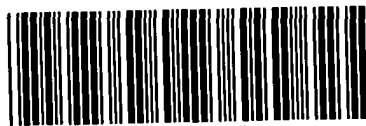


# Shields Environmental Limited

Annual Report and Financial Statements

For the year ended 30 June 2023

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# Shields Environmental Limited

## Company Information

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<b>Directors</b>	D Jones 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>	Moore 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 2023

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Welcome to the CEO statement for the Shields Group for the year ended 30 June 2023.

In this report we will cover our vision, mission and strategy which we have been working towards over the past 8 years using OPEX investment. We will also describe the structure of our financial set-up and how this impacts the reading of these financial statements.

In addition, we set out our 2034 vision on page 9. This is the first time we have shared it publicly.

### Principal activity

The principal activity of the company and the group continues to focus on accelerating the telecoms sector towards a circular economy, creating individual eco-systems, connecting them together through our proprietary software (MarketPlace) and driving the industry towards net zero.

### Fair Review of the Business and Strategy

#### Vision

Enabling the circular economy for the telecoms world.

#### Mission

To bring structural change to the way telecom operators source and maintain their networks by putting the MarketPlace circular economy at the core of their business model, resulting in efficiencies, cost savings and planet benefits.

#### Strategy

The Shields Group service offering is split into 2 core offerings

#### 1. MarketPlace

In 2015, we started a journey to create an eco-system for telecom operators, enabling them to gain visibility of their group assets and view global market availability. This solution is designed to reduce CAPEX and OPEX spend within Telecom Network Operators. It will increase Telecom Operators net revenue, promote reuse and reduce their CO2e footprint by reducing manufacturing of new equipment.

The outcome is MarketPlace, the first telecom network circular economy software.

Key benefits of our MarketPlace solution are:

1. CAPEX and OPEX savings
2. Revenue generation
3. Reduced lead times
4. CO2e avoidance

Our MarketPlace solutions have come to the fore during the year under review as major customers look for ways to save budget whilst driving their important ESG agendas. MarketPlace achieves both. It lowers sourcing costs and avoids 89% CO2e from reuse vs. mining and manufacturing new equipment.

Our ambition for MarketPlace has been further recognised in the year under review when on 27 February 2024 the solution was launched to the entire global telecom eco-system through a partnership with the Global System for Mobile Communications Association (GSMA).

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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Our business was founded in 1979 and has survived many recessions, financial crisis and global pandemics. We expect the GSMA partnership to deliver significant value. We will measure our success in terms of decades and not purely annual accounting periods or the time it takes our planet to circle once around the sun. With this in mind we expect 2024 and 2025 to continue our OPEX investment in the MarketPlace platform and execution of our strategy.

### 2. Telecoms services

Alongside the MarketPlace software, Shields has developed a suite of services that can be used alongside MarketPlace or as stand alone.

These fulfilment services include installation, maintenance and decommissioning services, asset management, testing, environmental compliance.

You can use MarketPlace stand alone or choose to have Shields fulfilment services alongside the software.

### Environmental, social and governance (ESG)

Shields is a pioneer in the area now termed "ESG", from our origins 44 years ago when it was called "Recycling & Environmental Protection". ESG is now a central part of everyday business and as the requirements for the highest environmental standards and associated CO2e reporting demanded progresses, partnering with Shields enables telecom network operators and service providers to meet, exceed and demonstrate they are complying with the most stringent targets for ESG, including their public commitments to Net Zero.

Shields has been securely managing the telecom sectors environmental impacts since the 1970's, promoting reuse, the highest form of recycling, alongside safely recycling into productive use what cannot be re-used evidencing this for our clients through a bespoke software system enabling clients to report on their ESG achievements. Shields is now serving telecom clients in over 30 countries, supplying hundreds of thousands of redeployed parts annually, negating the need to manufacture and therefore reducing carbon emissions.

Shields carried out an independent study that validates 89% CO2e avoidance and saving of planet resources is achieved from reuse of equipment through MarketPlace vs. mining and manufacturing new equipment. This saving can contribute to our customers scope 3 reductions and Net Zero journeys.

The Shields Environmental Group have recently committed to SBTi (the Science Based Targets initiative) setting Environmental Targets pursuing efforts to limit global warming to 1.5°C. You can find details on our public commitments on the SBTi website. The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

For over 44 years Shields have been leading the way in reducing the impact for the telecoms industry, ensuring that re-use of equipment is a primary goal enabling not only large financial savings for our customers, but huge CO2e avoidance figures through creating a circular economy.

Shields recognise that not only is it important to reduce our own environmental impact, but to assist our customers in doing the same. A significant proportion of a network operators GHG emissions will be contained within their scope 3, and Shields' vision has been to create a global circular economy in the Telecoms industry helping our customers drive GHG reductions in their supply chain.

A circular economy is vital in the drive for global GHG reductions.

