

# Shields Environmental Limited

Annual Report and Financial Statements

For the year ended 30 June 2018



Company Registration No. 01444121 (England and Wales)

# Shields Environmental Limited

## Company Information

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<b>Directors</b>	D Jones D Perry D Challis
<b>Secretary</b>	D Jones
<b>Company number</b>	01444121
<b>Registered office</b>	Kerry Avenue Aveley South Ockendon Essex RM15 4YE
<b>Auditors</b>	Kingston Smith LLP Orbital House 20 Eastern Road Romford Essex RM1 3PJ

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# Shields Environmental Limited

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# Shields Environmental Limited

## Strategic Report

For the year ended 30 June 2018

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The directors present the strategic report for the year ended 30 June 2018.

### **Fair review of the business**

The principal activity of the company continued to be that of the provision of specialist support services to the telecommunications sector.

### **Strategy**

The Shields Group continues to grow its service offering through its 5 core offerings:

1. Asset Management
2. Supply & Spare Parts Management
3. Off-site Engineering
4. On-Site Services
5. Warehousing, Logistics and Fulfilment

These services remain profitable for the Group and provide the foundations from which we are able to innovate and grow.

The Group has developed two new solutions successfully and started to roll them out during the year ended 30 June 2018. These solutions combine Software as a Service (SaaS) revenue with a 10 year outlook for 5G network builds and are set out below.

### **Shields MarketPlace ([www.shields-e.com](http://www.shields-e.com))**

In December 2017, Shields released our "MarketPlace" concept, built for Telecom Operators, the software platform aims to provide Operators with:

- 1) Visibility of Supply Options – "8 Levels"
- 2) Product Information – "A picture's worth a thousand words"
- 3) Price Data - "Knowledge is Power"
- 4) Technical Data - "Ensuring Quality"
- 5) Supply and Demand - "Where is it coming from and where does it go?"

Our MarketPlace solution is being received well by Telecom Operators and is enabling them to achieve significant OPEX and CAPEX savings by driving improved efficiencies with asset redeployment.

### **Shields Path to 5G**

The second new solution links into our core On-Site Engineering service. Shields are building a turnkey 5G offering for operators, including network planning, design and build.

Shields have successfully installed many CRAN and 5G sites in the USA during the year.

We will continue to build our capabilities in this region and bring them to Europe during early 2019 in line with 5G network demands.

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2018

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### Overall

Our portfolio of solutions minimise the total cost of ownership for our customer's telecommunications networks and integrate highly efficient and cost-effective network build, maintenance and expansion solutions with cash generating asset management services.

Alongside this, our environmental model that has led the world in environmental management for decades ensures a sustainable solution for our clients that is proven through our unique systems.

Shields continues to offer a global end-to-end solution for telecoms network infrastructure assets and continues to work successfully in partnership with fixed line and mobile network operators and OEM's globally.

This includes all the UK and USA major mobile networks and many networks throughout Europe, Africa, Asia and North America.

### 2018 was a year of excitement for the Group

We continue to build on the foundations laid down last year with continued investment in our Senior Sales and Business Development teams across our global footprint.

We are continuing to widen our footprint and are delighted to welcome on board our new services team in the USA, France and Spain which will enable us to build closer relationships with our customers.

We have further enhanced our software development team to power up "MarketPlace".

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The majority of our investment is in the form of people and operating expenditure. This impacts the Profit and Loss account and therefore our Profit for the year should also be seen as including investment for the future.

Shields continues to set itself apart from the competition by operating to the world leading industry standards of ISO9001, ISO14001, OHSAS18001, TL9000 and R2/RIOS.

Our solutions continue to offer the highest financial returns and world leading standards of environmental care, corporate responsibility and quality and we thank our clients for their commitment to quality and the environment. The quality of our services could not be achieved without our dedicated team. Staff retention remains extremely high and I thank every one of our team for their dedication and commitment to the delivery of excellence to our clients worldwide.

