

**NRC Environmental Services (UK)  
Limited**

**Annual Report and Financial Statements**

**Year Ended**

**31 December 2017**

**Company Number SC185760**



## **NRC Environmental Services (UK) Limited**

### **Company Information**

<b>Directors</b>	N. A. Challis A. Harman G. Shor
<b>Company secretary</b>	Burness Paul LLP
<b>Registered number</b>	SC185760
<b>Registered office</b>	50 Lothian Road Festival Square Edinburgh EH3 9WJ
<b>Auditor</b>	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
<b>Solicitors</b>	Burness Paul LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ

## **NRC Environmental Services (UK) Limited**

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## **NRC Environmental Services (UK) Limited**

### **Strategic Report For the Year Ended 31 December 2017**

#### **Business review**

NRC Environmental Services (UK) Limited achieved a turnover of £5,996,788 (2016 - £6,644,950) in the year with a net loss before taxation of £1,688,209 (2016 - loss of £1,712,602).

Turnover from overseas territories have decreased from £416,706 to £223,130. Domestic sales have continued to be challenging as the year progressed as a consequence of falling oil price globally. This has significantly reduced the profitability of the oil and gas sector which has sought to reduce costs via activity reduction (e.g. decommissioning oil rigs) or via cost cutting measures. As the company is a supplier mainly to this industry the demand for the company's services has fallen. The company has become loss making in the face of an increasing cost base as previously established economies of scale are lost or reduced along with the reduction in revenue.

The company is actively looking at diversification into other business sectors, taking current capabilities with slight modifications to equipment and moving into more land based civil works. Turnover from civil works increased to £2,655,866 (2016 - £1,870,146). Further opportunities are also being explored in the sewage maintenance and water sectors.

#### **Principal risks, uncertainties and financial instruments**

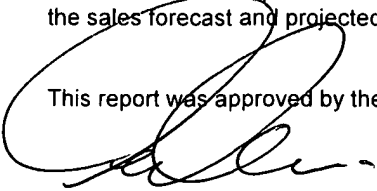
The principal risks and uncertainties facing the group are broadly categorised as follows:-

- **Liquidity risk:** liquidity risk arises from the company's management of working capital. The directors review cash flow projections on an ongoing basis. The company operates within its available cash resources and, following the acquisition by NRC, liquidity no longer poses a threat to the company due to the support provided by the NRC group.
- **Market risk:** while the demand for the company's services in the market has declined significantly since the global fall in oil prices, more recent improvements in the oil and gas market and renewed general stability in the oil price suggest a slightly more optimistic outlook. With active measures taken to move into other sectors, it is anticipated that diversification to the current business will compensate for the current reduction in business.
- **Credit risk:** the company policy is to minimise exposure to losses of defaulting customers with credit terms only being granted to customers who satisfy predetermined credit worthiness requirements. Credit limits are reviewed regularly in conjunction with debt ageing and collection history.
- **Currency risk:** foreign exchange risk arises when the company enters into transactions denominated in a currency other than the functional currency. The company policy is to reduce currency exposure on hedging any large projects, where necessary, to mitigate currency loss.

#### **Financial key performance indicators**

In reviewing performance of the company, the Board considers key performance indicators including sales, gross profit margin, overheads, net profit margin and EBITDA. These are monitored monthly against the forecast and, where necessary, corrective action is highlighted and implemented. The company reviews sales on a 13 week look ahead basis, identifying in advance any shortfalls or peaks which affect resources and enable the business to plan accordingly. The company monitors equipment usage on a daily basis providing a comprehensive overview of requirements, future investment and priorities for refurbishment and maintenance. Cash is critical to any business and therefore is managed on a daily basis with a 13 week look ahead matched to the sales forecast and projected cash balances.

This report was approved by the board on *12 October 2018* and signed on its behalf.

  
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**N. A. Challis**  
Director

## **NRC Environmental Services (UK) Limited**

### **Directors' Report For the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

#### **Principal activity**

The company provides a specialised cleaning service and rental of specialised equipment for the oil and gas and civil sectors.

#### **Results and Dividends**

The loss for the year after taxation amounted to £1,788,805 (2016 - loss £1,732,984).

The directors do not recommend payment of a dividend (2016 - none).