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

Climate change is the biggest challenge we all face. It is important to the Shields Board and all stakeholders that we commit to reducing our own environmental impacts and those in our value chain to ensure the best future for our business, our employees, our planet, and future generations.

<b>Shields Group total consolidated emissions of CO2 equivalent for the financial year</b>	<b>2023 metric tonnes</b>	<b>2020 metric tonnes</b>	<b>Change metric tonnes</b>
Scope 1 – direct emissions	641.29	601.91	39.39
Scope 2 – indirect emissions	133.96	318.04	(184.08)
Scope 1 + 2	<u>775.25</u>	<u>919.95</u>	<u>(144.70)</u>

This reduction is significant as it is an absolute measure even though the business is growing. We are not allowed to normalise the number. Should we normalise to business levels:

<b>Group intensity ratios</b>	<b>2023</b>	<b>2020</b>
Metric tonnes CO2e per £m turnover	20.97	28.83
Metric tonnes CO2e per employee	3.30	4.65

Under our SBTi commitments of a 42% total emission reduction from FY19/20 by FY29/30, our target in FY22/23 was to be under 804.106MT CO2e which we achieved by 28.856MT.

We are delivering on our public commitments.

### 30 June 2023 year under review

This was another foundation building year for Shields and our core offering of MarketPlace. MarketPlace and our fulfillment solutions have started to be adopted by telecom network operators as a core part of their supply chain strategy to revolutionise the way they source assets for their network, bringing them significant savings, in all areas of financial, operational and planet.

Whilst building the MarketPlace foundations, we have maintained profitability even though all our investment is through the Profit and Loss account. Whilst doing this, we have also maintained our core roots in environmental excellence and the highest standards in all we do.

We have invested heavily in the development of our unique software and the processes that support it. The development cost has been substantial with the software developed as an OPEX investment through the Profit and Loss account. The group is seeing returns on our investments as the platform evolves and the planet wakes up to the need of a global circular economy for telecom network assets.

As the business gains momentum, we anticipate long-term growth in scale, reach, revenue, profitability and cashflow.

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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### Summary

The management team, with the support of its shareholders, have now created and are implementing transformational solutions that enable telecom network operators to maximise the efficiency of their operations whilst pivoting Shields into a leading software and services business.

Our portfolio of solutions minimises the total cost of ownership for our customers networks and integrates highly efficient and cost-effective network build, maintenance and expansion solutions alongside 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 and documented through our unique systems.

Shields continues to set itself apart from the competition by operating to the world leading industry standards of ISO9001, ISO14001, ISO27001, ISO45001 and TL9000.

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.

Finally, the quality and innovation of our services could not be achieved without our dedicated team. Staff retention remains extremely high, and I thank everyone of our team for their dedication and commitment to the delivery of excellence to our clients worldwide.

### Key performance indicators

	2023	2022
	£000	£000
EBITDA (pre-exceptional items and R&D costs)	2,357	597

### Principal risks and uncertainties

The principal risk and uncertainty facing the group is with foreign currencies. With a substantial proportion of the group'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 group'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 group has implemented policies that require appropriate credit checks on potential customers before sales are made.

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

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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

The group 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 group's operations change in size or nature.

### Shareholders additional statement

#### Background

- The Shields Group was acquired by a VC type backed Management Buy In during June 2015.
- As with many similar acquisitions, the transaction was mainly financed by interest bearing shareholder loan notes.
- The loan notes carried interest of over £1m per annum, BUT after the balance sheet date, the loan note holders approved a deed of variation to amend the loan notes to be interest free from inception, increasing group equity by £14m.
- In addition, the goodwill generated by the June 2015 transaction also created a significant annual goodwill charge in the order of £1.3m per annum.
- The result is that the Group has total NON CASH accounting charges to the P&L account of nearly £3m per annum.
- Shields present both Statutory and EBITDA results to reflect the true profitability of the Group.
- The resultant shareholder loans are effectively shareholder funds and have been disclosed as such in the notes. Please see the accounts of Shields Environmental Group Limited for pre-financing consolidated trading position.
- UK GAAP is designed for large companies funded by equity capital rather than the VC structure with thin equity capital and long term loan notes.
- UK GAAP does not therefore reflect the true status of the Shareholders investment within the Shields Group. We believe a better representation is shown in the Group Profit and Loss Account.

#### Financial review: Summary:

- The Shields Group is profitable in cash terms.
- Shareholders have committed to supporting further substantial growth of the business - with a focus on Marketplace and Services.
- The group is fortunate to operate in the telecoms sector and as a result has not been directly negatively impacted by the Coronavirus pandemic. The business has proved to be pandemic and recession proof.

#### Financial review: Conclusion:

- The Shields Group is **Profitable**.
- The Shields Group is **Cash Generative**.
- The Shields Group has significant support from both Shareholder and Bankers to support substantial growth plans.



# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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### History and ownership group

Shields was founded in 1979 by Gordon Shields. The Group has a strong legacy, culture and history. In 2015 a majority stake was acquired and the Management Team took a substantial shareholding, the four principal shareholders are described below:

#### **Tony Rice**

Senior Executive positions (MD, CFO, CEO) in various roles at British Aerospace, Airbus and Tunstall Plc with his executive career culminating in the Chief Executive role at Cable and Wireless Plc, the FTSE International Voice and Data Telco. Tony is now on the Board of three FTSE companies, two of them as Chair. He is also a serial investor and owner of smaller private equity companies and as such is a shareholder and the Chair of Shields Group. He was also involved in an Executive and Non Exec capacity with Orange from its foundation by Hutchison Whampoa and British Aerospace through to its IPO in the mid 1990's.

#### **Robert Priddy**

Entrepreneur and manager who started and built many businesses most notably AirTran and Allegiant and now is a high net worth investor in both large high tech companies as well as a backer of a small number of high potential companies (several in partnership with Tony Rice).

#### **Gordon Shields**

Gordon Shields founded Shields Environmental in 1979, the Company was dealing effectively with clients' environmental issues from the 1980's and became one of the first companies in the world to report publicly on its environmental impact and measure and reduce its CO2 emissions. Winning many awards including the BITC Environmental award.

Using Shields Environmental as an incubator Gordon has created a number of successful businesses, for example he created 'Fonebak' (later renamed Regeneris) the world's most successful mobile phone recycling scheme which won the Queens Award for Industry and which he successfully floated on AIM in 2005 with a market value of £25m – it grew to 4,500 employees and a Market Capitalisation of £300m.

Gordon has served on the Leadership Board of Prince Charles 'Business in the Environment' and the Steering Group for the UK Government's Business Taskforce on Sustainable Consumption and Production, he presented for several years at The University of Cambridge's 'Programme for Sustainability Leadership'. He was invited to become a Fellow of The Royal Society of Arts for his contribution to the Environment.

#### **Daniel Jones & Shields leadership team**

Current Shields management have over 15% ownership in the Group and are committed to delivering success.

The management teams have spent a considerable amount of effort and investment on building a global capability and we now have profitable operations in EMEA and the USA.

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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### Section 172 Statement

As part of our commitment to help all stakeholders understand how our Group is progressing towards our purpose and long-term goals, we will provide a summary using our core value headers:

#### Environment

Environmental responsibility has been and always will be at the heart of everything we do. Every business decision we take has efficiency at the centre. Efficiency should be seen as planet efficiency and financial efficiency. The two are highly connected.

#### People

We care for the people and the planet we inhabit. Our health and safety standards are of utmost importance. Using Maslow's Hierarchy of Needs, once we have addressed physiological and safety needs (shelter, pay, security) we strive to provide belonging, esteem and self-actualisation to our teams. Working within our Shields family is more than just work, we provide a purpose to each day as part of our commitment to saving the planet.

#### Innovation

Our obsession with technology keeps us looking to the future. We strive to evolve and change with the times, we're always looking for new ways to improve and deliver not only for our customers but also for our corporation.

#### Quality

We pride ourselves on the quality we provide our customers. Whether that be the MarketPlace experience we provide. The equipment we provide or the services we deliver, everything we do is held not just to our customers' standards but to our own. We are our own harshest critics and work together to provide a level of quality that is second to none.

The outcome of our vision, mission and strategy will result in the following benefits:

#### Shareholders

Pivot the business towards software driven revenue streams with ESG at the heart, driving differentiation, scale and increase in value.

#### Customers

Our solutions will enable our customers to address their ESG agendas, drive efficiencies which in turn reduces costs and maximises profits and will drive the telecoms circular economy. This will be led by MarketPlace.

#### Employees

We are creating a purpose led organisation that challenges our team every day and drives esteem and self-actualisation.

# Shields Environmental Limited

## Strategic Report (Continued)

For the year ended 30 June 2023

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### **Future developments and financial investment**

The shareholders are absolutely committed to the success of Shields and funding the business as needed to develop its software and services businesses, working capital and staffing needs and will happily discuss more details with any key stakeholder in the Shields Group.

Our vision is to be the leading solutions provider to telecom network operators and telecom service providers.

On behalf of the board



.....  
D Jones

**Director**

Date: 25th March 2024.....

# Shields Environmental Limited

## 2034 Vision

For the year ended 30 June 2023

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To add some buzz to what is normally a repetitive requirement of publishing year end financial statements, we have decided to include our 2034 vision.

This was produced with the next 10-year evolution of our industry in mind and shows how Shields and our MarketPlace solutions will help to shape the future.

### 2034 vision

The year is 2034.

The world has changed. It has been 10 years since climate change and circularity was promoted throughout all industries on planet earth. The reversal of mining, manufacturing and the one-track mindset of purchasing everything new took a while to reverse. Now, people are happy to hold their technology for longer, happy to reuse or delay buying decisions.