### Key performance indicators

	2018	2017
	£000	£000
EBITDA (pre-exceptional items and R&D costs)	163	580

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2018

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### Principal risks and uncertainties

The principal risk and uncertainty facing the company is with foreign currencies. With a substantial proportion of the company's revenue deriving from overseas, a decline in either the Euro or US dollar will have a direct effect on revenue. To reduce this risk, customer receipts are retained in their original currency and used to pay suppliers of the same currency, therefore reducing this risk to the gross profit line.

### Financial risk management

The company's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk and foreign exchange risk. The policies set by the board of directors are implemented by the company's finance department.

The company is exposed to commodity price risks as a result of its operations, however this is only a small percentage of the overall business and is therefore a manageable risk. The board has given consideration to hedging of commodities but have decided against this currently. The directors will revisit this decision should the company's operations change in size or nature.

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

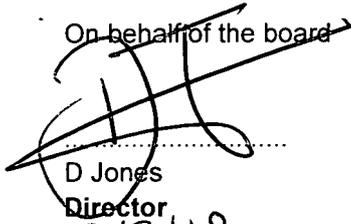
The company actively maintains a mixture of short-term, inter-company and debt finance that is designed to ensure the company has sufficient available funds for operations.

The company is exposed to foreign exchange risk as a result of its operations. Due consideration is given to ~~forward provisioning of exchange rates when entering contracts. However, given the size of the company's~~ operations, the costs of managing exposure to foreign exchange risk exceed potential benefits. The directors revisit the appropriateness of this policy should the company's operations change in nature or size.

### Future developments

Our vision is to be the leading (OEM independent) provider of solutions to telecom network operators.

On behalf of the board



D Jones

Director

6/3/19

# Shields Environmental Limited

## Directors' Report

For the year ended 30 June 2018

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The directors present their report and financial statements for the year ended 30 June 2018.

Under CA2006 s414c(11), the information relating to future developments & risk management are included in the strategic report.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Jones  
D Perry  
D Challis

### **Results and dividends**

The results for the year are set out on page 9.

The directors do not recommend payment of an ordinary dividend.

### **Auditor**

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Kingston Smith LLP be reappointed as auditor of the company will be put at a General Meeting.

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### **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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- 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 show and 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.

# Shields Environmental Limited

Directors' Report (Continued)

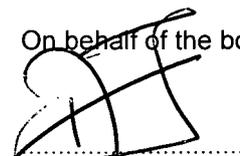
For the year ended 30 June 2018

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## Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



D Jones  
Director  
6/3/2019

# Shields Environmental Limited

## Independent Auditor's Report

### To the Members of Shields Environmental Limited

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#### **Opinion**

We have audited the financial statements of Shields Environmental Limited (the 'company') for the year ended 30 June 2018 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Shields Environmental Limited

## Independent Auditor's Report (Continued)

### To the Members of Shields Environmental Limited

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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:

- adequate accounting records have not been kept, or 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the ~~preparation of the financial statements and for being satisfied that they give a true and fair view, and for such~~ internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Shields Environmental Limited

## Independent Auditor's Report (Continued)

### To the Members of Shields Environmental Limited

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As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.



**Karen Wardell (Senior Statutory Auditor)**  
for and on behalf of Kingston Smith LLP

6 March 2019

**Chartered Accountants**  
**Statutory Auditor**

Orbital House  
20 Eastern Road  
Romford  
Essex  
RM1 3PJ

# Shields Environmental Limited

## Statement of Income and Retained Earnings

For the year ended 30 June 2018

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	Notes	2018 £000	2017 £000
<b>Turnover</b>	<b>3</b>	4,480	5,270
Cost of sales		(1,685)	(1,914)
<b>Gross profit</b>		2,795	3,356
Distribution costs		(1,377)	(1,367)
Administrative expenses		(1,641)	(1,890)
Other operating income		-	6
<b>Operating (loss)/profit</b>	<b>4</b>	(223)	105
Interest payable and similar expenses	<b>7</b>	(9)	(7)
<b>(Loss)/profit before taxation</b>		(232)	98
Taxation	<b>8</b>	99	77
<b>(Loss)/profit for the financial year</b>		(133)	175
Retained earnings brought forward		(25)	(200)
Retained earnings carried forward		(158)	(25)

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The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

The company has taken advantage of FRS 102 Section 3 paragraph 3.18 to present a combined statement of income and retained earnings.

