goodwill £'000 | Bid costs £'000 | Software development costs £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2007 | 34,646 | – | 49 | 34,695 |
| Acquisitions | 16,173 | – | 466 | 16,639 |
| Goodwill acquired with subsidiary undertakings | 2,676 | – | – | 2,676 |
| Additions | 565 | 1,089 | – | 1,654 |
| At 31 March 2008 | 54,060 | 1,089 | 515 | 55,664 |
| Acquisition | 80 | – | – | 80 |
| Additions | 2,941 | 1,801 | 702 | 5,444 |
| Reclassified from tangible fixed assets | – | 1,810 | – | 1,810 |
| At 31 March 2009 | 57,081 | 4,700 | 1,217 | 62,998 |
| **Amortisation** | | | | |
| At 1 April 2007 | – | – | 5 | 5 |
| Charge for the year | – | – | 23 | 23 |
| At 31 March 2008 | – | – | 28 | 28 |
| Charge for the year | – | 171 | 52 | 223 |
| At 31 March 2009 | – | 171 | 80 | 251 |
| **Net book amount** | | | | |
| At 31 March 2009 | 57,081 | 4,529 | 1,137 | 62,747 |
| At 31 March 2008 | 54,060 | 1,089 | 487 | 55,636 |

**Goodwill**
The main changes in the carrying amounts of goodwill result from the finalisation of the initial accounting on prior year acquisitions previously carried out on a provisional basis and the differences between management estimates regarding deferred consideration and the amounts paid in the year.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Integrated Support Services | **44,207** | 43,507 |
| Specialist Equipment | **9,159** | 6,838 |
| Vehicle Assembly | **3,715** | 3,715 |
| | **57,081** | 54,060 |

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate used at 31 March 2009 was 10%. The growth rates are based on internal growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next ten years and extrapolates cash flows for the following ten years based on an estimated growth rate of 10%. This rate does not exceed the average long-term growth rate for the relevant markets.

**Intergrated Support Services**
No impairment of goodwill has been recognised in respect of Emergency Services as the two contracts to which the goodwill relates, those with the London Fire and Emergency Planning Authority and the Lincolnshire Fire and Rescue Service, continue to grow in terms of revenue and profitability through the provision of additional services and improved cost control. These two contracts have remaining lives of 14 years and 17 years respectively.

**Specialist equipment and vehicle assembly**
No impairment of goodwill has been recognised within the Vehicle and Emergency Equipment CGU as the directors are confident that continuous improvement programmes which were implemented post-acquisition will improve the underlying performance of the acquired businesses. Synergies with existing Group companies are also anticipated. The finalisation of acquisition accounting adjustments relating to certain acquisitions within the past twelve months has increased goodwill by £2.3m.

**Computer software**
In accordance with IAS 38, "Intangible Assets" computer software has been classified as an intangible asset.

Intangible assets recognised in respect of computer software costs are not internally generated and are considered to have finite lives of three years, the period over which the asset is amortised. The amortisation charge is included within administrative expenses in the income statement.

**Bid Costs**
Bid costs are internally generated and are capitalised once preferred bidder status has been secured. They are considered to have finite lives which equate to the length of the contract they have secured.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 18. Retirement benefit obligations

### The AssetCo Pension Scheme

The AssetCo Pension Scheme (formerly The Brook Henderson Pension Scheme) commenced on 11 October 2003 as a defined benefit pension scheme based in the United Kingdom. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The last full actuarial valuation was carried out as at 31 March 2009 and showed a surplus of £749,000.

### Todd Research Limited Retirement Benefits Scheme

The Todd Research Limited Retirement Benefits Scheme was originally established for the benefit of certain employees based in the United Kingdom. The defined benefit scheme is now closed to new members and the Group has agreed to make additional contributions over the next ten years in order to meet the expected obligations of the scheme. The assets of the scheme are administered by trustees in a fund independent from those of the Group.

### Trustees in a fund independent from those of the Group

The information set out overleaf is in respect of both The AssetCo Pension Scheme and the Todd Research Limited Retirement Benefit Scheme.

Balance sheet surplus for:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Retirement benefits – surplus | **429** | 429 |

Income statement credit for:

| | Group 2009 £'000 | Group 2008 £'000 |
|---|---|---|
| Retirement benefits | **–** | (100) |

The amounts recognised in the balance sheet are determined as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Fair value of plan assets | **5,171** | 6,424 |
| Present value of funded obligations | **(4,422)** | (4,376) |
| Present value of over-funded obligations | **749** | 2,048 |
| Unrecognised actuarial gains | **(320)** | (1,619) |
| Asset in the balance sheet | **429** | 429 |

The unrecognised actuarial gains are to be deferred over the estimated working lives of the members of The AssetCo Pension Scheme and the Todd Research Limited retirement pension scheme.

The movement in the fair value of scheme assets during the year is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Beginning of year | **6,424** | 6,010 |
| Expected return on plan assets | **415** | 349 |
| Actuarial losses | **(1,586)** | (464) |
| Employer contributions | **264** | 537 |
| Employee contributions | **43** | 61 |
| Benefits paid | **(389)** | (69) |
| End of year | **5,171** | 6,424 |

The movement in the fair value of the defined benefit obligation during the year is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Beginning of year | (4,376) | (5,723) |
| Current service cost | (284) | (598) |
| Interest cost | (274) | (305) |
| Contributions by members | (43) | (61) |
| Actuarial losses | (100) | (161) |
| Benefits paid | 389 | 69 |
| Additional contribution by employer | – | 42 |
| Change of assumptions | 454 | 2,361 |
| Curtailment | (188) | – |
| End of year | (4,422) | (4,376) |

The amounts recognised in the income statement are as follows:

| Group | Group 2009 £'000 | Group 2008 £'000 |
|---|---|---|
| Current service cost | **324** | 598 |
| Interest cost | **274** | 305 |
| Expected return on plan assets | **(415)** | (349) |
| Net actuarial gains recognised during the year | **(79)** | (100) |
| Curtailment | **188** | – |
| Total | **292** | 454 |

Of the total, £292,000 (2008: £454,000) has been included in staff costs within administrative expenses.

The actual return on plan assets was a loss of £1,171,000 (2008 loss: £115,000).