The change started slowly, with a few trail blazers from industries with the most significant impact on the planet taking the lead. Power generation, the automotive, aviation and telecom companies made the first moves. Those that could make the largest single impact. During the first few years of 2020 through to 2025 the change seemed immaterial; there were some improvements, but we are talking 1%-3% improvements.

The challenge was in the minority trying to change it for the majority. It took a lot of belief and energy, a constant rhetoric, like a sermon. Eventually however, the repetitive messages, the education and the target setting started to filter into the masses. What was once a corporate message became part of everyday lives. "Do we need to buy it?" was a common household question and whereas in the past decade the answer would have been, "yes" without further thought, the answer now was "no" in many cases. "We can make the current one last longer", or "I am happy to borrow my family's" was another.

The compound effect had taken hold. Small, almost meaningless, immaterial decisions taken every day by 8 billion people started to have a material effect on the planets health from 2025 onwards. In the early 2020's the planet's resources depleted 1.75 times fast than it could regenerate. But as we moved into 2025 that was down to x1.5 times and by 2034 it is now in equilibrium. The planet is now replenishing the resources that humans take out at the same rate of consumption. In theory, we could live for eternity under this method without the worry of the planet burning out.

One industry that had a massive contribution to this improvement was the connected world. From consumer products including phones, tablets and laptops, through to hyperscale data centres and into mobile networks. Each sector had a massive part to play in the reversal of the planets fortunes.

This story focuses on the telecom network sector and the changes it made to help put the customer first. In this case, the customer is the planet.

The journey in networks started in 2015 when there was a realisation that as each new feature was released for the consumer, there was an equal change required in the network infrastructure. Technology advances from 2G, 3G, 4G, 5G and beyond resulted in hardware churn in the network. Each country was developing at different rates, resulting in massive gaps between leading edge networks and emerging networks. This gap could be seen as an opportunity to share hardware. A few operators in the industry started to discuss how a circular economy could be created to enable reuse of network assets.

Since 16 August 1979, a company called Shields had been quietly going about its business of combining business with a passion for the environment. For many decades the financial results meant more than the need for the environmental care in many boardrooms. But not at Shields. Shields always recognised that a balance was needed; a quick dollar today or a sustainable dollar in the long run. Shields chose the latter and built a business model that put the planet at its core, and enabled revenue creation and financial savings for an operator as an output.

# Shields Environmental Limited

## 2034 Vision (Continued)

For the year ended 30 June 2023

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We could say the business model was 40 years ahead of its time but the founder, Gordon Shields, always knew that quality and ethics would one day be more important than fads. As the decades clicked through to 2020 and beyond, the sunlight that cast Shields into a shadow in the corner of the networks world finally crept around and put Shields solutions into full sun.

Shields recognised the importance of its fulfilment and enablement services. The power to execute an idea is greater than just an idea but, Shields also recognised that this tiny company head quartered on the east side of London needed a platform from which to promote and grow its offering. It needed to pivot from an analogue company in a digital world, into a digital company in a digital world.

At around the same time, Shields heard an interview from the CEO of Vodafone where there was talk around concentration in the supply chain and not enough collaboration. Although not directly linked to the planet, and more focused on supply chain risks, Shields cut through the message and formed a strap line within the company that would be answered in many workshops later:

"How do we make Vodafone's network their own biggest supplier?"

The focus on that question, combined with the fulfilment services that Shields already performed resulted in one conclusion - we needed a platform to promote network assets from all operators and all countries, enabling supply (sale) from one country and demand (purchase) from another country.

Shields set about convincing customers that a software platform was needed to enable the vision of "making their network their own biggest supplier". Shields held away day sessions where they walked and talked about the concept and most importantly the execution.

They arrived at a few fundamental takeaways.

Firstly, a MarketPlace was needed to give visibility to all users within an operator. The MarketPlace platform needed to be fun and addictive to use. It needed to promote the use of local assets first. These assets were already in country, purchased and did not need to cross a border. Then it would promote Group assets, assets where most of the value stayed in the group once transacted, family member to family member. Then it would promote Market availability, assets from other operators outside the group or other suppliers. With these three options, combined with the OEM new availability, the operator would have a full supply hierarchy of options to best decide how to run their network.

Next the MarketPlace solution focused on supply and demand. As with any good MarketPlace solution, too much demand and buyers become disgruntled when there is not enough quality produce on the shelf. Too much supply and the sellers become unhappy that they are not selling their goods. The Shields team focused on trying to match demand with supply in equilibrium.

Pricing was initially treated like a commodity, with a spot price for each day and for each part. But over time as adoption took hold, and forecasts were provided, MarketPlace was able to fix price goods for three-month periods. This fixed pricing brought certainty to the operators who could then compare the MarketPlace fixed price with the OEM new catalogue price, signing off savings immediately and enabling a faster buying process for the demand country.

