Mflow Limited

Report and Accounts
for the 18 months to 30 September 2011

Registered Number 3818559

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Mflow Limited

Accounts for the 18 months to 30 September 2011

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Directors and advisers for the 18 months to 30 September 2011

Directors

D E Banks

Registered Office

800 Field End Road
South Ruislip
Middlesex
HA4 0QH

Independent auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Directors' report for the 18 months to 30 September 2011

The directors submit their Report and Accounts for the 18 months to 30 September 2011

Principal activities and review of the business

The principal activity of the company was that of the development and sale of electronic vehicle monitoring and diagnostic equipment to the emergency services

Management consider turnover, profitability and free cash-flow to be key performance indicators of the business The business has seen a considerable deterioration in all three during the period and this is primarily as a result of contracts being terminated

Share capital, dividends and reserves

The issued share capital of the company remained unchanged throughout the 18 month period to 30 September 2011

The (loss)/profit for the period is set out in the profit and loss account on page 9 and the directors have elected not to recommended a dividend (2010 £nil)

Directors

The directors who served the company during the period to 30 September 2011 and thereafter were

M J Shannon (resigned 24 March 2011)
R F Flynn (resigned 4 October 2010)
S Brown (appointed 4 October 2010 and resigned 15 April 2011)
M A Clissett (appointed 30 March 2011 and resigned 31 March 2012)
D E Banks (appointed 30 March 2012)

Company Secretaries

The company secretaries who served the company during the period to 30 September 2011 and thereafter were

M D Lavender (resigned 18 August 2010)
R Fulton (appointed 18 August 2010 and resigned 4 October 2010)
S D Brown (appointed 4 October 2010 and resigned 17 May 2011)

Going Concern

The directors have considered the going concern assumption for the company by assessing its operational and funding requirements

The directors have concluded that there are material uncertainties relating to events and conditions that cast significant doubt about the ability of the Company to continue as a going concern The material uncertainties include the need for the continuing support from various companies with the AssetCo Plc Group namely AssetCo Plc, AssetCo London Limited and AssetCo Managed Services (ROI) Limited, the continuance of the Company's current contract, and the achievability of future cash-flow forecasts

Mflow Limited

Directors' report for the 18 months to 30 September 2011 (continued)

In the view of the directors, whilst these matters represent material uncertainties they have a reasonable expectation that the Company has adequate resources and that the amounts due to AssetCo Plc, AssetCo London Limited and AssetCo Managed Services (ROI) Limited will not be called for payment, although this has not been formally confirmed On this basis the directors believe the company will continue in operational existence for the foreseeable future Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

Financial risk management

See note 3

Independent Auditor

Grant Thornton UK LLP have resigned as auditors and PricewaterhouseCoopers LLP have filled a causal vacancy Special notice pursuant to sections 379 and 515 of the Companies Act 2006 having been given, a resolution to appoint PricewaterhouseCoopers LLP as auditors in accordance with section 485 will be prepared at the Annual General Meeting

By Order of the Board

D E Banks
Director
1 August 2012
Registered Number 3818559

Mflow Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the directors is 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

By Order of the Board

D E Banks
Director
1 August 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MFLOW LIMITED

We have audited the financial statements of Mflow Limited for the 18 month period ended 30 September 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Basis for qualified opinion on the financial position as at 31 March 2010 and disclaimer of opinion on the loss for the period ended 30 September 2011

The audit evidence available to us was limited in the following areas because of limitations in the nature of the accounting records maintained by the company

- We were appointed auditors on 7 December 2011 and it was not possible for us to obtain sufficient appropriate audit evidence regarding the amounts forming the comparative figures for the year ended 31 March 2010 and the opening balances as at 1 April 2010

- Our audit work on intangible fixed assets included in the balance sheet at £nil was restricted to obtaining evidence in respect of this net book value We were not able to obtain sufficient appropriate audit evidence in respect of the disclosures in note 10 to the financial statements of the cost of £0 6m and accumulated amortisation of £0 6m