#### **Directors**

The directors' who served during the year were:

N. A. Challis  
A. Harman  
G. Shor

#### **Going concern**

During the year the company has made a loss of £1,788,805 (2016 - £1,732,984) but has net current assets of £4,113,669 (2016 - £5,014,586) and net assets of £8,924,783 (2016 - £10,713,588). The ultimate parent company has confirmed that it intends to provide financial support over at least a period of 12 months from the date of approval of these financial statements. The directors believe that it is therefore appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from financial support being withdrawn.

#### **Environmental matters**

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

#### **Future developments**

The directors expect the oil and gas sector to remain challenging in 2018, expecting a small upturn in the market activity later in the year. In addition to optimising its oil and gas services, the company will continue to develop its non oil and gas services in the UK market and develop its overseas activities with a particular focus on West Africa, The Middle East, The Far East, Trinidad and Mexico in collaboration with NRC group affiliates.

**NRC Environmental Services (UK) Limited**

**Directors' Report (continued)  
For the Year Ended 31 December 2017**

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


**Post balance sheet events**

There have been no significant events affecting the company since the year end.

**Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *12 October 2018* and signed on its behalf.



**N. A. Challis**  
Director

## **NRC Environmental Services (UK) Limited**

### **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 judgments and accounting estimates that are reasonable and prudent; and
- 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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.

## **NRC Environmental Services (UK) Limited**

### **Independent Auditor's Report to the Members of NRC Environmental Services (UK) Limited**

#### **Opinion**

We have audited the financial statements of NRC Environmental Services (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 31 December 2017 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.

#### **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.



## **NRC Environmental Services (UK) Limited**

### **Independent Auditor's Report to the Members of NRC Environmental Services (UK) Limited (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the strategic report and the directors' 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.

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

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 director's 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.

## **NRC Environmental Services (UK) Limited**

### **Independent Auditor's Report to the Members of NRC Environmental Services (UK) Limited (continued)**

#### **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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **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.



**Alastair Rae** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Glasgow  
United Kingdom

17 October 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**NRC Environmental Services (UK) Limited**

**Profit and Loss Account  
For the Year Ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	3	<b>5,996,788</b>	6,644,950
Cost of sales		<b>(3,134,877)</b>	(2,838,615)
Exceptional cost of sales	10	<b>(100,697)</b>	(197,471)
<b>GROSS PROFIT</b>		<b>2,761,214</b>	3,608,864
Administrative expenses		<b>(3,809,999)</b>	(4,956,037)
Exceptional administrative expenses	11	<b>(584,299)</b>	(306,295)
<b>OPERATING LOSS</b>	4	<b>(1,633,084)</b>	(1,653,468)
Interest receivable and similar income	7	-	1,727
Interest payable and similar charges	8	<b>(55,125)</b>	(60,861)
<b>LOSS BEFORE TAX</b>		<b>(1,688,209)</b>	(1,712,602)
Tax on loss	9	<b>(100,596)</b>	(20,382)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(1,788,805)</b>	(1,732,984)

There was no other comprehensive income in the year (2016 - £Nil).

The notes on pages 11 to 27 form part of these financial statements.

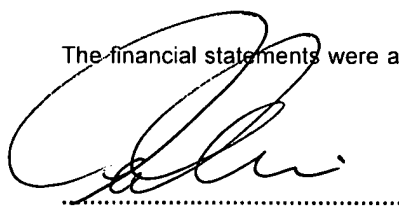
**NRC Environmental Services (UK) Limited**  
Registered number: SC185760

**Balance Sheet**  
**As at 31 December 2017**

	Note	2017 £	2017 £	2016 £	2016 £
<b>FIXED ASSETS</b>					
Tangible assets	12		4,837,514		6,010,156
			<u>4,837,514</u>		<u>6,010,156</u>
<b>CURRENT ASSETS</b>					
Stocks	13	497,301		919,541	
Debtors: amounts falling due within one year	14	3,724,140		4,926,252	
Cash at bank and in hand	15	608,400		445,739	
		<u>4,829,841</u>		<u>6,291,532</u>	
Creditors: amounts falling due within one year	16	(716,172)		(1,276,946)	
<b>NET CURRENT ASSETS</b>			<u>4,113,669</u>		<u>5,014,586</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,951,183</u>		<u>11,024,742</u>
Creditors: amounts falling due after more than one year	17		(26,400)		(148,700)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred grants	20	-		(162,454)	
			<u>-</u>		<u>(162,454)</u>
<b>NET ASSETS</b>			<u><u>8,924,783</u></u>		<u><u>10,713,588</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		250,500		250,500
Share premium account	21		807,952		807,952
Capital redemption reserve	21		372,000		372,000
Profit and loss account	21		7,494,331		9,283,136
			<u>8,924,783</u>		<u>10,713,588</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

*12 October 2018*



.....  
**N. A. Challis**  
Director

The notes on pages 11 to 27 form part of these financial statements.