The estimated contributions expected to be paid to the two schemes during the current financial year is approximately £600,000.

The principal actuarial assumptions used were as follows:

| | 2009 % | 2008 % |
|---|---|---|
| Discount rate | **6.7** | 6.3 |
| Expected return on plan assets | **6.5** | 6.5 |
| Future salary increases | **2.25** | 2.25 |
| Future pension increases | **2.1 – 2.75** | 2.1 – 2.75 |
| Inflation | **2.25** | 2.75 |

A range of assumptions is quoted for the year ended 31 March 2009 as the actuarial valuations for the two schemes were undertaken by two different actuaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 18. Retirement benefit obligations continued

**Mortality rate**

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy of a pensioner retiring at age 60 on the balance sheet date, is estimated using the following industry-standard mortality tables:

| | 2009 | 2008 |
|---|---|---|
| Male | **PMA92** | PMA92 |
| Female | **PFA92** | PFA92 |

The average life expectancy in years of a pensioner retiring at age 60 twenty years after the balance sheet date, is estimated using the following industry-standard mortality tables:

| | 2009 | 2008 |
|---|---|---|
| Male | **PMA92** | PMA92 |
| Female | **PFA92** | PFA92 |

The analysis of the assets of the two schemes and the expected rate of return at the balance sheet date was as follows:

| | Expected return | | Fair value of assets | |
|---|---|---|---|---|
| | 2009 % | 2008 % | 2009 £'000 | 2008 £'000 |
| Equities | **7.5** | 7.5 | **3,032** | 3,318 |
| Government bonds | **4.5** | 4.5 | **–** | 1,584 |
| Corporate bonds | **6.3** | 6.3 | **2,098** | 1,522 |
| Cash and cash equivalents | **–** | – | **41** | – |
| | **6.5** | 6.5 | **5,171** | 6,424 |

The overall expected rate of return is determined based on past experience and expectations regarding future market conditions.

Amounts in the current and previous years are as follows:

| | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Defined benefit obligation | 520 | 5,723 | 4,376 | **4,422** |
| Plan assets | 431 | 6,010 | 6,424 | **5,171** |
| Surplus/(liability) | (62) | 287 | 429 | **429** |

## 19. Inventories

| Group | 2009 £'000 | 2008 £'000 Restated |
|---|---|---|
| Raw materials and consumables | **2,138** | 1,941 |
| Finished goods and goods for resale | **4,469** | 3,969 |
| | **6,607** | 5,910 |

The cost of inventories recognised as an expense and included in cost of sales amounted to £21.797 million (2008: £21.967 million).

Inventories with a carrying amount of £6.607 million (2008: £8.048 million) have been pledged as security for some of the Group's bank loans.

## 20. Trade and other receivables

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Trade receivables | **8,588** | 14,664 |
| Less: impairment of receivables | **(11)** | (273) |
| Trade receivables – after impairment | **8,577** | 14,391 |
| Other receivables | **1,604** | 969 |
| Finance lease debtor | **4,991** | – |
| Prepayments and accrued income | **8,825** | 6,013 |
| Corporation tax recoverable | **–** | 140 |
| | **23,997** | 21,513 |

The Group had an insignificant concentration of credit risk at the balance sheet date with five (2008: five) of its largest customers accounting for 33% (2008: 26%) of trade receivables at 31 March 2009. The Group has long-standing relationships with two of these customers through long-term contracts, and all five are public sector bodies which are deemed to have no default risk. The majority of outstanding balances at the balance sheet date have been subsequently received.

The Group has impaired fully all receivables that are considered to be doubtful based on the difference between the carrying amount and the present value of estimated future cash flows determined by reference to past experience, the ageing of the debt and the financial standing of the customer.

Prior to conducting business with a new customer, appropriate credit checks are undertaken with a reputable international credit reference agency.

The movement in the provision for impairment of trade receivables is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| At the beginning of the year | **273** | 477 |
| Impairment losses recognised | **11** | 51 |
| Amounts written off as uncollectible | **(265)** | (195) |
| Amounts recovered during the year | **(8)** | (60) |
| At the end of the year | **11** | 273 |

The ageing of overdue trade receivables is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| 60 – 90 days | **173** | 21 |
| 90 – 120 days | **273** | 252 |
| Total | **446** | 273 |

There is no impairment in respect of other receivables.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 21. Cash and cash equivalents

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Cash and cash equivalents | **4,533** | 4,219 |
| Short-term deposits | **17,965** | 8,677 |
| | **22,498** | 12,896 |

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Cash and cash equivalents | **22,498** | 12,896 |
| Bank overdrafts | **(3,693)** | (12,502) |
| | **18,805** | 394 |

At 31 March 2009, the cash at bank and short-term deposits were held with ten different international banks (2008: nine). Financial assets are placed with banks at floating rates over periods ranging from overnight to three months depending upon forecast cash flow movements and earn interest at prevailing rates in the money market.

Included within short term deposits is an amount representing £6.5m, which is held as security against borrowings. Per the borrowing agreement this amount is to be held on deposit until the loan's maturity date. The monies deposited shall be used to repay any residual balances on the borrowings at the maturity date.

## 22. Assets held for sale

On 29 April 2008, the Group disposed of its interest of certain non-core assets and associated liabilities in respect of its contract with Northern Ireland Electricity for the provision of contract hire services. These assets and the corresponding finance lease liability were included within assets held for sale and liabilities associated with assets held for sale in the prior year. The operations are included within the 2008 non emergency segment in Note 5.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Property, plant and equipment | – | 3,370 |
| Total assets classified as held for sale | – | 3,370 |
| Finance lease liabilities | – | 3,119 |
| Total liabilities associated with assets classified as held for sale | – | 3,119 |
| Net assets of disposal group | – | 251 |

## 23. Derivative financial instruments

**Interest rate swaps**

At 31 March 2009, three cash flow hedge arrangements were in place covering loans of £44.5 million at a fixed rate of 5.795% payable monthly, £7.9m million at a fixed rate of 4.63% monthly (2008: £nil) and £3.7m at a fixed rate of 3.43% monthly (2008: £nil).

The fair value of the hedge arrangements at 31 March 2009 represents a liability of £7.125 million (2008: asset of £2.19m) giving rise to a negative hedging reserve of £5.130 million. A deferred tax asset of £1.995m has been reflected in the hedging reserve.