- During the period the directors identified a number of related party transactions with former directors of the company, disclosed in note 16 to the financial statements We have been unable to obtain sufficient appropriate audit evidence that there were no additional related party transactions which would be required to be disclosed in accordance with Financial Reporting Standard 8 and the Companies Act 2006

- We have not been able to obtain sufficient appropriate audit evidence in relation to the completeness of the directors' emoluments disclosed in note 8 in relation to former directors of the company

Qualified opinion on financial position as at 31 March 2010 and disclaimer of opinion on the loss for the period ended 30 September 2011
Because of the significance of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the company's loss for the 18 month period ended 30 September 2011 Accordingly, we do not express an opinion on the company's loss for the 18 month period ended 30 September 2011

In our opinion, except for the effects of the matters described in the Basis for qualified opinion/disclaimer of opinion paragraph, the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – going concern

We have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern The company is not a going concern without the continued support of the related companies, the continuance of the company's current contract and the achievability of future cash-flow forecasts These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

In respect solely of the limitations of our work referred to above

- in our opinion, adequate accounting records have not been kept,
- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we have been unable to establish whether all disclosures of directors' remuneration specified by law have been made

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
1 August 2012

Mflow Limited

Profit and loss account for the 18 months to 30 September 2011

	Notes	18 months to 30 September 2011 Pre-exceptional £'000	Exceptional items (note 7)	Total	Year ended 31 March 2010 £'000
Turnover	4	**288**	**-**	**288**	684
Cost of sales		**(163)**	**-**	**(163)**	(306)
Gross (loss)/profit		**125**	**-**	**125**	378
Administrative expenses	5	**(556)**	**(20)**	**(576)**	(178)
Operating (loss)/profit	6	**(431)**	**(20)**	**(451)**	200
Interest payable and similar charges		**-**	**-**	**-**	-
(Loss)/profit on ordinary activities before tax		**(431)**	**(20)**	**(451)**	200
Tax on (loss)/profit on ordinary activities	9	**-**	**-**	**-**	(56)
(Loss)/profit for the period	14	**(431)**	**(20)**	**(451)**	144

All operations in the current and prior period were continuing

The company has no recognised gains or losses other than the results for the current and prior periods as set out above, and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial periods stated above and their historical cost equivalent

The notes and accounting policies on pages 12 to 18 form part of these accounts

Mflow Limited

Balance sheet as at 30 September 2011

	Notes	30 September 2011 £'000	30 September 2011 £'000	31 March 2010 £'000	31 March 2010 £'000
Fixed assets					
Intangible assets	10		-		460
Current assets					
Debtors	11	10		294	
Cash at bank and in hand		-		-	
		10		294	
Creditors: Amounts falling due within one year	12	(303)		(596)	
Net current liabilities			(293)		(302)
Total assets less current liabilities			(293)		158
Net (liabilities)/assets			(293)		158
Capital and reserves					
Called up share capital	13		1		1
Profit and loss reserve	14		(294)		157
(Deficit)/surplus on equity shareholders' funds	15		(293)		158

The notes and accounting policies on pages 12 to 18 form part of these accounts

Approved by the Board of Directors on 1 August 2012

D E Banks
Director
Registered Number
3818559

Notes to the accounts for the 18 months to 30 September 2011

1. Legal status and activities

Mflow Limited ("the Company") develops and sells electronic vehicle monitoring and diagnostic equipment to the emergency services

2. Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice) The directors confirm that the accounting policies used by the company are the most appropriate and consistently applied and adequately disclosed

The directors have considered the going concern assumption for the company by assessing its operational and funding requirements The directors have concluded that there are material uncertainties relating to events and conditions that cast significant doubt about the ability of the Company to continue as a going concern The material uncertainties include the need for the continuing support from various companies with the AssetCo Plc Group namely AssetCo Plc, AssetCo London Limited and AssetCo Managed Services (ROI) Limited, the continuance of the Company's current contract, and the achievability of future cash-flow forecasts

