Annual Report & Accounts 2009

AssetCo
Integrated Services

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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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

	2009 £'000	2008 £'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.