These amounts are based on market values of equivalent instruments at the balance sheet date. The interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been taken to the hedging reserve. An analysis of the financial instruments designated as hedging instruments, their fair values at reporting date and the nature of risks being hedged is set out below:

| Title | Description | Nature of Risk being hedged | Period termination dates | Swap fair value pre settlement 31 March 2008 £'000 | Settlement paid £'000 | Fair value movement in the year £'000 | Swap fair value post settlement 31 March 2009 £'000 |
|---|---|---|---|---|---|---|---|
| HBOS Swap | Cash Flow Hedge | Interest Rate Risk | 31 March 2021 | 2,001 | 2,083 | (10,227) | (6,143) |
| Co-Op Swap | Cash Flow Hedge | Interest Rate Risk | 19 April 2026 | 189 | 318 | (1,282) | (775) |
| Barclays Swap | Cash Flow Hedge | Interest Rate Risk | 14 October 2010 | – | 24 | (231) | (207) |
| **Total** | | | | **2,190** | **2,425** | **(11,740)** | **(7,125)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 24. Share capital

| | Number of Shares | Share capital £'000 | Share premium £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2008 | 71,832,554 | 17,958 | 25,197 | 43,155 |
| Issue of ordinary shares | 1,546,852 | 387 | 918 | 1,305 |
| Equity element of compound financial instruments issued | 7,917,000 | 7,917 | – | 7,917 |
| **At 31 March 2009** | **81,296,406** | **26,262** | **26,115** | **52,377** |

The total authorised number of ordinary shares is 95,000,000 (2008: 95,000,000) with a nominal value of 25 pence per share (2008: 25 pence per share). All issued shares are fully paid.

In addition, the Company issued 1,546,852 shares in part consideration for two acquisitions made in prior years, one of which was made by another Group company, in settlement of deferred consideration.

On 28 January 2009, 15,000,000 preference shares were issued at nominal value. The associated costs of share issue amounted to £230,000. In addition £7,045,000 of these shares have been classified as financial liabilities. £7,917,000 of these shares have been classified as equity as the shares can be converted into ordinary shares of the Group.

### Share-based payments

The charge for the year in respect of share-based payments, comprising share options and warrants, is £196,000 (2008: £440,000).

#### a) Share options

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 31 March 2009 | | 31 March 2008 | |
|---|---|---|---|---|
| | Average exercise price £ per share | Options | Average exercise price £ per share | Options |
| At 1 April | **1.77** | **1,819,327** | 1.36 | 1,736,205 |
| Granted | **–** | **–** | 2.5858 | 689,500 |
| Exercised | **–** | **–** | 2.14 | (60,000) |
| Forfeited | **1.82** | **(466,724)** | 1.69 | (521,378) |
| Lapsed | **–** | **–** | 1.36 | (25,000) |
| At 31 March | **1.76** | **1,352,603** | 1.77 | 1,819,327 |

Out of the 1,352,603 outstanding options (2008: 1,819,327), 290,000 (2008: 290,000) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price £ per share | Shares 31 March 2009 | Shares 31 March 2008 |
|---|---|---|---|
| 4 December 2013 | **1.00** | **210,000** | 290,000 |
| 29 March 2017 | **1.45** | **698,103** | 919,827 |
| 30 July 2017 | **2.30** | **120,000** | 185,000 |
| 30 July 2007 | **3.00** | **160,000** | 260,000 |
| 22 November 2017 | **2.30** | **100,000** | 100,000 |
| 22 November 2017 | **3.00** | **40,000** | 40,000 |
| 28 November 2017 | **2.04** | **24,500** | 24,500 |
| | | **1,352,603** | 1,819,327 |

The fair value of options at grant date were determined using the Black-Scholes method.

## 25. Borrowings

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | **27,693** | 18,961 |
| Finance lease liabilities | **53,983** | 50,002 |
| Other loans | **–** | 1,007 |
| | **81,676** | 69,970 |

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Current** | | |
| Bank overdrafts | **3,693** | 12,502 |
| Bank borrowings | **4,319** | 5,989 |
| Finance lease liabilities | **8,831** | 8,084 |
| Other loans | **–** | 250 |
| | **16,843** | 26,825 |
| Total borrowings | **98,519** | 96,795 |

Total borrowings include secured liabilities of £98,519 million (2008: £96,795 million). The Group's bank loans and overdrafts are secured by a debenture over the assets of the Group.

The increase in total borrowings is due to the increase in asset-backed finance in the year. Non-recourse finance amounts outstanding have fallen by £3m in the year.

Finance lease liabilities principally relate to assets provided to customers under long-term arrangements.

The repayment dates of the Group's borrowings are as follows:

| | Group 2009 £'000 | Group 2008 £'000 |
|---|---|---|
| Less than one year | **16,843** | 26,825 |
| One to two years | **21,353** | 9,169 |
| Two to five years | **33,999** | 32,944 |
| After five years | **26,324** | 27,857 |
| | **98,519** | 96,795 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 25. Borrowings continued

**Bank borrowings**

Bank borrowings mature until November 2016.

Details of the Group's bank borrowings at 31 March 2009 are summarised as follows:

| Date | Initial loan | Term | Rate |
|---|---|---|---|
| November 2007 | £16 million | 9 years | 1.75% over 1 month Libor |
| November 2007 | £5 million | 41 months | 2% over 1 month Libor |
| January 2008 | £1.5 million | 5 years | 1.6% over 3 month Libor |
| July 2008 | £4.5 million | 20 months | 2.5% over 3 month Libor |
| September 2008 | £4.1 million | 5 years | 2.75% over 1 month Libor |
| September 2008 | £0.96 million | 7 years | 2.5% over 1 month Libor |
| March 2009 | £4 million | 4 years | 2% over base |

At 31 March 2009, the Group had seven principal loans with four different financial institutions. Loans of £16 million and £5 million were repayable over 9 years and 3.5 years respectively at a rate of 2% over 3-month Libor.

The fair value of the non-current borrowings is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Bank borrowings | **27,693** | 18,961 |
| Finance lease liabilities | **53,983** | 50,002 |
| Other loans | **–** | 1,007 |
| | **81,676** | 69,970 |

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.5% (2008: 6.75%).