In the view of the directors, whilst these matters represent material uncertainties they have a reasonable expectation that the Company has adequate resources and that the amounts due to AssetCo Plc, AssetCo London Limited and AssetCo Managed Services (ROI) Limited will not be called for payment, although this has not been formally confirmed On this basis, the directors believe the company will continue in operational existence for the foreseeable future Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

The company is exempt from preparing consolidated accounts under section 400 of the Companies Act 2006, on the basis that its results are included within the consolidated accounts of AssetCo plc, whose accounts are publicly available As such, information in these accounts is only with regard to the company as an individual undertaking and not about the group

During the period the company changed its accounting reference date from 31 March to 30 September

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

A summary of the company's principal accounting policies is set out below

Turnover

Turnover comprises the invoiced value of asset management services and the invoiced value of goods and services sold in relation to vehicle build and build management services Turnover is recognised when earned and in accordance with obligations delivered.

Notes to the accounts for the 18 months to 30 September 2011 (continued)

2. Principal accounting policies (continued)

Intangible fixed assets

Expenditure on the development of monitoring and diagnostic equipment and related computer software is capitalised and amortised over a 10 year period from commencement of sales of the product in line with the expected life cycle of the product

Where a product is discontinued then an impairment charge is taken immediately

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Assets under long term arrangements include certain assets that attract no depreciation as they have not been put to use Depreciation will commence when the asset has begun to generate leasing income

Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant profit and loss account category, but highlighted through separate disclosure The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance Items which may be included within the exceptional category include the effects providing against amounts owed by fellow subsidiary undertakings where recoverability is uncertain and adjustments required to agree intercompany balances where historic transaction records have not been adequately maintained, together with any impairment of intangible fixed assets

Notes to the accounts for the 18 months to 30 September 2011 (continued)

3. Financial risk management

Whilst risk management policies were disclosed last year the events that have occurred during the year, such as creditor action, the restatement of asset values and the need for the parent company to raise additional funds suggest that the policies were neither effective nor robust

The considerable strain arising from managing the events detailed above necessitated a more informal approach to risk management throughout the period However, the board consider that the following describes what prevails at the date of approval of these accounts

3 1 Financial risk factors

a) Credit risk

The Company has exposure to only a few customers, with almost all turnover accruing with a UK police authority, which is considered to offer an extremely small credit risk

b) Market risk

Currency risk

The Company transacts in Sterling and does not consider that there is a currency risk.

Financial assets

The Company holds its surplus funds in short-term bank deposits which are held in Banks with an AAA rating

Financial liabilities

The Company does not hold any long term borrowing liabilities other than intercompany balances

c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities The company maintains adequate bank balances to fund its operations As explained in other areas of this Report & Accounts, the Company is experiencing liquidity issues and the Company remains in discussions with its bankers with a view to agreeing to both a reduction in the level of debts payable by the Company and a rescheduling of repayments due

Notes to the accounts for the 18 months to 30 September 2011 (continued)

4. Turnover

All the turnover originated in the United Kingdom

5. Other operating charges

	30 September 2011 £'000	31 March 2010 £'000
Administrative expenses	556	178

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging / (crediting):-

	18 months to 30 September 2011 £'000	Year ended 31 March 2010 £'000
Amortisation of intangible fixed assets	-	54

All audit fees were borne by the other group companies

7. Exceptional items

Due to the financial position of certain fellow subsidiaries there is considerable doubt that amounts owed by them will be recovered in full, so full provision has been made where appropriate Adjustments have also been required to agree amounts between fellow subsidiary undertakings because of problems with basic accounting systems

Additionally a review of the carrying value of development costs has resulted in an impairment charge which reduces the carrying value to nil (see note 10)

The effects are summarised below

	30 September 2011 £'000	31 March 2010 £'000
Provision against amounts owed by fellow subsidiary undertakings	(23)	-
Adjustments to agree amounts owed to fellow subsidiary undertakings	463	-
Inpairment charge	(460)	
	(20)	-

Notes to the accounts for the 18 months to 30 September 2011 (continued)