Around 2023, another mindset shift took place. The Telecom operators aided by legislation from the European Union and other countries including USA, China and Japan made it mandatory that 20% of all equipment purchased for use in network be from reused product. This stick approach to an otherwise carrot-based business model (financial and planet) provided the catalyst for full adoption of MarketPlace by 2025. The legislation changes made every operator write a reuse policy, like those found in automotive and aviation, which made the employee feel comfortable with taking reuse as an option over buying new. No longer was a network employee afraid to source from reused over new. In most cases, the reuse option resulted in more credit for the employee, as it led to cost savings, revenue creation, faster lead times and a significant planet benefit. These employees went on to senior positions in the operators due to their stance on ESG.

# Shields Environmental Limited

## 2034 Vision (Continued)

For the year ended 30 June 2023

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By 2025, the solution was clear in that a central MarketPlace solution was needed to consolidate supply and demand, make matches and promote reuse around the same and separate operators.

At this stage the benefits were also clear; reuse of hardware was as good as buying new and the OEM supported the model. Further calculations had been completed and at last there was consensus that 20% of an operator's demand could come from reuse. This matched the new law introduced from governments and everyone was aligned on what was needed.

The challenge then became that everyone knew what they had to do, but in the need for a race to the top, every operator started to develop their own processes for reuse. Some operators used existing ERP systems to track surplus assets for sale. Some operators used Excel and SharePoint to make connections. Some operators built their own MarketPlace solutions. Each solution had their own pros and cons. Some were fast to build and up in a week but had no security or resilience. Some were over engineered and took 5 years to build. Some used operator own part numbers which could not be converted easily into OEM part number language.

Like the past 44 years, Shields spent this time quietly building and refining their own MarketPlace platform. Shields realised that the front end needed to be enticing and be able to compete with the other operators own platforms, but more importantly that the back-end engine needed the ability to connect with the other operator solutions.

The engine needed to act like a sponge. It needed to take in all supply options by operator, by country, by warehouse, by OEM part number and quantity. It needed to take in all demand from operators including the timeframe the demand was needed (who, what, where and when).

Shields set about refining their engine. They built easily digestible API plugs so that any operator in the world could publish supply or send demand searches. The engine was fast and reliable. In an instant it would push back matches of supply for an operator's demand and in the same instant, it would publish the fair market value of the asset so that the buyer knew how much the reuse asset would cost them on the screen, with full logistics and delivery built in. The buyer could instantly see on the screen the difference between the best reuse price and the new OEM price and in that moment, they could feel good about reusing assets, saving the planet and taking a financial saving at the same time.

As soon as the buyer accepted the price, lead time and quantity, the engine pushed back a sales order to the seller and made the selling warehouse pick, pack and ship the order using dispatch labels generated from the engine. The seller would ensure MarketPlace quality guidelines were followed for visual appearance, testing parameters, quality guidelines and packaging. The goods were then dispatched from the selling warehouse direct to the buyer, using the type of feel-good logistics service we see when ordering a product from a world class provider. The shipment was traceable online via a Logistics portal in MarketPlace and an alert was sent at the three main steps of the process to the buyer. The buyer knew what date the goods would arrive.

Quality became a key differentiator for the Shields MarketPlace platform. During the years from 2025 to 2028, MarketPlace worked with the ISO standards to create a new standard - ISO00001 - which set the standards for quality, testing procedures, packing and carbon reporting for reuse of electrical products.

The engine also had another profound effect. As Shields were only rolling out their front end in about 40% of cases, the effort involved in training and helpdesk for users was kept low. Operators with their own solutions had to induct, train and help users on their own platform. The friction and effort of scaling the MarketPlace solution was reducing as the volume of transactions was growing.

Alongside the engine focus, Shields had also silently been building their operational capability. Back in 2022 the Shields business had 7 global locations. Although revenue through to 2034 had multi-bagged, Shields had still only added 3 sites and were now at 10, a multiple increase in revenue with only a few extra sites. This was achieved by virtualisation.

# Shields Environmental Limited

## 2034 Vision (Continued)

For the year ended 30 June 2023

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Virtualisation was broken down into 3 main categories: inbound, inventory and outbound. All supported by the greatest ERP system seen in telecoms.

Shields had focused their talent on the inbound process first. The question they asked is how they received the best product that was needed by operators, without having to receive all hardware at their sites to triage. The question was answered in true Charlie Munger fashion as they flipped the existing process on its head. In 2020, all hardware was received at Shields, scanned, and triaged resulting in about 20% for reuse and 80% for recycling. Why not allow the goods to go direct to recyclers, where 80% of the weight would remain and 20% be sent to Shields centre of excellent locations. To enable this, Shields built a conveyor belt, supermarket style scanning system. Goods would be laid at the start of the conveyer belt, move along where they were visually inspected, scanned, and triaged. The conveyor would split into 2 at the end, with one belt for reuse, where the goods would be tested and packaged and the other for recycle. Post setup, the latest scanning solution only required 3 people; one to feed, one to handle reuse and one to handle recycle. Productivity increased 500% at Shields sites and Shields could see the data from 500+ scanning locations around the world that were receiving and triaging assets for MarketPlace.