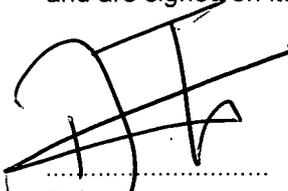
# Shields Environmental Limited

## Balance Sheet

As at 30 June 2018

		2018		2017	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		87		149
<b>Current assets</b>					
Stock	12	25		23	
Debtors	13	796		1,067	
Cash at bank and in hand		1,577		522	
		<u>2,398</u>		<u>1,612</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,593)</u>		<u>(1,736)</u>	
Net current liabilities			(195)		(124)
<b>Total assets less current liabilities</b>			<u>(108)</u>		<u>25</u>
<b>Capital and reserves</b>					
Called up share capital	17		50		50
Retained earnings			(158)		(25)
<b>Total equity</b>			<u>(108)</u>		<u>25</u>

The financial statements were approved by the board of directors and authorised for issue on 6/3/19 and are signed on its behalf by:

  
D Jones  
Director

  
D Challis  
Director

Company Registration No. 01444121

# Shields Environmental Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

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### 1 Accounting policies

#### Company information

Shields Environmental Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kerry Avenue, Unit 32 Purfleet Industrial Park, South Ockendon, Essex, RM15 4YE.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Exemptions for qualifying entities under FRS 102

As a wholly owned subsidiary of Shields Environmental Group Limited, which is ultimately owned by Shields Environmental Group (Holdings) Limited, the company has taken advantage of the following qualifying entity exemptions under the provisions of FRS 102:

- (i) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv) to prepare a reconciliation of the number of equity shares outstanding at the beginning and at the end of the financial year;
- (ii) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d) to prepare a statement of cash flows;
- (iii) The requirements of Section 11 paragraphs 11.39 to 11.48(a) and Section 12 paragraphs 12.26 to 12.29A, regarding disclosures for financial liabilities and assets, as the equivalent disclosures required by FRS 102 are included in the consolidated financial statements of the Shields group in which the entity is consolidated;
- (iv) From disclosing the company key management personnel compensation, as required by paragraph 33.7; and
- (v) The requirement of Section 33 Related Party Disclosures paragraph 33.9 to disclose related party transactions within other members of the Shields group.

#### 1.3 Consolidated financial statements

The company is a wholly owned subsidiary of Shields Environmental Group Limited and is included in the consolidated financial statements of Shields Environmental Group (Holdings) Limited, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

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### 1 Accounting policies

(Continued)

#### 1.4 Going concern

In preparing the financial statements, the directors have considered the appropriateness of the going concern basis of accounting. As part of this consideration, the directors have reviewed the group in which this company operates as a whole. The group financial statements headed by Shields Environmental Group (Holdings) Limited show that the group has net liabilities of £8,334,000. Included within group creditors, falling due after more than one year, are loan notes of £18,954,000 which are due for repayment to the shareholders in 2020. At the balance sheet date the group has bank facilities comprising bank loans of £2,200,000 on a repayment structure over a 15 year period and a total available net group overdraft facility of £1,029,000 which is due for renewal in April 2019.

The directors of the operating subsidiary companies have prepared budgets and cash flow forecasts for the period up to 30 June 2020 which show that the group has a reasonable prospect of operating within the facilities currently available and which are expected to be renewed on similar terms, however there can be no certainty in relation to these matters. In addition, the directors have received written assurance from the majority shareholders of the group confirming their willingness and ability to provide sufficient financial support to the group to enable the group to continue trading for at least a period of twelve months from the date of approval of the financial statements. On this basis the directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the valuation and classification of assets and liabilities, or provision for any further liabilities that might arise, should the group be unable to meet its liabilities as they fall due.

#### 1.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. The company records transactions as sales when the delivery of goods or performance of services has taken place in accordance with the terms of the sale.