**NRC Environmental Services (UK) Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2017**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2016</b>	<b>250,500</b>	<b>807,952</b>	<b>372,000</b>	<b>11,016,120</b>	<b>12,446,572</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>					
Loss for the year	-	-	-	(1,732,984)	(1,732,984)
<b>At 1 January 2017 and 31 December 2016</b>	<b>250,500</b>	<b>807,952</b>	<b>372,000</b>	<b>9,283,136</b>	<b>10,713,588</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>					
Loss for the year	-	-	-	(1,788,805)	(1,788,805)
<b>AT 31 DECEMBER 2017</b>	<b>250,500</b>	<b>807,952</b>	<b>372,000</b>	<b>7,494,331</b>	<b>8,924,783</b>

The notes on pages 11 to 27 form part of these financial statements.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies**

##### **1.1 General Information**

NRC Environmental Services (UK) Limited is a private company, limited by shares, registered in Scotland and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's principal activities is set out in the directors' report. The financial statements have been prepared on a going concern basis in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

##### **1.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### **1.3 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sureclean Holdco Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.4 Going concern**

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the directors assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of at least 12 months from the date of approval of the financial statements.

During the year the company has made a loss of £1,788,805 (2016: £1,732,984) however has net current assets of £4,113,669 (2016: £5,014,586) and net assets of £8,924,783 (2016: £10,713,588). The ultimate parent company has confirmed that it intends to provide financial support over the next 12 months if required. The directors believe that it is therefore appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from financial support being withdrawn.

##### **1.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised in respect of specialised cleaning services provided to customers at the point at which the service is provided and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **1.6 Exemption from preparing consolidated financial statements**

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

##### **1.7 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.7 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% - 15% straight line
Plant and machinery	- 10% - 50% straight line
Motor vehicles	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

##### **1.8 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### **1.9 Operating leases: the company as lessor**

Rental income from operating leases is credited to the profit and loss account on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (01 January 2014) to continue to be charged over the period to the first market rent review rather than the term of the lease.

##### **1.10 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.



## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.11 Research and development costs**

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project. Costs not meeting these criteria are recognised in the profit and loss account.

##### **1.12 Valuation of investments**

Investments in subsidiaries are measured at cost less provision for impairment.

##### **1.13 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### **1.14 Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **1.15 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.16 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

##### **1.17 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.18 Government grants**

Grants are accounted for under the performance model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account when the performance-related conditions are met. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

##### **1.19 Creditors**

Short term creditors are measured at the transaction price.

##### **1.20 Foreign currency translation**

###### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

##### **1.21 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **1.22 Leased assets: the company as lessee**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the company so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

## **NRC Environmental Services (UK) Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2017**

#### **1. Accounting policies (continued)**

##### **1.23 Pensions**

###### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **1.24 Interest receivable**

Interest receivable is recognised in the profit and loss account using the effective interest method.

##### **1.25 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# **NRC Environmental Services (UK) Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

### **2. Judgments in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually for impairment and a number of factors are taken into account. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock is reviewed annually for any potential indicators of impairment taking into account the condition of the stocks and the historic utilisation of the stock. Where required an impairment is recognised in the profit and loss account.

The debtors are reviewed for any potential irrecoverable amounts and, where applicable, a specific provision for doubtful debts is raised.

### **3. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Rigwork	<b>306,895</b>	1,039,884
Offshore	<b>3,034,027</b>	3,734,920
Civil	<b>2,655,866</b>	1,870,146
	<b>5,996,788</b>	<b>6,644,950</b>

Analysis of turnover by country of destination:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>5,773,658</b>	6,183,244
Rest of the world	<b>223,130</b>	461,706
	<b>5,996,788</b>	<b>6,644,950</b>

# **NRC Environmental Services (UK) Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

### **4. Operating loss**

The operating (loss) is stated after charging/(crediting):