The carrying amounts of short-term borrowings approximate their fair value.

The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The other facilities have been arranged to help finance the ongoing build programme for the London Fire and Emergency Planning Authority and the Lincolnshire Fire and Rescue Service.

**Finance lease liabilities**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Minimum lease payments under finance lease liabilities are as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| No later than 1 year | **12,182** | 11,287 |
| Later than 1 year and no later than 5 years | **42,149** | 37,016 |
| Later than 5 years | **26,056** | 25,834 |
| | **80,387** | 74,137 |
| Future finance charges on finance leases | **(17,573)** | (16,051) |
| Present value of minimum lease payments | **62,814** | 58,086 |

Finance lease liabilities are secured by a first and only debenture from the Company and a subsidiary undertaking and first and only chattel mortgage over the assets of one of the Group companies.

The present value of finance lease liabilities is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| No later than 1 year | **9,542** | 8,084 |
| Later than 1 year and no later than 5 years | **33,188** | 28,344 |
| Later than 5 years | **20,084** | 21,658 |
| | **62,814** | 58,086 |

The average lease term is 11 years. For the year ended 31 March 2009, the average effective borrowing rate on leases was 6.75% (2008: 6.75%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

## 26. Financial assets and liabilities

The following tables illustrate the categorisation and carrying value of financial assets and liabilities as at 31 March 2009:

**Financial assets**

| | Loans and receivables £'000 | Non financial assets £'000 | Total £'000 |
|---|---|---|---|
| Investments in associates and joint ventures | – | 414 | **414** |
| Trade and other receivables | 23,998 | – | **23,998** |
| Cash and cash equivalents | 22,498 | – | **22,498** |
| | **46,496** | **414** | **46,910** |

**Financial liabilities**

| | Held for trading £'000 | Other financial liabilities at amortised cost £'000 | Liabilities not within the scope of IAS 39 £'000 | Total £'000 |
|---|---|---|---|---|
| Trade and other payables | – | 12,108 | 14,772 | **26,880** |
| Bank overdraft | – | 3,693 | – | **3,693** |
| Borrowings – current portion | – | 4,319 | – | **4,319** |
| Current tax payable | – | – | 255 | **255** |
| Finance lease liability – current | – | 8,831 | – | **8,831** |
| Borrowings – non-current | – | 27,693 | – | **27,693** |
| Finance lease liability – non-current | – | 53,983 | – | **53,983** |
| Equity component of compound financial instruments | – | 7,045 | – | **7,045** |
| Derivatives – non-current | 7,125 | – | – | **7,125** |
| | **7,125** | **117,672** | **15,027** | **139,824** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 26. Financial assets and liabilities continued

Contractual discounted cash flows in respect of financial liabilities are as follows:

| | Less than one year £'000 | One to two years £'000 | Two to five years £'000 | More than five years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Trade and other payables | 26,880 | – | – | – | **26,880** |
| Bank overdraft | 3,693 | – | – | – | **3,693** |
| Borrowings and finance lease liabilities | 14,651 | 26,353 | 27,499 | 26,323 | **94,826** |
| Current tax payable | 255 | – | – | – | **255** |
| Equity component of compound financial instruments | – | – | 7,045 | – | **7,045** |
| Derivatives | | 208 | – | 6,917 | **7,125** |
| | **45,479** | **26,561** | **34,544** | **33,240** | **139,824** |

Derivatives outlined above relate to future interest rate swaps secured on asset finance and borrowings.

## 27. Deferred Tax

### Deferred tax liabilities

| Group | Accelerated tax depreciation £'000 | Other £'000 | Tax losses £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2007 | 3,446 | – | (8) | 3,438 |
| Charged/(Credited) to the income statement | 2,029 | – | (127) | 1,902 |
| Arising on acquisition | | | 8 | 8 |
| Arising on derivative financial instruments | | 613 | | 613 |
| At 31 March 2008 | 5,475 | 613 | (127) | 5,961 |
| Charged/(Credited) to the income statement | 2,084 | 171 | (846) | 1,409 |
| Arising on acquisition | – | – | – | – |
| Arising on derivative financial instruments | – | (614) | – | (614) |
| **Deferred tax liability at 31 March 2009** | **7,559** | **170** | **(973)** | **6,756** |

### Deferred tax assets

| Group | Accelerated tax depreciation £'000 | Other short-term timing differences £'000 | Tax losses £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2007 | (149) | (56) | (62) | (267) |
| Charged/(Credited) to the income statement | (803) | 26 | 404 | (373) |
| Arising on acquisition | – | – | (1,177) | (1,177) |
| At 31 March 2008 | (952) | (30) | (835) | (1,817) |
| Charged/(Credited) to the income statement | 558 | (269) | (498) | (209) |
| Arising on acquisition | 1 | – | (552) | (551) |
| Arising on derivative financial instruments | – | (1,995) | – | (1,995) |
| **Deferred tax asset at 31 March 2009** | (393) | (2,294) | (1,885) | (4,572) |

## 28. Trade and other payables

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Trade payables | **8,550** | 12,792 |
| Social security and other taxes | **4,236** | 2,892 |
| Other creditors | **450** | 2,507 |
| Accruals and deferred income | **10,086** | 4,507 |
| Deferred consideration | **3,558** | 5,173 |
| | **26,880** | 27,871 |

## 29. Provisions

| Group | Total £'000 |
|---|---|
| At 1 March 2008 | 1,549 |
| Utilised in year | (1,549) |
| **At 31 March 2009** | **–** |

### Restructuring

The prior year provision covered redundancy costs of approximately £1.324 million and other direct costs attributable to the restructuring, including lease termination costs this has been paid in full in the year.

The current year restructuring charge includes redundancy and other direct costs attributable to restructuring all of which have been paid in the year.

## 30. Investments

Details of Group companies can be found in Note 31 to the financial statements.

### Discontinued operations

Discontinued operations include activities relating to the TVAC business which went into administration in December 2008. Details of entity performance in the year are outlined below:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Revenue | **4,114** | 3,221 |
| Expenses | **(9,303)** | (2,765) |
| Net (loss)/profit after tax | **(5,189)** | 456 |

Prior year discontinued operations include the result of the Northern Ireland Electricity contract which was disposed of in April 2008. This contract contributed a profit of £0.459 million in 2008.