A significant proportion of the turnover is generated from the sale of equipment that is the subject of revenue sharing agreements with the clients that supply the equipment. Under these revenue sharing agreements, typically, no payment is due to a client until the sale of the equipment has occurred. Following the sale, the client receives an agreed share of the sale proceeds. The company includes the share of revenue due to the client under these types of arrangements as cost of sales.

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	20% straight line
Computer equipment	33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

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### 1 Accounting policies

(Continued)

#### 1.7 Stock

Stock is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of attributable overheads. For stock items acquired under revenue sharing agreements, as described in the turnover note above, legal title to the stock item does not pass to the company until immediately before the items are sold by the company. As the majority of the risks and rewards of the items received by the company under the revenue sharing agreements reside with the company they are accounted for as the stocks of the company. Under revenue sharing agreements, cost is recorded at nil, except where an amount is paid to the supplier in advance of the goods being sold or the company guarantees that the supplier will receive a minimum amount of the shared revenue.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### *Basic financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

#### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

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### 1 Accounting policies

(Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.13 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.14 Leases**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **1.15 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 1 Accounting policies

(Continued)

#### 1.16 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised in line with the sales received from the related project.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### *Useful economic lives of tangible fixed assets*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property, plant and equipment and note 1.6 for the useful economic lives for each class of asset.

#### *Client returns*

A significant proportion of the turnover is generated from the sale of equipment that is the subject of revenue sharing agreements with the clients that supply the equipment. Under these revenue sharing agreements, typically, no payment is due to a client until the sale of the equipment has occurred. Following the sale, the client receives an agreed share of the sale proceeds. The company estimates the share of revenue due to the client under these types of arrangements and includes this amount in accruals until the payment is due to the client.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£000	£000
<b>Turnover</b>		
Rendering of services	1,185	2,164
Product sales	3,295	3,106
	<u>4,480</u>	<u>5,270</u>

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 3 Turnover and other revenue (Continued)

#### Turnover analysed by geographical market

	2018	2017
	£000	£000
United Kingdom	3,411	4,025
Europe	881	477
America	86	762
Rest of world	102	6
	<u>4,480</u>	<u>5,270</u>

### 4 Operating (loss)/profit

	2018	2017
	£000	£000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(20)	(17)
Fees payable to the company's auditors for the audit of the company's financial statements	15	18
Depreciation of owned tangible fixed assets	110	191
Profit on disposal of tangible fixed assets	(12)	-
Cost of sales	1,685	1,914
Operating lease charges	63	66
	<u>      </u>	<u>      </u>

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
Administration and management	9	10
Sales and marketing	5	6
Processing	29	27
	<u>43</u>	<u>43</u>

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

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<b>5 Employees</b>	<b>(Continued)</b>	
Their aggregate remuneration comprised:		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,442	1,335
Social security costs	138	133
Pension costs	19	18
	<u>1,599</u>	<u>1,486</u>
	<u><u>1,599</u></u>	<u><u>1,486</u></u>
<b>6 Directors' remuneration</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	93	88
	<u>93</u>	<u>88</u>
	<u><u>93</u></u>	<u><u>88</u></u>
The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017: 1).		
The amount of contributions payable by the company to defined contribution schemes in relation to the director's during the year was £839 (2017: £753).		
<b>7 Interest payable and similar expenses</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest on bank overdrafts and loans	9	7
	<u>9</u>	<u>7</u>
	<u><u>9</u></u>	<u><u>7</u></u>
<b>8 Taxation</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	(85)	(22)
Adjustments in respect of prior periods	(13)	-
	<u>(98)</u>	<u>(22)</u>
Total current tax	<u><u>(98)</u></u>	<u><u>(22)</u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1)	(55)
	<u>(1)</u>	<u>(55)</u>
Total tax charge	<u><u>(99)</u></u>	<u><u>(77)</u></u>

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# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 8 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £000	2017 £000
(Loss)/profit before taxation	(232)	98
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)</i>	(44)	19
Tax effect of expenses that are not deductible in determining taxable profit	1	2
Effect of change in corporation tax rate	-	1
Group relief	-	2
Permanent capital allowances in excess of depreciation	-	(38)
Enhanced research and development deduction	(69)	(72)
Research and development tax credit	13	9
Tax charge for the year	(99)	(77)

The aggregate amount of research and development expenditure recognised as an expense during the period is £196,400 (2017: £145,326).