	2017 £	2016 £
Research & development charged as an expense	64	2,754
Depreciation of tangible fixed assets - owned	970,090	1,224,507
Depreciation of tangible fixed assets - held under hire purchase contracts	211,925	254,703
Impairment of tangible fixed assets	166,610	-
(Profit)/loss on sale of tangible fixed assets	(3,899)	(2,000)
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	21,600	27,000
Operating leases - property	336,000	283,112
Difference on foreign exchange	-	(31,875)
Defined contribution pension cost	141,779	152,252
	<u>141,779</u>	<u>152,252</u>

### **5. Employees**

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	2,816,466	3,084,157
Social security costs	297,652	373,996
Cost of defined contribution scheme	141,779	152,252
	<u>3,255,897</u>	<u>3,610,405</u>

The company has a total of 78 (2016 - 87) employees consisting of 44 operational staff members (2016 - 56) and 34 administration staff members (2016 - 31).

### **6. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	-	162,466
	<u>-</u>	<u>162,466</u>

The highest paid director received remuneration of £Nil (2016 - £162,466).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2016 - £Nil).

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**7. Interest receivable**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	-	1,727
	<u>-</u>	<u>1,727</u>
	<u><u>-</u></u>	<u><u>1,727</u></u>

**8. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Finance leases and hire purchase contracts	55,125	60,861
	<u>55,125</u>	<u>60,861</u>
	<u><u>55,125</u></u>	<u><u>60,861</u></u>

**9. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Adjustments in respect of previous periods	(15,495)	(4,929)
	<u>(15,495)</u>	<u>(4,929)</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	-	25,311
Foreign tax in respect of prior periods	25,310	-
	<u>25,310</u>	<u>25,311</u>
<b>Total current tax</b>	<b>9,815</b>	<b>20,382</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	101,462	-
Effect of tax rate change on opening balance	(10,681)	-
	<u>90,781</u>	<u>-</u>
<b>Total deferred tax</b>	<b>90,781</b>	<b>-</b>
<b>Taxation on profit on ordinary activities</b>	<b>100,596</b>	<b>20,382</b>
	<u><u>100,596</u></u>	<u><u>20,382</u></u>

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**9. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(1,688,209)</u>	<u>(1,712,602)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(324,922)	(342,520)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	90,009	1,189
Fixed asset differences	12,095	10,558
Adjustments to tax charge in respect of prior periods	(15,495)	(4,929)
Short term timing difference leading to an increase in taxation	(40,230)	96,555
Foreign tax credits not recoverable	25,310	25,311
Deferred tax not recognised	353,829	234,218
<b>Total tax charge for the year</b>	<u><u>100,596</u></u>	<u><u>20,382</u></u>

**Factors that may affect future tax charges**

There are carried forward tax losses of £2,142,697 (2016 - £1,003,910) that have not been recognised.

**10. Exceptional costs - Cost of sales**

	2017 £	2016 £
Stock impairment	100,697	197,471
	<u><u>100,697</u></u>	<u><u>197,471</u></u>

**11. Exceptional costs - Administrative expenses**

	2017 £	2016 £
Redundancy costs	-	306,295
Fixed asset impairment	166,610	-
Provision for intercompany debt	417,689	-
	<u><u>584,299</u></u>	<u><u>306,295</u></u>



**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**12. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	2,865,574	15,769,333	633,290	19,268,197
Additions	127,968	48,143	-	176,111
Disposals	-	(5,577)	-	(5,577)
At 31 December 2017	2,993,542	15,811,899	633,290	19,438,731
<b>Depreciation</b>				
At 1 January 2017	319,149	12,327,249	611,643	13,258,041
Charge for the year	57,833	1,117,004	7,178	1,182,015
Disposals	-	(5,449)	-	(5,449)
Impairment charge	-	166,610	-	166,610
At 31 December 2017	376,982	13,605,414	618,821	14,601,217
<b>Net book value</b>				
At 31 December 2017	2,616,560	2,206,485	14,469	4,837,514
At 31 December 2016	2,546,425	3,442,084	21,647	6,010,156

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	665,598	1,418,802
	665,598	1,418,802

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**13. Stocks**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<b>497,301</b>	919,541
	<b>497,301</b>	919,541

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense (excluding impairment) was £316,191 (2016 - £384,210).

An impairment loss of £100,697 (2016 - £197,471) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock. This is shown as an exceptional cost of sale. The cumulative amount of the provision recognised against stock held is £298,168 (2016 - £197,471).