The effect of discontinued operations on segment results is disclosed in Note 5 to the financial statements.

The net cash flows attributable to TVAC – The Vehicle Application Centre Limited are as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Operating cash flows | **(3,684)** | (1,252) |
| Investing cash flows | **(17)** | (42) |
| Net cash outflow | **(3,701)** | (1,294) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 30. Investments continued

Earnings per share in relation to discontinued operations are as follows:

| | 2009 | 2008 |
|---|---|---|
| Basic | (7.2)p | 1.3p |
| Diluted | (7.0)p | 1.4p |

**Investment in associate**

On 26 November 2007, the Group acquired 25% of the issued share capital of Miquest Limited, a company which provides integrated solutions for asset management, for consideration of £414,000. Miquest Limited was incorporated in England and Wales.

| Group | Investment in Associate £'000 |
|---|---|
| At 31 March 2008 and 2009 | 414 |

Investment in associates at 31 March 2009 includes goodwill of £472,000.

The Group's share of the results of its associate, which is unlisted, and its share of the assets, including goodwill, and liabilities, is as follows:

| Group | Assets £'000 | Liabilities £'000 | Revenue £'000 | Profit £'000 | Interest % |
|---|---|---|---|---|---|
| Miquest Limited | 139 | 20 | 303 | 10 | 25 |

No profit has been recognised in the consolidated financial statements.

**Interests in joint ventures**

The Group has a 50% interest a joint venture, ADATT Limited, which undertakes vehicle conversions. The following amounts represent the assets and liabilities, and sales and results of the joint venture. Due to their immateriality to the financial statements, no amounts are included in the balance sheet and income statement.

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 830 | 851 |
| **Liabilities** | | |
| Current liabilities | (827) | (846) |
| **Net assets** | 3 | 5 |
| Income | 2,634 | 5,459 |
| Expenses | (2,636) | (5,456) |
| **(Loss)/Profit before tax** | (2) | 3 |

There are no contingent liabilities relating to the Group's interests in the joint ventures, and no contingent liabilities of the ventures themselves.

## 31. Group undertakings

The accounting parent company, AssetCo Group Limited, has a controlling interest through shares, directly or indirectly, in the following group undertakings:

| Subsidiary | Country of incorporation | Percentage of shares held: Group | Percentage of shares held: Company | Shares held | Nature of business |
|---|---|---|---|---|---|
| **Integrated Support Services** | | | | | |
| AssetCo Emergency Limited | England & Wales | 100% | 100% | Ordinary | Holding company |
| AssetCo Engineering Limited | England & Wales | 100% | – | Ordinary | Management of emergency equipment |
| AssetCo Lincoln Limited | N. Ireland | 100% | – | Ordinary | Emergency managed services |
| AssetCo London Limited | England & Wales | 100% | – | Ordinary | Emergency managed services |
| AssetCo Managed Services (ROI) Limited | Republic of Ireland | 100% | 100% | Ordinary | Business support services |
| MFlow Limited | England & Wales | 100% | – | Ordinary | Electrical and communications systems |
| AssetCo Bermuda Limited | Bermuda | 100% | 100% | Ordinary | Consultancy and business development |
| AssetCo Resource Limited | England & Wales | 100% | 100% | Ordinary | Human resources consultancy |
| RIG Systems Limited | England & Wales | 100% | – | Ordinary | Specialist training provider |
| Nene Whitewater Centre | England & Wales | 100% | | Ordinary | Specialist training provider |
| Simentra Limited | N. Ireland | 100% | 100% | Ordinary | Security consultancy |
| **Specialist equipment** | | | | | |
| AS Fire and Rescue Equipment Limited | England & Wales | 100% | – | Ordinary | Manufacture and distribution of safety equipment |
| AS Security BV | The Netherlands | 100% | – | Ordinary | Sales |
| AssetCo Emergency Equipment Limited | England & Wales | 87% | 87% | Ordinary | Holding company |
| AssetCo Specialist Equipment Limited | England & Wales | 80% | – | Ordinary | Holding company |
| Leftfield Group Limited | England & Wales | 100% | – | Ordinary | Holding company |
| Todd Research Limited | England & Wales | 100% | – | Ordinary | Manufacture and distribution of security equipment |
| Fire Safety Equipment Limited | England & Wales | 100% | 100% | Ordinary | Distribution of safety and cutting equipment |
| Vehicle assembly | | | | | |
| Auto Electrical Services (Manchester) Limited | England & Wales | 100% | – | Ordinary | Electrical and communications systems |
| Papworth Specialist Vehicles Limited | England & Wales | 100% | – | Ordinary | Assembly of emergency equipment |
| AssetCo Specialist Vehicles Limited | England & Wales | 100% | – | Ordinary | Holding company |
| UV Modular Limited | England & Wales | 100% | – | Ordinary | Assembly of specialist vehicles |
| **Non emergency** | | | | | |
| AssetCo Municipal Limited | England & Wales | 100% | 100% | Ordinary | Fleet and management services |
| **Dormant companies** | | | | | |
| Asfare No.1 Limited | England & Wales | 100% | – | Ordinary | Dormant |
| AssetCo Contracts Limited | N. Ireland | 100% | – | Ordinary | Dormant |
| AssetCo Servicecare Limited | N. Ireland | 100% | – | Ordinary | Dormant |
| AssetCo Solutions Limited | N. Ireland | 100% | – | Ordinary | Dormant |
| Fire Guns Limited | England & Wales | 100% | – | Ordinary | Dormant |
| Sacol Group 1990 Limited | England & Wales | 100% | – | Ordinary | Dormant |
| AS America Inc | USA | 100% | – | Common | Dormant |
| AssetCo SVO Limited | England & Wales | 100% | – | Ordinary | Dormant |
| Blue Amber Red Limited | England & Wales | 100% | 100% | Ordinary | Dormant |
| AssetCo Managed Services Limited | England & Wales | 100% | 100% | Ordinary | Dormant |

Details of the Group's investments in associates and interests in joint ventures are given in Note 30 to these financial statements.