### 9 Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At 1 July 2017	691	327	1,017
Additions	53	-	53
Disposals	(5)	(104)	(109)
At 30 June 2018	739	222	961
<b>Depreciation and impairment</b>			
At 1 July 2017	579	290	869
Depreciation charged in the year	78	32	110
Eliminated in respect of disposals	(4)	(99)	(103)
At 30 June 2018	652	222	874
<b>Carrying amount</b>			
At 30 June 2018	87	-	87
At 30 June 2017	112	37	149

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 10 Fixed asset investments

The company holds an investment in Shields Environmental Limited Egypt amounting to £465.

#### Movements in fixed asset investments

##### Cost or valuation

##### Carrying amount

At 30 June 2018

At 30 June 2017

### 11 Subsidiaries

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
Shields Environmental Limited Egypt	Telecoms asset management	Ordinary	100

Financial information about the subsidiary has not been disclosed in these accounts as the subsidiary has been accounted for in the consolidated accounts of the ultimate parent company Shields Environmental Group (Holdings) Limited.

### 12 Stock

	2018 £000	2017 £000
Finished goods and goods for resale	25	23

### 13 Debtors

Amounts falling due within one year:	2018 £000	2017 £000
Trade debtors	460	613
Corporation tax recoverable	85	66
Amounts due from group undertakings	-	183
Other debtors	24	-
Prepayments and accrued income	207	186
	776	1,048
Deferred tax asset (note 15)	20	19
	796	1,067

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	438	357
Amounts due to fellow group undertakings	1,345	494
Other taxation and social security	33	83
Other creditors	4	1
Accruals and deferred income	773	801
	<u>2,593</u>	<u>1,736</u>

There is a fixed and floating charge over the undertaking of all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

### 15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2018 £000	Assets 2017 £000
<b>Balances:</b>		
Accelerated capital allowances	<u>20</u>	<u>19</u>
<b>Movements in the year:</b>		<b>2018 £000</b>
Liability/(Asset) at 1 July 2017		(19)
Credit to profit and loss		(1)
Liability/(Asset) at 30 June 2018		<u>(20)</u>

The deferred tax asset set out above is expected to reverse in the future and relates to the utilisation of tax losses against future expected profits of the same period.

The company's deferred tax balances at the reporting date are taxed at an effective rate of 19% (2017: 19%).

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

### 16 Retirement benefit schemes

	2018	2017
	£000	£000
Charge to profit or loss in respect of defined contribution schemes	19	18

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Included within other creditors at the year end were amounts of £3,711 (2017: £nil) for unpaid pension contributions.

### 17 Share capital

	2018	2017
	£000	£000
<b>Issued and fully paid</b>		
50,000 ordinary shares of £1 each	50	50

There is a single class of ordinary shares. There are no restrictions on distributions or the repayment of capital.

### 18 Financial commitments, guarantees and contingent liabilities

There is a cross guarantee in place, in favour of the bank, between Shields Environmental Group (Holdings) Limited, Shields Environmental Investment (Holdings) Limited, Combesgate1 Limited, Shields Environmental Group Limited, Shields Environmental Limited and Netbak Limited. The total net debt at the year end was £2,137,235 (2017: £3,129,884).

### 19 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£000	£000
Within one year	63	63
Between two and five years	111	174
	<u>174</u>	<u>237</u>

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2018

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### **20 Controlling party**

Shields Environmental Group Limited, which is incorporated in England and Wales, is the company's immediate parent undertaking and Shields Environmental Group (Holdings) Limited is the company's ultimate parent undertaking. During the year Shields Environmental Group (Holdings) Limited was controlled by W Rice and R Priddy acting in concert, by virtue of their majority shareholdings and W Rice is a director of that company. Shields Environmental Group (Holdings) Limited prepares group accounts (which is the smallest and largest group of undertakings for which group accounts are drawn up), copies of which can be obtained from the registered office, Kerry Avenue, Aveley, South Ockendon, Essex, RM15 4YE.

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