**14. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>823,866</b>	1,335,442
Amounts owed by group undertakings	<b>2,270,902</b>	2,854,076
Other debtors	<b>53,802</b>	284,385
Prepayments and accrued income	<b>575,570</b>	336,258
Tax recoverable	-	25,310
Deferred taxation	-	90,781
	<b>3,724,140</b>	4,926,252

**15. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>608,400</b>	445,739
	<b>608,400</b>	445,739

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**16. Creditors: Amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>311,856</b>	575,447
Amounts owed to group undertakings	<b>545</b>	545
Other taxation and social security	<b>62,304</b>	72,240
Obligations under finance lease and hire purchase contracts	<b>138,096</b>	367,684
Other creditors	<b>33,564</b>	114,456
Accruals and deferred income	<b>169,807</b>	146,574
	<b>716,172</b>	1,276,946

Net obligations under finance leases and hire purchase contracts are secured over the assets to which they relate.

**17. Creditors: Amounts falling due after more than one year**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Net obligations under finance leases and hire purchase contracts	<b>26,400</b>	148,700
	<b>26,400</b>	148,700

**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Within one year	<b>138,096</b>	367,684
Between 1-2 years	<b>26,400</b>	122,300
Between 2-5 years	<b>-</b>	26,400
	<b>164,496</b>	516,384

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**19. Deferred taxation**

	<b>2017 £</b>
At beginning of year	<b>90,781</b>
Charged to profit or loss	<b>(90,781)</b>
<b>At end of year</b>	<b>-</b>

The deferred tax asset is made up as follows:

	<b>2017 £</b>	<b>2016 £</b>
Accelerated capital allowances	-	90,781
	-	90,781

The company has a potential deferred tax asset of £629,259 not recognised at the year end (2016 - £260,171).

**20. Accruals and deferred income**

	<b>Government grants £</b>
At 1 January 2017	<b>162,454</b>
Utilised in year	<b>(162,454)</b>
<b>At 31 December 2017</b>	<b>-</b>

**21. Reserves**

**Share premium account**

The share premium arose on the purchase of the company's shares by the shareholders.

**Capital redemption reserve**

The capital redemption reserve arose on a restructure of the share capital in 2014.

**Profit and loss account**

The profit and loss account represents the cumulative historical profits and losses to date less any dividends historically paid.

# **NRC Environmental Services (UK) Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2017**

### **22. Share capital**

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
2,505,000 Ordinary shares of £0.10 each	<u><b>250,500</b></u>	<u><b>250,500</b></u>

The shares have equal voting, dividend and capital distribution rights.

### **23. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £141,779 (2016: £152,252). Contributions totalling £30,655 (2016: £95,539) were payable to the fund at the balance sheet date and are included in creditors.

### **24. Commitments under operating leases - lessee**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	<b>336,000</b>	336,000
Later than 1 year and not later than 5 years	<b>1,344,000</b>	1,344,000
Later than 5 years	<b>588,000</b>	924,000
	<u><b>2,268,000</b></u>	<u><b>2,604,000</b></u>

### **25. Related party transactions**

The company has taken advantage of the exemption not to disclose transactions with other wholly owned group companies as conferred by Section 33.1A of FRS102.

### **26. Parent and ultimate controlling party**

Sureclean Limited is wholly owned by Sureclean Holdco Limited which is ultimately owned by JF Lehman & Company. JF Lehman & Company, incorporated in the US, is both the ultimate parent undertaking and the controlling party at 31 December 2017.

Sureclean Holdco Limited is the smallest group for which the company is included in consolidated financial statements. These are publicly available and can be obtained from Companies House. JF Lehman & Company is the largest group for which the company is included in a consolidation. These are not publicly available.

**NRC Environmental Services (UK) Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2017**

**27. Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Sureclean International Limited	Ordinary	100 %	The company provides a specialised cleaning service and rental of specialised equipment.
Sureclean AS	Ordinary	100 %	The company is dormant.

<b>Name</b>	<b>Registered office</b>
Sureclean International Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Sureclean AS	C/o Leif Kielsen, Regnskapskontor, Hanaveien 4, 4327 Sandnes, Norway

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	<b>Aggregate of share capital and reserves</b>	<b>Profit/(loss)</b>
	<b>£</b>	<b>£</b>
Sureclean International Limited	(401,866)	(178,126)
Sureclean AS	-	-
	<hr/>	<hr/>