The percentage of shares held equates to voting rights for all of the subsidiaries listed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

| | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| **Profit for the year before taxation** | **6,089** | 9,897 |
| **Adjustments for:** | | |
| Depreciation | **6,546** | 7,462 |
| Amortisation | **223** | 23 |
| Profit on disposal of property, plant and equipment | **(292)** | (16) |
| Profit on disposal of subsidiary undertakings | **–** | (1,000) |
| Increase in share-based payments | **140** | 440 |
| Movement in restructuring provision | **(1,549)** | 1,549 |
| Decrease in retirement benefit obligations | **–** | (142) |
| Finance income | **(717)** | (429) |
| Finance costs | **6,869** | 5,373 |
| **Changes in working capital (excluding the effects of acquisitions)** | | |
| Inventories | **(697)** | 1,493 |
| Trade and other receivables | **(2,625)** | 452 |
| Trade and other payables | **(972)** | (10,979) |
| **Cash generated from operations** | **13,015** | 14,123 |

## 33. Business combinations

During the year, the Group completed the acquisition of Nene Whitewater Centre for consideration of £25,000 and professional fees of £35,000 creating goodwill on acquisition of £80,000. A further £1.8m of goodwill has arisen due to a series of fair value adjustments on prior year acquisitions as follows:

### a) UVM

A further £1m deferred consideration has arisen following a detailed fair value review of the business in the year. This has resulted in an additional £1m of goodwill generated in relation to the acquisition of this subsidiary.

### b) RIG Systems

A further £0.7m in excess of the initial fair value consideration was paid in relation to the acquisition of RIG Systems Limited in the year. This has resulted in an additional £0.7m goodwill being created.

### c) TVAC – The Vehicle Application Centre Limited

As set out in note 2 the prior year balance sheet has been restated due to a final fair value adjustment made in relation to inventory. The effect of this has been to increase goodwill and decrease inventories by £2.1 million.

## 34. Events after the balance sheet date

On 9 June 2009, the Board recommended a final dividend for the year to 31 March 2009 of 1.25p per share (2008 1p per share). This dividend has not been included as a liability at 31 March 2009.

## 35. Related party transactions

Related parties comprise the Company's shareholders, subsidiaries, associated companies, joint ventures, other entities over which the shareholders of the Group have the ability to control or exercise significant influence over their financial and operating decisions and key management personnel. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

**Key management compensation (excluding non-executive directors)**

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **375** | 1,173 |
| Post employment benefits | **–** | 25 |
| | **375** | 1,198 |

**Amounts due to related parties**

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Directors' loan accounts | **130** | 1,837 |
| Graphic Traffic Limited | **–** | – |
| | **130** | 1,837 |

Graphic Traffic Limited is a related party due to John Shannon being a common director. During the year, the Group made purchases of £231,302 (2008: £119,000) from this company.

**Amounts due from related parties**

| Group | Due less than one year £'000 | Due greater than one year £'000 |
|---|---|---|
| Due from Star Rentals Limited | 128 | - |
| Due from Ballendere Limited | 185 | 500 |
| | 313 | 500 |

Ballendere Limited and Star Rentals Limited are related parties by virtue of the fact that certain directors are considered to be 'connected persons' with John Shannon in accordance with section 346 (2) of the Companies Act 1985 and IAS 24 'Related Party Disclosures'.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 36. Commitments

### Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Capital expenditure | – | – |

### Operating lease commitments

The Group leases various assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Within one year | 141 | 1,660 |
| Within two to five years | - | 6,676 |
| After five years | 1,457 | 595 |
| | 1,598 | 8,931 |

### Lease payment receivable as lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Not later than one year | **24,400** | 23,900 |
| Later than one year and not later than five years | **97,600** | 95,600 |
| Later than five years | **182,400** | 192,000 |
| | **304,400** | 311,500 |

## 37. Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the balance sheet.

The movement in the capital to overall financial ratio is shown below.

The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Equity | **51,561** | 45,277 |
| Less: cash and cash equivalents | **(22,498)** | (12,896) |
| **Capital** | **29,063** | 32,381 |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Equity | **51,561** | 45,277 |
| Borrowings | **98,519** | 96,795 |
| **Overall financing** | **150,080** | 142,072 |
| **Capital to overall financing** | **19%** | 23% |

## 38. Parent company

The financial statements of the legal parent company, AssetCo plc, can be found in a separate section of the Annual Report.

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in the parent company financial statements. The loss for the year of the Company for the year was £0.86 million (2008: loss £0.736 million).

## 39. Ultimate controlling party

The Company is listed on the Alternative Investment Market of the London Stock Exchange. The Company is not under the control of any one individual. Significant holdings in the shares of the Company are disclosed in the Report of the Directors.

# build management

AssetCo is a leading supplier of specialist vehicles and platforms to the emergency and other mission critical services. With a heritage built on over 60 years of vehicle build management, AssetCo uses the latest design technology and manufacturer information to deliver vehicles and platforms to meet the specific needs of our clients.

**IN THIS SECTION:**


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# REPORT TO THE INDEPENDENT AUDITOR (company financial statements)

We have audited the parent company financial statements of AssetCo plc for the year ended 31 March 2009 which comprise the balance sheet and notes 1 to 15 of the financial statements. These parent company financial statements have been prepared under the accounting policies set out in note 2 of the financial statements.

We have reported separately on the consolidated financial statements of AssetCo plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and independent auditor

The directors' responsibilities for preparing the Annual Report and parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Reports of the Chief Executive Officer and Chief Financial Officer that is cross referenced from the "Review of business and future developments" section of the Report of the Directors.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises the Chairman's Statement, the Reports of the Chief Executive Officer and Chief Financial Officer, the Report of the Directors and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting polices are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

## Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements for the year ended 31 March 2009.