At the same time, Shields MarketPlace released a scanning app for mobile devices that enabled engineers in the field, on site, to scan and receive information on a part. This data was used to also build a picture of the install base of an operator, helping to predict demand. At the same time, the app recommended material where there was no global demand, so could be recycled locally at a MarketPlace approved recycling facility, with revenue created shared with the asset owner.

In respect of the inventory virtualisation, Shields realised early on that to open a new warehouse in every country would involve significant cost around building leases and personnel costs. The strategy, as used by Airbnb and Uber, was to leverage existing assets (holiday homes and cars) and turn existing telecom warehouses into the shops of MarketPlace. The main challenges overcome, were that each existing warehouse was used as a distribution centre. They would receive new product, store, and ship to site but at no time was there a commercial transaction. It was all free issue "fresh" stock. The main challenge that MarketPlace overcame in the years between 2023 to 2028, was the ability to send project teams to all warehouses to work with them on becoming shops. The shop needed to have accurate stock levels that could be called off immediately for a financial transaction that the engine recorded. They also needed to adhere to MarketPlace quality and packaging guidelines as above under ISO00001.

Alongside virtualising inventory and customers warehouses, Shields built a vendor portal that encouraged what was once a very hostile and competitive reuse industry, to collaborate more and share inventory. The combination of selling from Shields warehouses, selling from operator warehouses and the ability to see all competition inventory, resulted in the largest network of parts available globally.

The last virtualisation focus was the outbound process. Shields realised early on, that to scale at x20 revenue with only 3 more sites they needed to enable direct to customer shipping. To maintain the integrity of the engine, Shields made sure that all direct to customer shipments went through a nominated shipping partner, which was important for several reasons. Firstly, to ensure quality and consistency of packages and secondly to enable tracking in the logistics app. A process was run and in 2024 a logistics partner was selected to act as the MarketPlace logistics partner of choice, with an additional 2 partners nominated as reserves.

Telecom Services was the next offering that dovetailed into the MarketPlace solution. When a product was needed, MarketPlace offered seamless services offer to install, maintain or remove an asset from the operator network. This effect enabled Shields to layer on additional services and generate additional revenue streams from the MarketPlace eco system.

# Shields Environmental Limited

## 2034 Vision (Continued)

For the year ended 30 June 2023

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The last development in the Shields organisation, that provided the foundations to the above individual controllable projects, which, when added together, result in the power of MarketPlace, was the addition of a data team in 2022. The data team started within all divisions, making sure that all data points in the normal business process were captured. Then came the addition of two dedicated team members, with the result now being a data team of 12, who provide insights to customers and Shields internal operations to make faster, slicker decisions Right First Time. This data ranged from ensuring supply of products, matching supply with demand and reducing risk on fix pricing of MarketPlace reuse products, through to world class reporting to customers on their financial and planet ledgers.

During the years of 2023 to 2028, the Shields MarketPlace solution evolved at the greatest rate of change seen since inception. Those 5 years accounted for the following improvements:

1. World operator agreement on the need for a single MarketPlace (note: launched 27 February 2024 with GSMA)
2. User Experience and addictability in the software
3. Creation of the engine to match supply with demand
4. Virtualisation of transactions

As I sit and write this in 2034, as CEO of Shields, the plans we created in 2020 have come to life.

Clearly the journey has been tough. But the journey has been worth it. The planet is in a better place. We have saved 2.1 billion tonnes of CO2 on the journey, the equivalent of sending 1m people to live on Mars.

Writing this as a reflection on the last twelve years has made me realise the journey we have been on. It's amazing what a small group of trail blazers can accomplish if we share a vision and put our energy into the end goal. It would also have helped if the end goal had been clearer at the start - I hope it is clearer now.



# Shields Environmental Limited

## Directors' Report

For the year ended 30 June 2023

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The directors present their annual report and financial statements for the year ended 30 June 2023.

### Results and dividends

The results for the year are set out on page 21.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### 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

(Resigned 31 December 2023)

### Auditor

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

### 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;
- 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 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.

### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and risk management.

# Shields Environmental Limited

## Directors' Report (Continued)

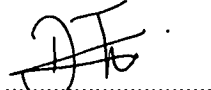
For the year ended 30 June 2023

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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**

Date: 25th March 2024

# 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 2023 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including 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 2023 and of its profit 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

# Shields Environmental Limited

## Independent Auditor's Report (Continued)

### To the Members of Shields Environmental Limited

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#### **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.

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.

# Shields Environmental Limited

## Independent Auditor's Report (Continued)

### To the Members of Shields Environmental Limited

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#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

# Shields Environmental Limited

## Independent Auditor's Report (Continued)

To the Members of Shields Environmental Limited

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### 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 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.