8. Employees and Directors

Average monthly number of employees and directors:	18 months to 30 September 2011 Number	Year ended 31 March 2010 Number
Sales	-	-
Operations	2	-
	2	-

The aggregate payroll costs of the above were:	£'000	£'000
Wages and Salaries	77	-
Social Security Costs	11	-
Other Pension Costs	-	-
	88	-

No emoluments were paid to M A Clissett for the 18 months to 30 September 2011(2010: £nil) as his services were paid for by AssetCo London Limited

9. Tax on (loss) / profit on ordinary activities

	18 months to 30 September 2011 £'000	Year ended 31 March 2010 £'000
Current taxation:		
UK Corporation Tax at 27 33% (2010 28%)	-	56
Tax on profit on ordinary activities	-	56

The difference between the (loss) / profit on ordinary activities at the corporation tax rate of 27 33% (2010 28%) ruling in the UK and the actual current tax shown above is explained below

	18 months to 30 September 2011 £'000	Year ended 31 March 2010 £'000
(Loss) / profit before taxation	(451)	201
Tax effect at 27 33% (2010 28%)	(123)	56
Disallowable expenses	5	-
Tax losses eliminated	118	-
Current tax charge for the period	-	56

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2016 The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

Notes to the accounts for the 18 months to 30 September 2011 (continued)

10. Intangible fixed assets

	Development costs £'000
Cost	
At 1 April 2010	555
Additions	-
At 30 September 2011	555
Amortisation	
At 1 April 2010	95
Impairment charge in period	460
At 30 September 2011	555
Net book value	
At 30 September 2011	-
At 31 March 2010	460

11. Debtors

	2011 £'000	2010 £'000
Trade debtors	-	1
Amounts owed by group undertakings	-	-
Other debtors	**10**	-
Prepayments and accrued income	-	293
	10	294

Amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand

12. Creditors: Amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans and overdrafts	-	1
Trade creditors	**32**	15
Corporation tax	-	56
Amounts due to group undertakings	**271**	524
	303	596

Amounts due to Group Undertakings are unsecured, bear no interest and are repayable on demand

Mflow Limited

Notes to the accounts for the 18 months to 30 September 2011 (continued)

13. Called up share capital

	2011	2010
	£	£
Issued and fully paid		
1,000 (2010 1,000) ordinary shares of £1 each	**1,000**	1,000

There were no movements during the 18 months to 30 September 2011

14. Profit and loss reserve

	£'000
At 1 April 2010	**157**
Loss for the financial period	**(451)**
At 30 September 2011	**(294)**

15. Reconciliation of movements in shareholders' funds

	30 September 2011 £'000	31 March 2010 £'000
(Loss)/profit for the financial period	**(451)**	144
Opening shareholders' funds	**158**	14
Closing (deficit)/shareholders' funds	**(293)**	158

16. Related party transactions

As a wholly owned subsidiary of AssetCo plc at the balance sheet date, the company was exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by AssetCo plc on the grounds that group accounts are publicly available from AssetCo plc, 800 Field End Road, South Ruislip, HA4 0QH or can be downloaded from the website at www assetco com

Mr M A Clissett is a director of Treka Bus Limited During the period February to June 2011 when the Company, along with a number of other AssetCo plc group companies, was experiencing difficulties with its banking facilities, Treka Bus Limited operated a treasury function for the Company

17. Ultimate Parent company

The ultimate parent company is AssetCo plc, a company listed on the AIM and incorporated in England and Wales AssetCo plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2011 The immediate parent company is Continental Shelf 547 Limited, a company incorporated in England and Wales

18. Contingent liabilities

There is a contingent liability of £12,452,000 (2010 £12,379,000) in respect of bank borrowings of group companies which have been secured by inter-company cross guarantees and applies to AssetCo London Limited, AssetCo Engineering Limited, Papworth Specialist Vehicles Limited, AssetCo Resource Limited, AssetCo Lincoln Limited, AssetCo Emergency Limited and AssetCo Specialist Vehicles Limited