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

15 June 2009

# COMPANY BALANCE SHEET

| | Notes | 31 March 2009 £'000 | 31 March 2008 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Investment in subsidiaries | 5 | **98,720** | 98,720 |
| **Current assets** | | | |
| Debtors | 6 | **8,920** | 16,115 |
| Cash at bank and in hand | | **7,500** | – |
| | | **16,420** | 16,115 |
| **Creditors: amounts falling due within one year** | 7 | **(1,478)** | (1,812) |
| **Net current assets** | | **14,942** | 14,303 |
| **Total assets less current liabilities** | | **113,662** | 113,023 |
| **Net assets** | | **113,662** | 113,023 |
| **Capital and reserves** | | | |
| Called-up share capital | 8 | **18,345** | 17,958 |
| Share premium account | 8 | **26,115** | 25,197 |
| Merger reserve | 9 | **68,293** | 68,293 |
| Share-based payment reserve | 10 | **580** | 440 |
| Profit and loss account | 11 | **329** | 1,135 |
| **Shareholders' funds** | 13 | **113,662** | 113,023 |

These financial statements were approved by the Board of directors and authorised for issue on 15 June 2009. They were signed on its behalf by:

**R.F.Flynn**
Director

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1. Legal status and activities

AssetCo plc ("the Company") is principally a holding company for other companies within the Group.

The separate financial statements of the Company ("parent company financial statements") are presented as required by the Companies Act 1985.

The Company's financial statements for the year ended 31 March 2008 were delivered to the Registrar of Companies on 20 August 2008. Those financial statements received an unqualified audit report which did not contain statements under Section 237 (2) and (3) of the Companies Act 1985.

For greater clarity, the parent company financial statements have been presented in round thousands (£'000).

## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

The parent company financial statements have been prepared in accordance with United Kingdom accounting standards under the historical cost convention. As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

Note 24 ("Share capital") of the consolidated financial statements of AssetCo plc forms part of these financial statements.

### 2.2 Investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for permanent diminution in value.

### 2.3 Share-based payments

The Company has applied the requirements of FRS 20, "Share-based Payments". The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

### 2.4 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### 2.5 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 3. Auditor's remuneration

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | **73** | 70 |

## 4. Particulars of employees

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Number of directors | **5** | 4 |

The executive directors received all of their remuneration, as disclosed in the Report of the Directors of the consolidated financial statements, from AssetCo Group Limited. However, it is not practicable to allocate such costs between their services as executives of AssetCo Group Limited and their services as directors of AssetCo plc and other Group companies. The remuneration of the non-executive directors, which is wholly attributable to the Company, is disclosed in the Report of the Directors of the consolidated financial statements.

## 5. Investments

| | Shares in group undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 April 2008 and 31 March 2009 | 98,720 |

**Impairment**
The carrying value of investments is reviewed annually by the directors for potential impairment. The carrying value of the investments is, in the opinion of the directors, fairly stated at 31 March 2009. Sensitivity analyses have been carried out in relation to future income streams and cash flows using a discount rate of 10% which have allowed the directors to conclude there is no potential impairment.

**Subsidiary undertakings**
The Company has a controlling interest directly through shares in the following undertakings:

| Subsidiary | Country of incorporation | Percentage of shares held | Shares held | Nature of business |
|---|---|---|---|---|
| AS Fire and Rescue Equipment Limited | England & Wales | 100% | Ordinary | Manufacture and distribution of safety equipment |
| AssetCo Group Limited | N. Ireland | 100% | Ordinary | Holding company |
| Auto Electrical Services (Manchester) Limited | England & Wales | 100% | Ordinary | Electrical and communications systems |
| Todd Research Limited | England & Wales | 100% | Ordinary | Manufacture and distribution of security equipment |

None of the above investments are listed on a recognised Stock Exchange.

## 6. Debtors

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Amounts owed by group undertakings | **8,872** | 16,115 |
| Prepayments and accrued income | **48** | – |
| | **8,920** | 16,115 |

## 7. Creditors: amounts falling due within one year

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Other taxation and social security | **1,471** | – |
| Accruals and deferred income | **7** | 12 |
| Deferred consideration | **–** | 1,800 |
| | **1,478** | 1,812 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

## 8. Share capital

| | Number of Shares £'000 | Share capital £'000 | Share Premium £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2007 | 71,832,554 | 17,958 | 25,197 | 43,155 |
| Proceeds from ordinary shares issued | 1,546,852 | 387 | 918 | 1,305 |
| At 31 March 2008 | 73,379,406 | 18,345 | 26,115 | 44,460 |

The total authorised number of ordinary shares is 95,000,000 (2008: 95,000,000) with a nominal value of 25 pence per share (2008: 25 pence per share). All issued shares are fully paid.

In addition, the Company issued 1,546,852 shares in part consideration for two acquisitions, one of which was made by another Group company, in settlement of deferred consideration.

## 9. Merger reserve

| | Total £'000 |
|---|---|
| At 1 April 2008 and 31 March 2009 | **68,293** |

## 10. Share-based payment reserve

| | Total £'000 |
|---|---|
| At 1 April 2008 | 440 |
| Share-based payments | 140 |
| At 31 March 2008 | **580** |

## 11. Profit and loss account

| | Total £'000 |
|---|---|
| At 1 April 2008 | 1,135 |
| Loss for the financial year | (86) |
| Dividends paid in year | (720) |
| **At 31 March 2009** | 329 |

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in the parent company financial statements. The loss for the year of the Company was £0.84 million (2008: loss £0.736 million).

## 12. Share-based payments

Details of the share options granted over the Company's shares by Group companies to employees, and that remain outstanding at the balance sheet date, are set out in Note 24 to the AssetCo plc consolidated financial statements. The amounts recognised as an expense in relation to equity-settled share-based payment transactions during the year was £140,000 (2008: £440,000).

## 13. Reconciliation of movement in shareholders' funds

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| At 1 April | **113,023** | 104,854 |
| Loss for the financial year | **(84)** | (736) |
| New share capital subscribed | **1,303** | 8,465 |
| Share-based payments | **140** | 440 |
| Dividends paid | **(720)** | – |
| At 31 March | **113,662** | 113,023 |

## 14. Related party transactions

Related parties comprise the Company's shareholders, subsidiaries and key management personnel.

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

**Amounts due from related parties**

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Group undertakings | **23,626** | 16,115 |

## 15. Post-balance sheet events

On 9 June 2009, the Board recommended a final dividend for the year to 31 March 2009 of 1.25p per share (2008 1.0p per share). This dividend has not been included as a liability at 31 March 2009.