*Moore Kingston Smith LLP*

**Karen Wardell**

**Senior Statutory Auditor**

**for and on behalf of Moore Kingston Smith LLP**

Date: 26 March 2024

**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 2023

	Notes	Continuing operations £000	Discontinued operations £000	30 June 2023 £000	Continuing operations £000	Discontinued operations £000	30 June 2022 £000
<b>Turnover</b>	<b>3</b>	8,561	-	8,561	7,139	235	7,374
<b>Cost of sales</b>		(3,555)	-	(3,555)	(3,941)	-	(3,941)
<b>Gross profit</b>		5,006	-	5,006	3,198	235	3,433
Distribution costs		(1,770)	-	(1,770)	(1,911)	(232)	(2,143)
Administrative expenses		(1,748)	-	(1,748)	(1,233)	-	(1,233)
<b>Operating profit</b>	<b>4</b>	1,488	-	1,488	54	3	57
Interest payable and similar expenses	<b>7</b>	(3)	-	(3)	(3)	-	(3)
<b>Profit before taxation</b>		1,485	-	1,485	51	3	54
Tax on profit	<b>8</b>	(82)	-	(82)	121	-	121
<b>Profit for the financial year</b>		1,403	-	1,403	172	3	175
Retained earnings brought forward				805			630
Retained earnings carried forward				2,208			805



# Shields Environmental Limited

## Balance Sheet

As at 30 June 2023

		2023		2022	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		136		169
<b>Current assets</b>					
Stock	11	37		164	
Debtors	12	7,086		5,845	
Cash at bank and in hand		1,195		594	
		<u>8,318</u>		<u>6,603</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,171)</u>		<u>(5,889)</u>	
Net current assets			2,147		714
<b>Total assets less current liabilities</b>			2,283		883
<b>Provisions for liabilities</b>			(25)		(28)
<b>Net assets</b>			<u>2,258</u>		<u>855</u>
<b>Capital and reserves</b>					
Called up share capital	15		50		50
Retained earnings			2,208		805
<b>Total equity</b>			<u>2,258</u>		<u>855</u>

The financial statements were approved by the board of directors and authorised for issue on 25th March 2024 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 2023

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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, Aveley, 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 pounds.

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 2023

### 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 and reviewed the group in which this company operates as a whole.

As at 30 June 2023, the group consolidated financial statements show the following key performance indicators:

	2023 £000	2022 £000
<b>Consolidated EBITDA (pre-exceptional items and R&amp;D costs)</b>	<b>3,568</b>	<b>3,778</b>
Group net liabilities	(18,325)	(19,172)
Add back: Shareholder loan notes (1)(2)	23,993	26,458
<b>Non VC impacted group balance sheet value</b>	<b>5,668</b>	<b>7,286</b>

(1) The Loan Notes represent amounts due to the Shareholders. The earliest contractual due date for repayment of this loan is 8 June 2030.

(2) The interest rate on the Loan Notes has been reduced to 5% with effect from 1 July 2022. After the balance sheet date, a deed of variation has been entered into by the loan note holders to amend the loans notes to be interest free from inception. The effect of this reduces the loan note balance by £14,217,000. This will drive value into equity, and more specifically the Sweet Equity which will drive benefit and engagement with our employees.

The directors of the group, and operating subsidiary companies, have prepared detailed budgets and cash flow forecasts for the period up to 30 June 2024 as well as more generic forecast to 30 June 2026. These show that the group will operate within the current bank facilities, which are expected to be renewed on similar terms.

As a result the directors believe that the group has the ability to continue to trade profitably, and meet liabilities as they fall due, for a period of at least twelve months from the date of approval of the financial statements.

#### 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.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

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### 1 Accounting policies

(Continued)

#### 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.

#### 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.

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.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

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### 1 Accounting policies

(Continued)

#### **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 transaction 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.

##### **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.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

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### 1 Accounting policies

(Continued)

#### 1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 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 in the period are included in profit or loss.

#### 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 10 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.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

### 3 Turnover and other revenue

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

	2023 £000	2022 £000
<b>Turnover</b>		
Rendering of services	4,450	4,200
Product sales and MarketPlace	4,111	3,174
	<u>8,561</u>	<u>7,374</u>

#### Turnover analysed by geographical market

	2023 £000	2022 £000
United Kingdom	5,704	5,035
Europe	2,135	1,960
America	437	92
Rest of world	285	287
	<u>8,561</u>	<u>7,374</u>

### 4 Operating profit

	2023 £000	2022 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(101)	84
Fees payable to the company's auditor for the audit of the company's financial statements	15	15
Depreciation of owned tangible fixed assets	81	81
Profit on disposal of tangible fixed assets	(15)	(23)
Operating lease charges	444	219
	<u></u>	<u></u>