# specialist equipment

AssetCo is a UK leading supplier of specialist equipment to the emergency and mission critical services. With the investments we have made in some of the latest integrated design and manufacturing technologies at our dedicated facilities in Cambridge, AssetCo's specialist equipment business is able to offer one of the most efficient and comprehensive ranges of equipment from a single supplier.



IN THIS SECTION:

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# NOTICE OF ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 800 Field End Road, South Ruislip, Middlesex HA4 0QH on Wednesday, 29th July 2009 at 11:30 am. You will be asked to consider and pass the resolutions below. Resolutions 8 and 9 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

## Ordinary resolutions

**Resolution 1:**
THAT the report of the directors and the audited accounts for the year ended 31st March 2009 laid before the meeting, be received.

**Resolution 2:**
THAT the report on directors' remuneration as set out in the annual report for the year to 31st March 2009 be approved.

**Resolution 3:**
THAT Peter David Manning, who was appointed as a director of the Company by the Board since the last Annual General Meeting, be elected a director of the company.

**Resolution 4:**
THAT Raymond Francis Flynn, a director retiring by rotation pursuant to Article 66, be re-elected a director of the company.

**Resolution 5:**
THAT Grant Thornton UK LLP be re-appointed auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts are to be laid before the Company and that their remuneration be determined by the directors.

**Resolution 6:**
That the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities, within the meaning of Section 80 of the Companies Act 1985 (the 'Act') up to but not exceeding a maximum aggregate nominal amount of £9,155,148.50 during the period commencing on the date of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2010 save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Board may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this Resolution had not expired, this authority to replace any existing like authority which is hereby revoked with immediate effect.

**Resolution 7:**
THAT a final dividend for the year ended 31st March 2009 of 1.25 pence per share, on the ordinary shares of 25 pence each of the Company, be declared payable on 25th September 2009 to shareholders registered at the close of business on 28th August 2009.

## Special resolutions

**Resolution 8:**
THAT the directors be and they are hereby empowered pursuant to that section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred upon them by Resolution 6 above (as varied from time to time by the Company in general meeting) as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT such power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws or the requirements of any recognised regulatory body in any territory or otherwise:

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £917,242.50.

and the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the directors pursuant to section 95 of the Act and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months from the date of the passing of this Resolution, except that the Company may, before the expiry of any power contained in this Resolution, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or arrangement as if the authority conferred hereby had not expired.

**Resolution 9:**
That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares in the capital of the Company, provided that:

(i) the number of ordinary shares hereby authorised to be purchased shall not exceed 10%. of the Company's issued ordinary share capital at the date of this resolution;

(ii) the minimum price, exclusive of any expenses, which may be paid for any ordinary share shall not be less than its nominal value;

(iii) the maximum price, exclusive of any expenses, which may be paid for any such ordinary share is an amount equal to 105%. of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the date on which such share is contracted to be purchased;

(iv) this authority shall expire on the earlier of the date which is 18 months after the date of this resolution or the end of the next annual general meeting of the Company; and

(v) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

6th July 2009

By order of the Board

**Michael Lavender**
Company Secretary

**Registered Office:**
800 Field End Road
South Ruislip
Middlesex
HA4 0QH

Registered in England and Wales No. 4966347

## Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. Please do not appoint the Chairman as proxy if it is your intention that your proxy is to speak at the Annual General Meeting; the Chairman will not speak in his capacity as proxy at the Annual General Meeting. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Pauline Pullin at AssetCo Shareholder Services on 020 8515 3801.

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at 800 Field End Road, South Ruislip, Middlesex HA4 0QH no later than 11:30 on 27th July 2009. Proxy appointments may also be scanned and sent to shareholderservices@assetco.com or sent by fax to 020 8515 3800.

3. The return of a completed proxy form will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 11:30 am on 27th July 2009 (if the AGM is adjourned, 2 working days before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING continued

7. As at 4th July 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 73,379,406 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4th July 2009 are 73,379,406.

8. We apologise but the appointment of proxies or the giving of any instruction by the CREST system will not be accepted for the purposes of this General Meeting.

9. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

10. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolutions 1 to 7 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 8 and 9 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

The authority provided by resolutions 6, 8 and 9 will expire at the conclusion of the next annual general meeting and it is anticipated that renewals of the authority will be requested at subsequent annual general meetings.

Resolution 9 will authorise the company to purchase its own shares up to a maximum of 10% of the issued ordinary shares of the company. The purchase price would be subject to a minimum of 25p per share and a maximum equal to 5%. above the average middle market price for the five business days immediately preceding the purchase. The directors would only use the authority if they considered that it was in the best interests of the shareholders and if they were satisfied that a purchase of shares would be likely to result in an increase in earnings per share.

# FINANCIAL CALENDAR

| | |
|---|---|
| **AGM** | 29th July 2009 |
| **Dividend Record Date** | 28th August 2009 |
| **Dividend Payment Date** | 25th September 2009 |
| **FY10 Interim Results** | 3rd December 2009 |

# COMPANY INFORMATION

**AssetCo plc**
**Company registration number #4966347**
Registered office
800 Field End Road
South Ruislip
Middlesex
HA4 0QH

**Directors**
**Tim Wightman** (Chairman)
**John Shannon**
**Frank Flynn**
**Adrian Bradshaw**
**Peter Manning** (appointed 1 September 2008)

**Company Secretary**
**Michael Lavender**

**Website**
**www.assetco.com**

**Bankers**
**Bank of Scotland (Ireland) Limited**
Donegall Square North
Belfast
BT1 5GB

**Solicitors**
**Nabarro**
Lacon House
84 Theobald's Road
London
WC1X 8RW

**Auditor**
**Grant Thornton UK LLP**
Churchill House
Chalvey Road East
Slough
Berkshire
SL1 2LS

**Nominated adviser, financial adviser and corporate broker**
**Arden Partners**
Nicholas House
3 Laurence Poutney Hill
London
EC4R 0EU

**Financial public relations**
**Pelham Public Relations**
12 Arthur Street
London
EC4R 9AB

**Registrar**
**Computershare Investor Services PLC**
PO Box 1075
The Pavilions
Bridgewater Road
Bristol
BS99 3FA



designed and produced by the annual report company

**AssetCo**
Registered office
800 Field End Road
South Ruislip
Middlesex
HA4 0QH

Telephone: +44 (0) 20 8515 3999
www.assetco.com