### 5 Employees

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

	2023 Number	2022 Number
Administration and management	10	10
Sales and marketing	12	13
Processing	53	58
	<u>75</u>	<u>81</u>

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

5	Employees	(Continued)	
	Their aggregate remuneration comprised:		
		2023	2022
		£000	£000
	Wages and salaries	2,670	2,852
	Social security costs	262	297
	Pension costs	52	51
		<u>2,984</u>	<u>3,200</u>
6	Directors' remuneration		
		2023	2022
		£000	£000
	Remuneration for qualifying services	92	75
		<u>92</u>	<u>75</u>
	The amount of contributions payable by the company to defined contribution schemes in relation to the director's during the year was £1,321 (2022: £1,321).		
7	Interest payable and similar expenses		
		2023	2022
		£000	£000
	Interest on bank overdrafts and loans	3	3
		<u>3</u>	<u>3</u>
8	Taxation		
		2023	2022
		£000	£000
	Current tax		
	UK corporation tax on profits for the current period	-	(85)
	Adjustments in respect of prior periods	85	(43)
	Total current tax	<u>85</u>	<u>(128)</u>
	Deferred tax		
	Origination and reversal of timing differences	(3)	7
	Total tax charge/(credit)	<u>82</u>	<u>(121)</u>

On 1 April 2023, the UK corporation tax rate increased from 19% to 25%. Therefore, the effective tax at 30 June 2023 is 25%.



# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

### 8 Taxation

(Continued)

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

	2023 £000	2022 £000
Profit before taxation	1,485	54
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%)</i>	371	10
Tax effect of expenses that are not deductible in determining taxable profit	6	1
Tax effect of utilisation of tax losses not previously recognised	(141)	-
Adjustments in respect of prior years	85	(43)
Effect of change in corporation tax rate	(3)	-
Depreciation on assets not qualifying for tax allowances	-	4
Enhanced research and development deduction	(236)	(119)
Research and development tax credit	-	26
Taxation charge/(credit) for the year	82	(121)

The aggregate amount of research and development expenditure recognised as an expense during the period is £944,846 (2022: £482,407).

### 9 Discontinued operations

#### 5G Deployment

In June 2021, the board took the decision to discontinue a business segment in the United Kingdom, 5G Deployment. The discontinued operation was not performing in line with the business plan with significant additional investment and working capital needs. At that time, all estimated termination costs and costs that were committed to at 30 June 2021 in relation to these contracts were accrued and classified as discontinued operations along with income and costs incurred during 2021. Any remaining income and expenditure in connection with the ceased business segment, incurred in year ended 30 June 2022, that was not previously accrued has been classified as discontinued operations in 2022. There are no discontinued operations for year ended 30 June 2023.

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

### 10 Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At 1 July 2022	332	40	372
Additions	48	-	48
Disposals	(20)	(24)	(44)
At 30 June 2023	360	16	376
<b>Depreciation and impairment</b>			
At 1 July 2022	163	40	203
Depreciation charged in the year	81	-	81
Eliminated in respect of disposals	(20)	(24)	(44)
At 30 June 2023	224	16	240
<b>Carrying amount</b>			
At 30 June 2023	136	-	136
At 30 June 2022	169	-	169

### 11 Stock

	2023 £000	2022 £000
Finished goods and goods for resale	37	164

### 12 Debtors

	2023 £000	2022 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	965	1,001
Corporation tax recoverable	-	232
Amounts owed by group undertakings	5,712	4,307
Prepayments and accrued income	409	305
	7,086	5,845

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

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

	2023 £000	2022 £000
Trade creditors	1,197	924
Amounts due to fellow group undertakings	3,740	3,041
Other taxation and social security	120	131
Other creditors	10	7
Accruals and deferred income	1,104	1,786
	<u>6,171</u>	<u>5,889</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.

### 14 Retirement benefit schemes

	2023 £000	2022 £000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>52</u>	<u>51</u>

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.

### 15 Share capital

	2023 Number	2022 Number	2023 £000	2022 £000
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50</u>	<u>50</u>

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

### 16 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:

	Liabilities 2023 £000	Liabilities 2022 £000
<b>Balances:</b>		
Accelerated capital allowances	<u>25</u>	<u>28</u>

# Shields Environmental Limited

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2023

### 16 Deferred taxation

(Continued)

	2023 £000
<b>Movements in the year:</b>	
Liability at 1 July 2022	28
Credit to profit and loss	(3)
	<hr/>
Liability at 30 June 2023	25
	<hr/>

The deferred tax liability set out above is expected to reverse in the future and relates to accelerated capital allowances that are expected to mature within the same period.

The company's deferred tax balances at the reporting date are taxed at an effective rate of 25% (2022: 25%).

### 17 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:

	2023 £000	2022 £000
Within one year	477	177
Between two and five years	648	450
	<hr/>	<hr/>
	1,125	627
	<hr/>	<hr/>

### 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 £nil (2022: £1,715,196).

### 19 Ultimate 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.